The Fourth Chronic Poverty Report

Growth

Chronic Poverty Advisory Network

Chronic Poverty Advisory Network

CPAN is a network of researchers, policy makers and practitioners across 17 developing countries (Bangladesh, Benin, Burkina Faso, Cambodia, Ethiopia, Ghana, India, Kenya, Nepal, Niger, Pakistan, Philippines, Rwanda, Senegal, South Africa, Tanzania, Uganda, Viet Nam) focused on tackling chronic poverty and getting to zero extreme poverty and deprivation. It is looking to expand this network to the 30 countries with the largest numbers of poor people, and it is planning to launch a consultancy service to help countries 'get to zero'. It has a 'hub', which is currently hosted by the Overseas Development Institute in London.

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Front cover: Cecile Dosseh, 60, runs a makeshift grocery in the streets of Bè-Ablogamé, a rundown neighborhood in the port district of Lomé, the capital of Togo. Photo: Stephan Gladieu / World Bank

Acknowledgements

Acknowledgements

Thanks to the writers listed on the front cover, to the following reviewers: Alison Brown, Fabio Clementi, Alex Cote, Karine Garner, Tiffany Griffin, Mats Hårsmer, Kerry Max, Lynn Michelopoulos, Germano Mwabu, Elina Scheja and Dirk Willem te Velde; as well as to Stefania Perna for coordinating the production of this report and to interns working with CPAN over this period: Nehaal Bajwa, Sophie Bridonneau and Dhruva Mathur.

Financial support for the first draft of this report was provided by USAID, as part of a wider grant focused on the research on sustained escapes from poverty reported here; the Gates Foundation's grant to ODI for work on Leave No One Behind funded dissemination of the report. GAC funded CPAN's work on the economic empowerment of the poorest women; GIZ/BMZ supported policy guides on social protection; and Australian Aid supported CPAN's earlier work on pro-poorest economic growth and macroeconomic policy, which is featured in this report. A grant from the Mastercard Foundation and DFID's Accountable Grant to ODI supported the work on financial inclusion that features in Chapter 5. CPAN's work on anti-discrimination measures has been supported by UNICEF, SDC, Sweden's EBA, and Save The Children UK.

While all this financial support is gratefully acknowledged, responsibility for the findings, conclusions and policy and programming implications rests with the authors.

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Acronyms and abbreviations

AfDB	African Development Bank
AIR	American Institutes for Research (US)
ASCA	accumulating savings and credit association
BMZ	Federal Ministry for Economic Cooperation and Development
CAR	Central African Republic
CESSP	Cambodia Education Sector Support Project
CPAN	Chronic Poverty Advisory Network
DAC	Development Assistance Committee
DALY	disability adjusted life year
Danida	Danish International Development Agency
DFID	UK Department for International Development
DRC	Democratic Republic of Congo
DRT	Development Research and Training (Uganda)
ECCD	early childhood care and development
EMDCs	emerging markets and developing countries
FAO	Food and Agricultural Organization of the UN
FCAS	fragile and conflict-affected states
FDI	foreign direct investment
FHH	female-headed household
G2P	government to people
GAC	Global Affairs Canada
GDP	gross domestic product
GIC	growth incidence curve
GIZ	German Development Corporation
GovEff	government effectiveness
HDI	Human Development Index
ICRW	International Center for Research on Women
ICT	information and communication technology
IFs	International Futures
IFAD	International Fund for Agricultural Development
IFI	international financial institution
IISD	International Institute for Sustainable Development
ILO	International Labour Organization
IMF	International Monetary Fund
IPAR	Institute of Policy Analysis and Research (Rwanda)
IT	information technology
JFPR	Japan Fund for Poverty Reduction
KAM	Kenya Association of Manufacturers
LDC	least developed country
LIC	low-income country
L-LMIC	lower lower-middle-income country
LMIC	lower-middle-income country
M&E	monitoring and evaluation
MBF	Mama Bahati Foundation
MHH	male-headed household
MIC	middle-income country
MSMEs	micro, small and medium enterprises
NAFTA	North American Free Trade Agreement
NER	net enrolment ratio
NISER	Nigerian Institute of Social and Economic Research
NGO	non-governmental organisation
NRM	natural resource management
NRR	natural resource rents
ODA	official development assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PATH	Programme of Advancement through Health and Education (Jamaica)
PEPPI	Poverty Eradication Policy Preparedness and Index
PISA	Programme for International Student Assessment
PMJDY	Pradhan Mantri Jan Dhan Yojana financial inclusion scheme (India)
PNB	Pay No Bribe
PP^2G	pro-poorest growth
PRI	Institutional Revolutionary Party (Mexico)
PSAV	political stability and absence of violence
PSNP	Productive Safety Net Programme (Ethiopia)
ROSCA	rotational savings and credit association
SC	Scheduled Caste
SCAPS	severely conflict-affected poor state
SDG	Sustainable Development Goal
SEWA	Self-Employed Women's Association (India)

Sida	Swedish International Development Cooperation Agency
SMEs	small and medium enterprises
ST	Scheduled Tribe
TVET	technical and vocational education and training
UK	United Kingdom
U-LMIC	upper lower-middle-income country
UMIC	upper-middle-income country
UN	United Nations
UNDP	UN Development Programme
UNECA	UN Economic Commission for Africa
UNESCO	UN Educational, Scientific and Cultural Organization
UNICEF	UN Children's Fund
US	United States
USAID	US Agency for International Development
VA	voice and accountability
VICOBA	village community banking
VSLA	village savings and loans association
WDI	World Development Indicators
WEE	women's economic empowerment
WEF	World Economic Forum
WHO	World Health Organization
WIEGO	Women in Informal Employment: Globalizing and Organizing
WTO	World Trade Organization

Overview

A woman cutting bamboo to weave into baskets. Vientiane, Lao PDR. Photo: Stanislas Fradelizi / World Bank

The objective of this fourth international Chronic Poverty Report is to put in front of economic policy-makers in developing countries and international agencies evidence about the type of growth and the policies and interventions that will best allow the poor to escape poverty and stay out of it through growth. Chronic Poverty Reports are the flagship publications of the Chronic Poverty Advisory Network, and formerly of the Chronic Poverty Research Centre. Previous Chronic Poverty Reports have been generic. This report has a theme – economic growth and poverty reduction among the poorest groups.

The 'big idea' embedded in this report is that most governments promote 'growth from above', involving large, formal investments, while most people escape poverty through 'growth from below', involving small, usually informal, investments by individuals and households, enabled or disadvantaged by their working environments. Evidence from a growing database of country studies of poverty dynamics shows that most people sustaining their escapes from poverty do so through growth from below, even in countries where growth from above is generating jobs.

Governments therefore need to balance their promotion and support for these two types of growth in order to maximise the rate of future poverty reduction. They also need to ensure that efforts to support people out of poverty through growth both from above and below are not then undermined by an absence of complementary policies and programmes that help prevent people slipping back into poverty, or falling into poverty in the first place.

Growth does usually reduce poverty, certainly, but with much variation – from substantial impacts, through attenuated impacts – and there are also episodes where it does not, or where growth may be immiserising. There are countries that have grown little, or only in a volatile way, where this, combined with other crises (governance, conflict, climate change), creates a 'perfect storm' from which escape is challenging. There are countries that have grown much but reduced poverty little. Given these varied contexts, it is not surprising that extreme poverty incidence has reduced at variable rates. In addition, even among those who escape poverty or who have been above, but not far above, the poverty line, huge vulnerability remains, which can be countered at least in part through policies and programmes.

'Growth from above' reduces poverty rapidly where it includes a hefty investment in labour-intensive manufacturing, and much less rapidly where this does not occur, in some cases because the polarisation induced by economic development based on minerals or high-tech services inhibits poverty reduction. Most growth today is from the services and primary (minerals) sectors. This report analyses the industrial and other policies needed to promote job-rich growth from above.

'Growth from below' is critical for most poor and vulnerable people but remains unrecorded and much harder to promote. This report analyses policies and programmatic approaches that directly help people out of poverty through the informal economy, women's economic empowerment and the inclusion of most marginalised groups, agriculture, the rural non-farm economy and migration. Strategies include greater recognition by government of the informal economy and promotion of small and micro enterprises, together with the progressive extension of principles of the decent work agenda, as countries become able to remove critical constraints on the roles of poor women; revising policies so that smart, sustainable agricultural solutions can be made to pay and agricultural labourers can benefit from agricultural growth; and bringing the non-farm rural economy centre stage alongside agriculture in poverty reduction strategies and programmes. Migration and urbanisation also need recognition as positive channels for poverty reduction, with urbanisation policies and programmes designed to facilitate the entirety of the poverty reduction project.

The enabling environment for growth to help sustain escapes from poverty and tackle chronic poverty is multi-faceted: macroeconomic policy alongside anti-discrimination measures, infrastructure, human development and social protection. Some of these – macroeconomic policy and infrastructure development – typically receive extensive policy attention, others are considered to more varying degrees.

Political settlements that encourage a higher translation of growth into poverty reduction typically occur where there is a degree of shared national vision among elites and an absence of excessive political/electoral contestation, giving those with power the opportunity to focus on designing, implementing and evaluating policies to see what works best across a context-specific range of areas. Representation of the interests of the poorest by comparison with those of business or the middle class remains problematic, and special efforts to balance these different interests are needed by political parties, civil society and development partners. The participatory poverty assessments of the early 2000s gave the poor themselves a significant voice in the policy process, something that has usually been missing since then.

Projecting growth and poverty reduction into the future suggests growth will be strong in low- and middle-income countries (on average), which means that this report's focus on what type of growth and accompanying measures will sustain people's escapes from poverty is extremely pertinent for those countries. Some of the accompanying measures highlighted by the projections include enhancing agricultural yields, keeping children in education for longer and tackling corruption.

Executive Summary

A group of people gather water from a trough. Photo: Curt Carnemark / World Bank

The overarching theme of this report is that most escapes from poverty, and especially most sustained escapes, are achieved through 'growth from below': small, usually informal investments in agriculture, the rural non-farm economy and the urban informal sector, which are variably supported and/or promoted (or disabled) by government and international agency policies. More government and international agency attention typically goes to promoting 'growth from above': medium- to large-scale, formal and better measured investments. The report argues for a rebalancing of support for growth from above with greater support for growth from below to speed up progress on reducing poverty.

The first part of the report is analytical, focused on poverty, poverty dynamics and growth and drawing together findings from research on poverty dynamics carried out by the authors and others working with the Chronic Poverty Advisory Network (CPAN). The second and main part is a comprehensive analysis of the growth-related policies and programmes that will reduce chronic poverty, enable sustained escapes from poverty and prevent impoverishment. The third part sets these priorities in the contexts of South Asia and sub-Saharan Africa and projects trends and the impact of some key policy variables through to 2030.

The report is the fourth in a series of international Chronic Poverty Reports and is the second 'themed' report (the 2014–2015 report was on the Road to Zero Extreme Poverty). Future reports are planned on social inclusion and governance and on climate change.

Part 1: Growth and poverty reduction

Poverty

This analysis is designed to reiterate that escaping poverty is not a one-way street: people can escape and stay out of poverty, or they can fall back in. Others still are unable to escape poverty.

Global rates of progress on reducing poverty mask stark inequalities within countries and overlook a set of countries making little to no progress owing to a 'perfect storm' of factors.

Escaping to just above the poverty line does not guarantee avoiding falling back into extreme poverty. In many countries, transitory escapes outnumber sustained escapes. Vulnerability owing to ill-health and the absence of universal health coverage or expansionist household demographics, drought-prone rural or remote location, gender inequality and adverse social relationships are key distinguishing factors of temporary escapes and fresh impoverishment.

Resilience capacities that reduce poverty vary by country but common factors include secondary education, access to employment (often through migration), income diversification, good social relationships and effective risk-management policies. Access to education may not be enough where links from education to labour markets are not strong. Non-farm employment or businesses are often part of the mix, but they can also entail risks that can impoverish, as can agriculture.

Chronic poverty is found especially where there are intersecting inequalities together with (or that create) spatial poverty traps, in certain sectors (agriculture, construction, domestic work and among homeworkers) and in the informal economy, but there are also strong cross-country differences in the dependence of the chronically poor on casual labour compared with self-employment. Poor women may be especially likely to be chronically poor, given unequal access to property, institutions including markets, incomes and opportunities, and limited social networks. Poor women with disabilities can face a 'triple discrimination'.

Disability is the most powerful single shock and inhibitor of progress out of poverty, given the additional barriers facing those with disabilities to accessing education, economic opportunities or building and maintaining social capital. Impoverishment is more usually caused by several shocks in combination or sequence, of which ill-health is the most common.

Growth

This analysis shows that governments tend to promote 'growth from above', while most sustained escapes from poverty are achieved through 'growth from below', discussed below.

Growth often leads to poverty reduction, and higher growth leads to faster poverty reduction, but with varied effects for the poor. This is true on a country level but also on a sub-national level (e.g. in India).

'Growth from above' policies typically pursued by governments may include promoting foreign direct investment (FDI) and large and medium enterprises; investment in hard and soft infrastructure; or direct support to firms through tax holidays or grants/subsidies. Where this leads to economic transformation based on labour-intensive manufacturing, the impacts on poverty can be especially positive. Where it leads to polarisation (the concentration of people at the bottom or top of the income distribution over time), the impacts are much more restricted. Polarisation results from reliance on commodities and is especially evident in Africa (as well as a number of other commodity-reliant countries such as the Russian Federation and Brazil). It results in a growing divide between the bottom 30–40% of the population and the rest (Clementi et al., 2018).

'Growth from below' is what most poor people, who mainly operate outside of the confines of the formal economy, have to rely on to get out of and stay out of extreme poverty. This is often informal, agriculturally based and poorly (if at all) recorded, despite accounting for a large proportion of employment and income growth in most developing countries, and despite having been the object of extensive research since the 1970s. This sort of growth is the cumulative impact of individual enterprises, which may be supported by development policies or programmes, or may occur despite a business environment that is hostile to such enterprises.

Historically, in a proportion of growth episodes poverty is not reduced or actually increases ('immiserising growth'). This has been less noticeable during the post-2000 high-growth period but, as the rate of growth reduces, may become more frequent again. Approaches to countering immiserising growth generally emphasise better access to services, infrastructure and employment but tend to ignore other causes, such as discrimination, violence, land dispossession, environmental destruction and the effects of technological or structural change, among others (Shaffer et al., 2019).

Anti-poorest growth (where the poorest people lose out absolutely or compared with others) is associated with indicators that suggest poor governance (in terms of effectiveness, voice and accountability and risk of violence). Countries with high levels of poverty-reducing growth perform much better on governance indicators.[1]

From a cross-country analysis, the key determinants of different distributional impacts of growth include volatility, which is associated with a dependence on FDI and minerals (the enclave nature of much mineral-based growth) and has especially significant implications in Africa; and the quality of macroeconomic policy, economic policies to promote diversification and, critically, management of revenue from growth, whatever its source.

A number of low-income countries (LICs) have experienced a 'perfect storm' of concurrent and ongoing factors – volatility, poor government effectiveness, low aid and high environmental vulnerability – and this is true of a number of lower-middle-income countries (LMICs) as well, though the latter do not experience growth volatility to the same extent (Diwikar and Shepherd, 2017).

Comprehensively promoting growth from below is rare among developing country governments, somewhat less rare among donors and more or less absent from FDI.

Part 2: Balancing growth from above with growth from below

Employment-rich growth from above

This analysis addresses the question of how to achieve the sort of 'growth from above' that contributes most positively to poverty reduction.

A pro-poor industrial policy can enable government to direct public investment to favour growth in sectors with the highest growth potential and with the highest likelihood of generating pro-poor employment. These include labour-intensive manufacturing, where productivity and working conditions improve, leading to higher-quality employment with wages, health and safety and fringe benefits on an improving trajectory. There is a complementary focus on 'decent work', with interventions to support minimum wages, which adds job security, social protection, freedom to organise and equal treatment for women and men. Effective regulation, monitoring and sanctioning are needed to support such trends.

This report innovates by suggesting that, especially where a minimum wage does not exist or cannot be implemented, labour market tightening (reducing the supply of labour) is a further complementary policy approach. This is focused especially on policy measures that would allow people who currently have to participate in the labour market but who should not have to – people with (severe) disabilities, children, older people, carers – to exit the labour market; and policy measures to allow people who currently do not have enough work, and are therefore always available at very low wages, to have more work, and therefore to be a little less available at very low wages.

Labour market tightening measures include provision of accessible family planning services; measures to keep children in school for longer, including those from marginalised groups; social protection that enables carers, severely disabled and older people to reduce their involvement in the labour market appropriately; measures against child labour; and public works programmes. They could also include promoting agricultural development and non-farm self-employment, and even international migration, which can all stem the supply of labour into national and local labour markets.

Turning a youth bulge, which is especially prominent among the poorest people, into a demographic dividend involves not only the traditional 'supply-side' measures to make poor young people job-ready, including social and community services and financial inclusion, but also 'demand-side' measures to support investment in labour-intensive sectors in a targeted way (agriculture, light manufacturing, fishing, artisan mining, construction). Governments will need to provide the hard and soft infrastructure and services these sectors need in order to see increased investment and job creation, as well as to extend decent work arrangements into these sectors. Designing, implementing and evaluating job placement schemes, or entrepreneurship training targeted at their age cohort, can help young people into labour markets.

Growth from below

This report's central argument is that 'growth from below' creates the conditions that enable poor people to escape and then stay out of poverty but is neglected by policy-makers in many contexts.

Governments need to develop and implement a cross-government plan to improve the quality and quantity of work for the poorest and most marginalised people in the informal economy, including through increased capacities and informal workers' protections. Urban informal workers need freedom from evictions and other negative regulations, or at the least mitigating measures, and associations that can support advocacy against adverse policies and enable access to social protection. Given its importance, the urban informal economy does not feature strongly enough in this report, and a separate treatment is planned.

Women's economic empowerment is key to growth and poverty reduction. Enabling women to obtain the necessary education and skills, to get hold of information, to own assets, to equitably access employment and self-employment and to engage politically is all essential to overcome barriers to their full economic engagement, as well as being critical to driving growth.

While essential for empowerment, the complexity and contested nature of improving women's rights to property ownership (including land) means that other measures to empower poor women need to advance in parallel with longer-term, slower-burn efforts to reform property rights.

Financial inclusion for the chronically poor, especially for women, can be achieved by supporting initiatives to increase access to and use of financial services such as savings and credit groups, mobile money and formal bank accounts, and by distributing government subsidies through financial services, which help ensure a more efficient allocation of social protection. Creating a financial services graduation 'ladder' from savings and credit societies, through microfinance and cooperatives, to banks, with linkages in between, would help the unbanked obtain access to more tools for smoothing consumption and making investments.

Access to savings and credit groups has particularly positive effects among poor households. This is particularly important in helping avoid the impoverishing effects of microcredit. This is acute where loans are taken to repay previous loans, leading to a debt spiral. Connections among suppliers are badly needed to prevent this.

An integrated approach to the provision of financial services and business development, with combinations of formal banking services, grants, training and mentoring, can also help reach the poorest women, men and youth.

Support to smallholder farmers through affordable, reliable and sustainable inputs, knowledge-intensive production systems, land reform, market information and other policies to address the substantial market constraints and risks for poor and marginal farmers is instrumental to 'growth from below'. 'Modern' is no longer restricted to agri-business, high-input mono-cropping, but also includes 'smart' modern science-based approaches married with traditional insights that work (e.g. poly-cropping and nutrient recycling). Large, private investment in agri-business and contract farming can support smallholder farm diversification and the development of stable markets, as well as the development of decent wage labour employment in agriculture. However, this should not be at the expense of support to smallholder farm households and systems.

In many countries, while there may be limited political scope for land redistribution in favour of smallholder farming, even supporting the acquisition of titles to homesteads and gardens can make a big difference to the welfare, social status and productive capacity of landless women and men.

A sound regulatory environment protecting and enabling farm workers and the rural non-farm economy as well as the urban informal economy is also key to growth and poverty reduction.

All of the above needs to be applied to marginalised groups in ways which suit their varied capabilities and address the often overlapping disadvantages they face – poor people with disabilities and poor older people who remain in the workforce, and marginalised ethnic and racial groups.

Enabling factors

The report has already presented the political settlements that can best reduce poverty. These need to encompass a number of enabling policy measures. Employment-rich growth from above and growth from below will not happen unless a number of potential barriers and constraints are addressed. Enabling factors that are especially important for the poorest and most marginalised, and to sustain escapes from poverty, include infrastructure investment, human development, anti-discrimination measures and macroeconomic policy.

Affordable infrastructure may require financial support to make it accessible for the poorest people. The example of energy suggests that current subsidies are often regressive, but that tariff structures can be used to target subsidies to the poorest consumers and to reduce their upfront investment costs.

Access to a reliable electricity supply enables investment in higher-productivity enterprises in the urban and rural non-farm as well as the farm economy, and enables job creation. It can also lead to increased and higher-productivity participation in self-employment or the labour market, especially for women – for example in home-based livelihoods such as cold drinks supply or food processing. Complementary investments in pro-poor business development services will be required to enable poor people to take advantage of electricity for business development.

The critical policy interventions to enable electricity access and improved cooking technologies and fuel for the poorest will vary depending on the level of progress already made by national electrification schemes in providing access to electricity. Where access is high or growing, the critical areas for policy reform may be other issues, such as financial inclusion. However, in all cases, policies also need to lead to investment in environmentally sustainable energy sources, and renewables can be especially effective in extending energy to remote, underserved areas.

Human development is faster in countries with pro-poorest growth (PP^2G) – the virtuous circle identified in the 1990s persists. To reach the poorest people, universal measures need to be complemented by carefully targeted measures, in situations where targeting errors can be kept under control. Where targeting errors are large and cannot easily be reduced, universal measures are more appropriate.

The risks of non-investment in human development include protracted violent conflict. The majority of countries with low Human Development Index scores are conflict-affected.[2]

Early childhood development (from conception to the first two years as well as the pre-school period) generally does not receive enough investment, but is critical to the wellbeing of all children and especially the poorest. If successful, this will help the poorest children in terms of education and in later life (Rao et al., 2013). In Africa, only one in five children has access to early childhood education. It is easier to develop services for zero to two year olds where there are good existing health services to build on (Daelmans et al., 2016). It is a much bigger investment to develop pre-school education.

Improving education so growth can deliver better poverty dynamics and faster poverty reduction means the poorest students need not only functional levels of literacy and numeracy but also market-relevant transferrable skills (e.g. communication and problem-solving), as well as technical and vocational skills once the first two skill sets have been built. The expansion of opportunities in education has led, and will continue to lead, to a pressing requirement to improve the quality of education alongside measures to keep poor children in school for longer through school feeding, scholarships, free uniforms, textbooks and equipment, sanitation and hygiene investments and safety measures to prevent gender-based sexual violence and exploitation, as well as addressing barriers preventing children with disabilities and others from accessing and remaining in school. The improvement of often tiny, unregulated, unregistered private schools in urban as well as rural areas is a further issue governments have to address.

Linking education to the labour market is a powerful facilitator of escaping poverty but is generally left to the student to accomplish. Market-based curriculum development and entrepreneurship training in mainstream schools, and greatly enhanced investment in technical and vocational education and training and apprenticeships with private sector (small and informal as well as medium/ large) involvement in programmes, as well as institutional governance, are valuable ways of developing such links.

Social protection, including cash transfers to the poor and employment guarantees, is now widely recognised as an essential support to inclusive or pro-poor growth. At a macro level the evidence suggests social protection is more important for poverty reduction than it is for growth, but at a micro level there is strong evidence of it contributing to income growth. The contribution depends on coverage, the size of transfers or payments, and the quality of programme implementation. If schemes are designed to support participation in labour markets, this will have the greatest effect.

Combinations of social protection instruments achieve the greatest impact – existing programmes that add new components, integrated programmes with sequenced forms of support and programmes with links to other complementary services can all achieve better impact than single-focus programmes.

Given the significance of impoverishment, and of ill-health as a major cause of this, it is right that many countries are turning to universal health insurance to promote the coverage of health services, in combination with improved quality of services.

Anti-discrimination measures focused on labour markets, education and political representation lay a foundation for reducing exploitation or exclusion of groups of people who are otherwise unlikely to participate fully in economic growth, including poor women, ethnic, religious and racial minorities, people with disabilities, and poorer older and younger people.

Anti-discrimination measures focused on getting institutions to deliver services that poor people depend on without prejudice are critical. For example, schools need to include girls, students with disabilities, migrant children and minority groups on equal terms, for which teachers often need significant additional training and other measures are necessary, for example inclusive education measures focused on disabled students. Early childhood development and pre-schools can also be targeted to these groups. Education in the mother tongue provides additional opportunities for inclusion of minorities. Other significant institutions where work is needed to reduce discrimination include health, the police and judiciary and both large and small employers.

Where they exist, anti-discrimination measures are often weakly implemented, and multiple measures are often required. For example, the Philippines has combatted discrimination against people with disabilities through legislation, a distribution of responsibilities across ministries, tax incentives for employers and enforcement mechanisms, including fines and imprisonment for some offences. Public awareness of anti-discrimination legislation and the possibilities for seeking redress is also important.

Macroeconomic policy aims to maintain the stability of economic activity and prices (inflation), both in turn important for sustained gross domestic product (GDP) growth and thus most policy objectives laid out in this report. Policy interventions to shift one macroeconomic variable have impacts on other variables, making trade-offs necessary. Macroeconomic policy is deeply political because interventions have uneven distributional impacts, even though the net benefit to the economy may be positive. The poor are largely absent from macroeconomic policy debates because they contribute little in value terms to macroeconomic variables – most of their economic activity is informal. In addition, their political voice in most countries is muted.

Macroeconomic policy is especially challenging in developing countries. Their structural challenges make these economies less resilient – standard policy instruments are less robust, and responses from firms and households less flexible. A common example is that foreign exchange to pay for essential imports becomes scarce because exports are too narrow, comprising a few natural resource commodities whose prices depend on global markets.

Notwithstanding the structural constraints, macroeconomic policy choices are possible, and these may be more or less pro-poor. There may be choices on the composition of public expenditure, or the time-horizon of adjustment (how quickly fiscal deficits or inflation should be lowered).

Sharp rises in inflation, especially in food prices, are a major problem for the poor in a crisis, but the standard monetary policy tool to lower inflation (i.e. raising interest rates), is of limited help with food prices, and targeted subsidies and social protection may be more effective. Countries with large numbers of poor people need to increase resilience in the medium and long term, through building food and forex stocks, diversifying exports and raising agricultural productivity. All these require public investment, but this is difficult to maintain in crises.

Part 3: Priorities in context

South Asia

The strongest pro-poor growth performance in South Asia has been in Bangladesh, where a combination of labour-intensive garment manufacturing, state-supported smallholder agricultural development and education and health services have made rapid poverty reduction possible without a strong social protection initiative. This has been achieved by increasing land and labour productivity and rises in real wages.

Elsewhere, wage labour market tightening combined with social protection has been a more important driver of poverty reduction, alongside growth.

Growth most frequently translates into sustained escapes from poverty through accumulation of assets – housing, business equipment, land, durable goods, livestock – and education, which are the micro drivers of poverty reduction.

Sub-Saharan Africa

In sub-Saharan Africa, the relationship between growth and poverty reduction is highly variable. The elasticity of poverty with respect to growth is over 2 in non-African economies and below 2 on average in Africa. This is arguably because of horizontal inequalities along ethnic lines, which promote conflict.

There are numerous conflict-affected African countries that need to start a growth process once peace is achieved. As elsewhere, sustaining a pattern of pro-poor growth over time is challenging. The long list of policy deficits in many countries is daunting. However, not enough is known about achieving and sustaining growth and translating this into poverty reduction. The enabling factors and, growth from below, strategies discussed in the report are especially important, since the economic transformation Africa is achieving is largely services- and minerals-based, which will not reduce poverty rapidly. The political will can be found, as illustrated by the cases of Ethiopia, Ghana and Rwanda.

Projections

The report uses the International Futures model of the world economy to project growth and poverty reduction into the future (to 2030). This model is 'the most sophisticated and comprehensive forecasting modelling system available to the public. IFs uses our best understanding of global systems to produce forecasts for 186 countries to the year 2100.'[3] Highlights of the analysis include the following:

- Growth in LICs and LMICs is projected to be strong – over 5% GDP growth by 2030.
- The impact of growth on poverty is enhanced with stronger human development outcomes – for example, additional years of education can have strong benefits; so could a halving of fertility rates in sub-Saharan Africa.
- A doubling of agricultural yields would lead to lower poverty and higher GDP growth. Conversely, lowered yields (a very real risk with climate change) could lead to greater numbers of people in extreme poverty.
- Reduced corruption could also have big impacts on both poverty and growth.

These findings broadly confirm some of the emphases of earlier sections of the report: the importance of enabling factors (education, fertility outcomes and institutional development/reduced corruption) and the importance of growth from below (agricultural productivity increases).

Political economy

The political settlements that encourage a higher translation of growth into poverty reduction typically occur where there is a degree of shared national vision among the wealthy and an absence of excessive political/electoral contestation, allowing policy-makers to get on with the time-consuming job of designing, implementing and evaluating policies to see what works best across a context-specific range of policy areas. Representation of the interests of the poorest by comparison with those of business or the middle class remains unbalanced, requiring special efforts by political parties, civil society and development partners (as with the participatory poverty assessments of the early 2000s).

Notes

1 Inclusive governance is the focus of the next Chronic Poverty Report.

2 Average HDI scores since 2000 are lower for fragile states (0.48) compared with other developing countries (0.64). Of course, correlation is not causation. The causality instead goes both ways: i) a heightened risk of conflict could stem from underinvestment in development for certain marginalised groups fuelling socioeconomic grievances, but also ii) conflict-affected areas may be disinclined or unable to invest in human development infrastructure

3 IFs online, version 7.37 (http://www.ifs.du.edu/ifs/frm_MainMenu.aspx)

Part 1: Poverty reduction and growth

The Fourth Chronic Poverty Report Growth

Olivia Nankindu, 27, surveys the fruits of her labor in the waning afternoon sunlight on her farm near Kyotera, Uganda. Photo: © Stephan Gladieu / World Bank

1 Escaping and remaining out of poverty

Madame Aziamadi Massan, 70, is the neighborhood herbalist in the streets of Bè-Ablogamé, a rundown neighborhood in the port district of Lomé, Togo's capital. She sells cures for malaria, high blood pressure, anemia, eye problems, sexual impotence and anything else that ails you. Photo: Stephan Gladieu / World Bank

Key points

- Global rates of progress on reducing poverty mask stark inequalities among countries and overlook a set of countries making little to no progress as a result of a 'perfect storm' of factors, which include the levels and volatility of growth in least developed countries and other factors in middle-income countries. In these countries, achieving sustained escapes from poverty could be expected to be harder than elsewhere.
- Escaping to just above the poverty line is no guarantee of not falling back into extreme poverty (i.e. a temporary or transitory escape from poverty). In many countries, especially but not only in Africa, transitory escapes may outnumber sustained escapes (where a household escapes poverty and then stays out of it for a number of years at least).
- Resilience capacities contributing to sustained escapes from poverty, even in the face of a shock or stress, include income diversification, access to employment or self-employment (increasingly through migration and technical skills), secondary education, social capital, and effective risk-management policies. These capacities can often be enough to face single risks (with the exception of severe disabilities and natural disasters, both of which are highly impoverishing), but combinations of risks can be more challenging.
- Large proportions of the populations of developing countries are 'vulnerable near-poor', having to face down the probability of becoming poor. The capacities to do so can be the same as those enabling sustained escapes, or broader.
- Chronic poverty is found especially where there are intersecting inequalities and spatial poverty traps, and in certain sectors (e.g. agriculture, construction, domestic and home-based work). There are strong cross-country differences in the dependence of the chronically poor on casual labour compared with self-employment.
- Poor women may be especially likely to be stuck in poverty, given unequal access to property, institutions (including markets), incomes and opportunities, as well as limited social networks. Poor women with disabilities can face a 'triple discrimination'.

This report deliberately approaches economic growth from a poverty perspective, so starts with an analysis of poverty dynamics in the context of a cross-country analysis of progress towards poverty eradication. The expectation is that economic growth should result in sustained escapes from poverty over time; 'promoting' people into a state where they are vulnerable to poverty, from which they can easily fall back into poverty, is not enough.

1.1. Chronic poverty

Our focus in this report is on the interactions between growth and poverty dynamics, as laid out in the 2014–2015 Chronic Poverty Report, The Road to Zero Extreme Poverty (CPAN, 2014). 'Poverty dynamics' refers to the often extensive mobility around the poverty line – the escapes from poverty, impoverishment, what distinguishes sustained escapes from temporary escapes, and chronic poverty.

Chronic poverty is 'extreme poverty that persists over years or a lifetime, and that is often transmitted intergenerationally' (CPAN, 2014). Chronically poor people often experience compounding multiple deprivations reflecting the residual nature of chronic poverty. In other words, the chronically poor are also 'left behind' by growth and development, often involuntarily, or otherwise adversely incorporated into these processes.

The drivers of chronic poverty are varied and range from the individual to group or community contexts. At the individual and household level, the chronically poor may regularly go without food, suffer from chronic illness and experience intersecting inequalities (e.g. on the basis of age, gender, disability or other markers), leading to multiple deprivations. Children in remote areas, for example, may find it harder to access education – an 'intangible asset' that helps promote longer-term resilience in the face of shocks and stresses. On a macro level, the chronically poor are often left behind in economic development and face political marginalisation (CPAN, 2014).

In 2008 it was estimated that there were approximately half a billion chronically poor people globally (CPAN, 2008). However, the exclusion of the poorest from survey data renders this figure a likely underestimate. The very constraints that make an individual chronically poor also often render them invisible in data collection. For example, the poorest may be street-dwellers, temporary migrants or mobile populations not typically captured in household survey data. They may not hold national identity cards, which are sometimes used as identifiers in census surveys (Carr-Hill, 2012).

If the correlates of chronic poverty are included, such as high levels of dependency, working in agricultural or other casual labour, being in a poor woman-headed household, being in a poor household with severely disabled members or being in a poor household living in a historically marginalised area – all of which may mean being stuck in poverty – then a bigger group among the poor might be identified as chronically poor.

And, as demonstrated later in this chapter, many people who escape poverty, only to sit near the poverty line, do fall back in (they are re-impoverished or make only a transitory escape), so could also be considered persistently poor. The UN Development Programme (UNDP) has calculated that the poor and the near-poor together constituted 2.2 billion people in 2014 (UNDP, 2014).

Has chronic poverty reduced proportionately as the incidence of extreme poverty (US$1.90 per day) has reduced globally? We do not know much, as few countries have sufficient pairs of panel surveys.

Table 1 summarises the kinds of information we have based on available panel data. Only the Uganda surveys are consistent enough across the waves to be treated as a trend – and doing this shows a decrease in chronic poverty. The other countries all use different panels, and so cannot indicate a trend. However, what is interesting is that they are all picking up important proportions of households that are poor at two points in time.

1.2. Sustained escapes from poverty

Pro-poor growth could be expected to generate not just escapes from poverty but sustained escapes, and to enable people to make progress away from extreme poverty towards higher levels of welfare and, at the same time, to build resilience in the face of shocks that could otherwise bring them back into poverty. A quantitative and qualitative study covering 11 countries developed the following understanding of why some households had managed to sustain escapes out of extreme poverty while others had fallen back in.[1] The high proportion of households falling back into poverty was a main finding of the 2014–2015 Chronic Poverty Report (CPAN, 2014).

Too many escapes from poverty have been temporary, especially but not only in Africa, and there is too much impoverishment (Figure 1). This emphasis on sustained escapes is in addition to people emerging from poverty in the first place, of course. Related to avoiding temporary escapes is avoiding impoverishment in the first place.

Impoverishment and temporary escapes added together often exceed sustained escapes (Figure 2). These impoverishment ratios give some ideas of why poverty reduction trends may slow down, go into reverse or be greater than expected over time. For example, in East Africa, while Ethiopia has so far maintained a positive poverty reduction record, albeit with relatively few sustained escapes, elsewhere poverty reduction has recently either slowed to next to nothing in net terms (Rwanda) or increased (Uganda).

Almost everywhere, this means that the proportions of people achieving sustained escapes are probably much

Table 1: Chronic and extreme poverty trends for selected countries, 1990s–2010s (% incidence of poverty using national poverty lines)

	1990s	2000s	2010s	Trend	Extreme poverty, 2002	Extreme poverty, 2013
Ethiopia		12- from 15 rural communities (1999–2009)	44 (2011/12–2015/16)	Increasing	47.57	29.32
Malawi		42 (1997/98–2002)	19 (2010–2013)		72.84	70.44
South Africa	40 (1993–1998)	38 (1998–2004)	47 (2008–2014/15)	Increasing	31.37	17.52
Uganda	20 (1992/93–1999/00)	11 (2005/06–2009/10)	9 (2010/11–2013/14)	Decreasing	64.29	35.82
Bangladesh (Rural)	31 (1987/88–2000)	9 (2006–2010)	18- USAID FTF Zones of Influence (2011–2015)	Increasing	33.94	16.84
Indonesia	9 (1997–1998)	3 (2000–2007/08)		Decreasing	22.97	9.38
Viet Nam	29 (1993–1998)	17 (2002–2004)	6 (2014–2016)	Decreasing	37.96	2.78

Notes: This table is provided for illustrative purposes only. In most instances, the panels across decades comprise different samples and are not strictly comparable. National poverty lines also vary across countries and so may partly explain some of the low rates of chronic poverty (i.e. Uganda).

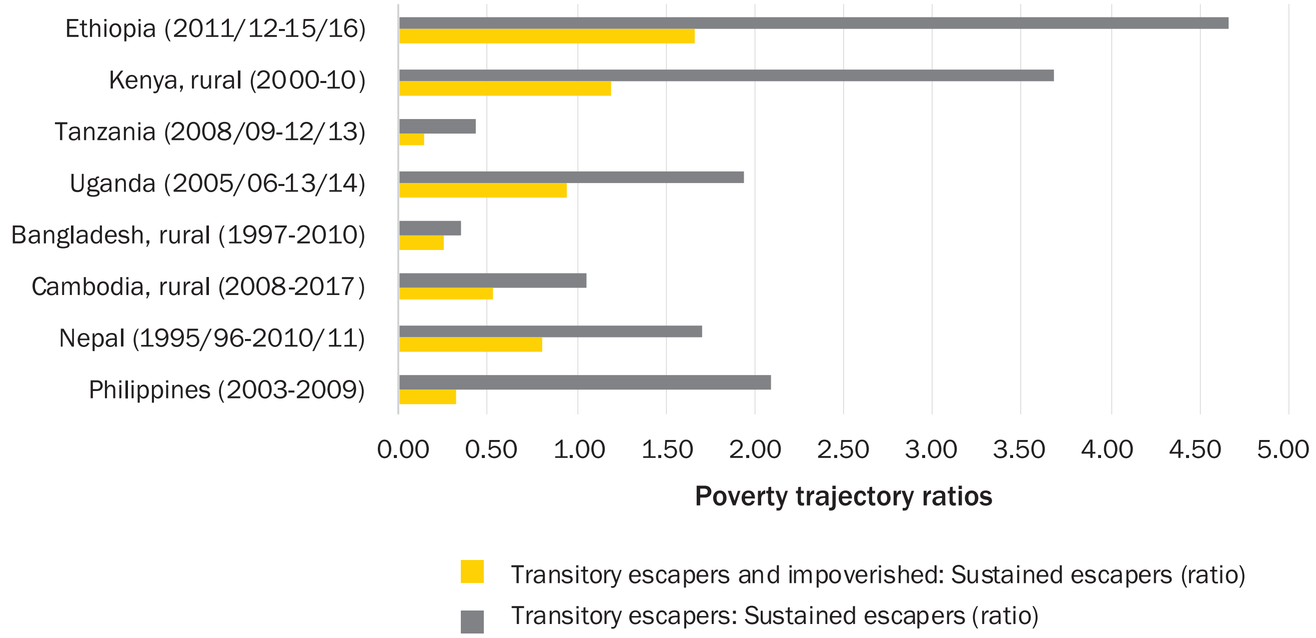
Sources: Shepherd (2011); Baulch and Hoddinot (2000); World Bank (2018a); Sharma et al. (2002); Dartanto and Otsubo (2016); Ahmed et al. (2016).

Figure 1: Poverty dynamics (around national poverty lines)

Note: Malawi, Niger and Rwanda have only two waves, and so examine a one-time instead of a longer, sustained escape from poverty.

Source: Diwakar et al. (2019)

Figure 2: Poverty trajectory ratios (using national poverty lines)



Source: Diwakar and Shepherd (2018a).

lower than is desirable globally and especially so in countries with high impoverishment ratios.

Table 2 summarises major factors underlying sustained escapes. These are derived from both quantitative and qualitative research, and underpinned by a capabilities framing.[2] This framing would suggest that escaping poverty requires the ability to convert income, livelihoods and assets into capabilities and improvements in wellbeing. Certain factors can enable this conversion,[3] such as individuals' access to opportunities and choice, their ability to exercise agency and contexts in which they are not constrained by violence or insecurity.[4]

Small investments by households, the development of small and micro enterprises in smallholder agriculture and the rural non-farm economy, and migration to towns for wage labour or enterprise development were the most common pathways households followed to experience sustained escapes – suggesting that 'growth from below' is much more effective directly than 'growth from above' for the poorest populations.

Larger, more formal investments representing 'growth from above' are less frequent. In rural Bangladesh and Cambodia, where labour-intensive manufacturing is taking place, there was evidence of some households accomplishing escapes from poverty through labour-intensive manufacturing. However, sudden closures of garments factories, for example in the Philippines, were also a source of temporary impoverishment for households near the poverty line. In more rapidly industrialising countries like China and Viet Nam, 'growth from above' may have produced many more direct benefits.

1.2.1. Diversification

Table 2 demonstrates that, while smallholder agricultural growth is a key part of the story of achieving sustained escapes everywhere, diversifying enterprises within the farm and beyond it to the rural non-farm economy and/or migration to informal or formal jobs are important pathways out of poverty. Beyond making a sustained escape, urban investments (e.g. in housing for rent) help build a level of resilience capable of preventing a return to poverty, as most shocks can then be managed (Diwakar and Shepherd, 2018a). So, having the opportunities to diversify and being able to save and accumulate the assets to do so are critical means to achieving sustained escapes (Box 1).

Diversification is not for its own sake, of course, but rather to manage the high levels of multiple risks poor people face in escaping poverty. And it is in the context of the economic activities of different household members. Of itself, it does not prevent deepening investment in particular higher-return activities, which is often the goal of development interventions. But risk-based diversification provides an essential context in which investment takes place.

However, diversification and 'growth from below' (cumulative individual, usually informal, small-scale investments and self-employment) do not always provide a sustained pathway out of poverty. There are risks in the non-farm economy just as there are in farming. In Uganda, these seem to have fallen especially heavily on women (and women-headed households), who were perhaps starting businesses with lower barriers to entry and lower capital requirements, with less buoyant markets, and who may have been more affected by crime and loss of business assets, as also found in Kenya (see Box 6). Non-payment of bills is also a problem there, as can be market regulation or market scale. Finally, where diversification is into multiple unstable, low-return activities, this may still not be enough to buffer individuals or households, especially from covariate risks (risks affecting many people and activities at the same time).

The least risky form of diversification is getting a formal sector job (Box 3), but this is rare; as such, poor and near-poor households actively search out other, more or less risky, options, which are largely in the informal economy (rural or urban), or in agriculture itself. Having the skills to get a job and being able to migrate, work, save, remit and reinvest in the home village is another common approach in the 'growth from below' toolkit (Box 4).

Table 2: Factors differentiating sustained from transitory escapes from poverty

Country	Sustained escapes	Transitory escapes
Bangladesh (rural)	• Asset accumulation: land (collateral), livestock (ladders); education of household head (secondary>primary>none) • Strategic responses to shifting agricultural markets • Head involved in both non-farm and farm activities • FHH receiving remittances • Spousal collaboration	• Increased share of dependants in household; dowry payments • Series of shocks, with ill-health prominent
Cambodia (rural)	• Despite small size of holdings, agricultural land protects against impoverishment. Livestock accumulation critical. Also protects against downward mobility • Higher skills and education levels enable sustained escapes • Diversification into non-farm occupations – farming not enough by itself; growth in construction, retail, garments and tourism • Migration and remittances • Collaborative spousal relationships • Low-cost health and crop insurance	• Initially further below the poverty line than sustained escapers • Erosion of common properties • Distress migration • Alcohol and drug abuse and violent marital relationships • Heath and harvest failure shocks, and low level of disaster risk management
Ethiopia[i]	• Education; number of household members employed • Livestock ownership; access to credit • Diversification (including trade, wage labour), remittances and migration • Investment in urban property for rent	• Shocks: flooding; input price rises; idiosyncratic shocks (especially ill-health) • Social issues: family structure and size (additional children), lack of a work ethic and high costs of feasts and social events
Kenya (rural)	• Livestock and other assets, but where land holdings are small, diversification and migration and remittances • Large households • Education of children for protection in old age	• Increased household dependency ratios • Periods of high school fees • More educated household heads • FHHs • Business risks (crime, low returns) • More land under crops (risky extensification)
Malawi	• Livestock • Diversification on and off farm • Non-farm economy (backed by electricity) • Education (especially secondary) • Employment and non-farm activities, especially for men (e.g. in construction) • Purchase of urban properties to rent	• High-interest loans • Household size and dependency ratios • Regularity of separation and divorce (for women) • Shocks: price shocks; multiple shocks

Country	Sustained escapes	Transitory escapes
Nepal	• Education often combined with good savings practices • Livestock (smoothing consumption) • Larger households • Farming where access to information and inputs and spousal collaboration • Non-farm enterprises, especially for those with training and education • All pathways typically underpinned by a degree of financial management • Migration where skills acquisition can be used at home • Urban women have more mobility though lack community support	• Health shocks • Assets (risks of conflict, theft, fires) • Separation, widowhood and divorce (for women) • Migration risks (debt, family breakdown) • Shocks: ill-health • Rapid-onset disasters like flooding
Niger	• Increased landholding (mainly through inheritance), and assets diversified into non-farm and/or migrated. Investment in livestock, vegetable gardening and urban property. Livestock the most risky • Family connections – help recover from shocks, assistance with migration • Savings groups assisted some women sustained escapers to invest in business assets	• Environmental, agricultural, price and ill-health shocks • Teenage marriage, especially for women just above the poverty line, and having more children
Philippines	• Stable, salaried employment providing a regular source of income, enabling individuals to begin a possibly risky non-farm enterprise on the side, or urban escapes from poverty • Flexibility in assessing market demand and moving into new occupations • International migration more common from urban areas	• Often-large health shocks to a key breadwinner • Rapid-onset disasters like typhoons
Rwanda[ii]	• Diversification from agriculture. However, this is rare and often linked to government programmes. • However, even small plots of land play a role in enabling diversification • Access to health insurance and education	• Household crises less visible than elsewhere in qualitative research owing to access to health insurance, gender equality measures (less property grabbing and abandonment) and public works programmes • Multiple fees and charges for participation in market inclusion and government programmes • Regulations and bans on urban and rural occupations • Drought-induced hunger
Tanzania	• Asset accumulation in farming, non-farm businesses, housing, transport vehicles, savings • Education, especially secondary • Diversification in agriculture and into non-farm businesses with significant start-up costs supported by entrepreneurship, good business partnerships and stable, mutually supportive spouse relationships (moving out of farming rare) • Accessing loans and moving up the finance chain	• Livestock – vulnerable to disease, death, theft and conflict • Loss of land, FHHs especially (property grabbing) • Shocks: death of a breadwinner, poor health, illness and associated financial shocks • Often two or more shocks combined
Uganda	• Asset accumulation for MHHs; land and livestock accumulation (including small stock) for both MHHs and FHHs • Completion of primary education, especially for FHHs • Employment, especially public or private, rather than self-employment • Non-farm enterprise (MHHs only); remittances (FHHs) • Market-oriented farm production and adequate land	• Increased asset values for FHHs • Larger households, and greater share of dependants • Non-farm enterprise (FHHs) • Multiple shocks

Notes: MHH = male-headed household; FHH = female-headed household

i An earlier study is Mariotti and Diwakar (2016).

ii This summary also makes use of an as yet unpublished qualitative research paper and a combined national report.

Source: CPAN Country Poverty Dynamics studies.

Migration produces the remittances to take households out of poverty (Box 2). However, in Nepal, migration is also seen as coming with its risks: people die, are handicapped, do not get a good job, are robbed, engage in substance abuse, do not save enough or are cheated by brokers. 'If you get into the trap of a broker then you'll become poor' (Men's FGD, rural Banke, Diwakar, 2018). Also, when young people migrate to urban areas, many feel that only the elderly are left in the villages.

Box 1: Diversification – a Cambodian sustained escape

Put Pha Lek and her husband Reth Srun have diversified out of agriculture into fish trading and then livestock trading, and from the basis of livestock trading into agro-processing and value addition (butchering animals independently, retailing fresh meat locally and processing beef – spicing and drying to produce dried beef – for local sale). The couple work together collaboratively on linked enterprises and have responded to reduced market prices offered by Vietnamese cattle traders by setting up on their own butchering animals for the local market. Put Pha Lek has used saved income from agriculture (rice production) for investment in her agro-processing (beef processing) and retail enterprise. She and her husband have used their kinship and social capital to protect them from debt arrears (borrowing without interest) and have used their advantageous position to help their adult son (setting him up in beef retailing) and Put Pha Lek's older sister and her husband and daughters.

Source: CPAN Cambodia Sustained Escapes dataset

Box 2: Remittances and sustained escapes – Cambodia and Ethiopia

Sim Beat is a farmer. He has eight children, most of whom are now sending him money from abroad. One of his children (the fourth child) has emigrated to South Korea via a pioneer to work on a morning glory farm (in wage labour). He sends US$100 every month. Two other children have emigrated to Phnom Penh – one is a monk and one is a factory worker. Two children now work in Thailand.

Source: CPAN Cambodia Sustained Escapes dataset

One household in Tigray experienced poverty for years before the husband migrated to Saudi Arabia and changed the life of his family. The wife confirmed, 'we were poor until the last few years. We were living in a rented private house. Our family moved out of poverty after my husband migrated to Saudi in 2016 for work. We bought land with the money he sent us. Later, we built a house for living and for rent. This year, we have started getting income by renting a house' (Selemawit, 32, wife, Tigray). She is now engaged in trade and poultry farming. The family is generating more income and its wellbeing has improved.

Source: Tafere (2018)

1.2.2. Formal sector jobs

Formal sector jobs, typically implemented through 'growth from above', are often sought because they are the surest way to get out of or stay out of poverty, as Box 3 illustrates. However, they are often much less accessible for the poorest households.

Sustained escapes instead depend largely on informal and agricultural livelihoods, even where there are formal sector jobs to go to, as in Bangladesh (Box 4) and Cambodia. In rural Cambodia, the sub-sample in the (rural) household survey with jobs in the garments sector was less than 1% of the total sample surveyed. Sustained escapes instead rely more commonly on diversification into the non-farm economy, livestock development and remittances (Figure 3–5) (Bird and Diwakar, 2018).

Box 3: A sustained escape through a formal sector job – great if you can get it

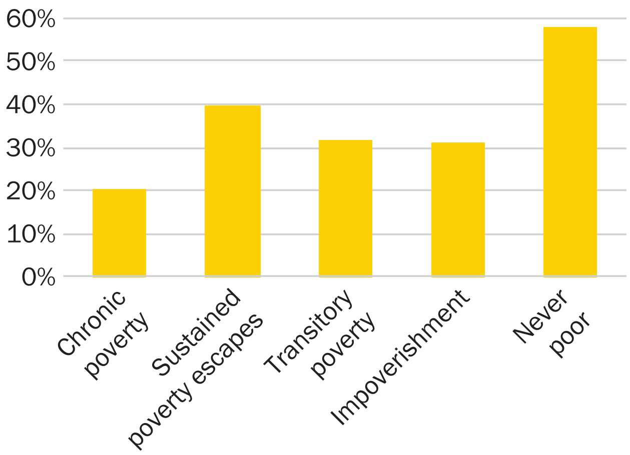
Irene Muthoki comes from a poor background; her husband is also from a poor family (father with an alcohol problem sold their land). He has a driving licence, and with that skill is able to secure more profitable jobs.

'My husband got a stable job in 2009 as a driver; he had a driving licence, but it had to take some years before he could use it to get a job. He was someone's personal driver; somebody from around here who lives in Nairobi, so he went to live in Nairobi, but I remained home. He worked for a few years then he got another job here at home still as a driver so came back home he works from here.'

She is helping with some non-farm work. They have been able to accumulate enough capital to buy some land and livestock (she said the financial situation became better after the children left school).

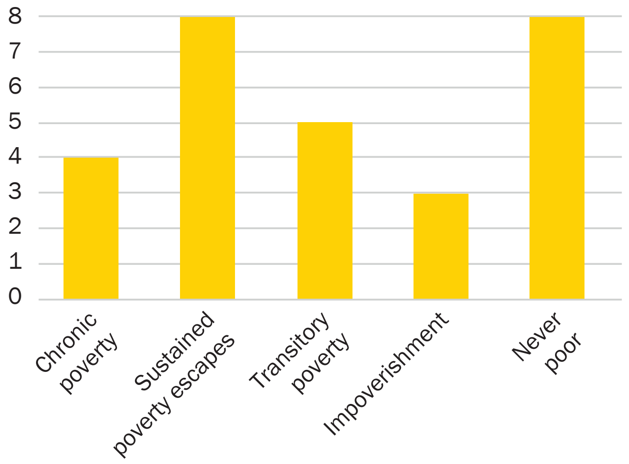
Source: CPAN Kenya Sustained Escapes dataset

Figure 3: Cambodia – dependence of different poverty trajectories on the non-farm economy, 2017 (% of households)



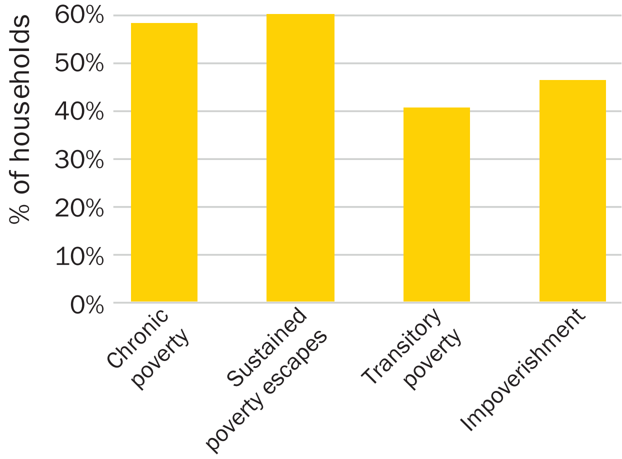
Source: Analysis of Cambodia rural panel survey

Figure 4: Cambodia – dependence of different poverty trajectories on livestock, 2017 (average number of livestock owned)



Source: Analysis of Cambodia rural panel survey

Figure 5: Cambodia – dependence of different poverty trajectories on remittances, 2017 (% of households)



Source: Analysis of Cambodia rural panel survey

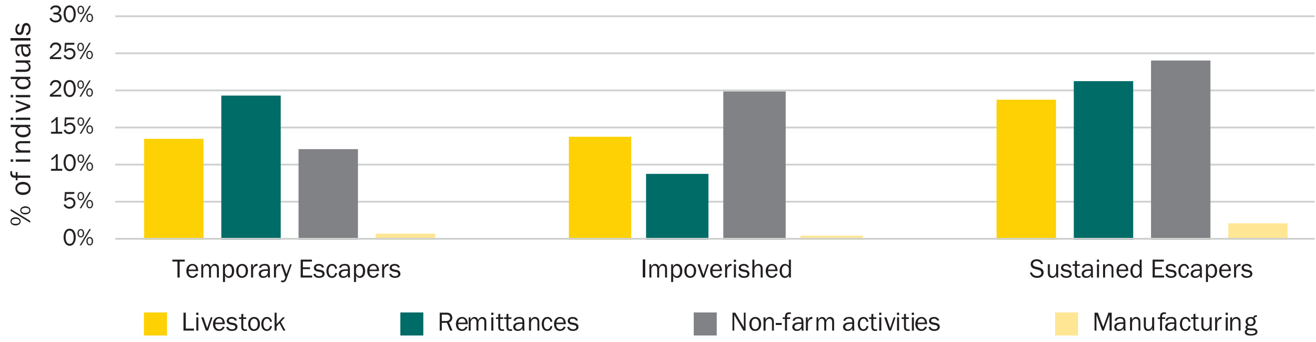
Box 4: Bangladesh – formal and informal routes out of poverty

A small share of individuals (2%) in the rural survey data who were making sustained escapes from poverty engaged in tailoring or salaried work in 2010. The percentages were much higher for individuals living in sustained escaper households that owned a large number of livestock (19%), received remittances (21%) or engaged in non-farm activities (24%) in 2010. Comparing the prevalence of manufacturing-related activities with non-farm activities, remittances and livestock, the former constitute a much smaller share of economic activities. However, some of the remittances will almost certainly come from people employed in the garments sector – unfortunately the data cannot tell us. This suggests that, while 'growth from above' may have had important poverty-reducing effects for some, the large majority of sustained escapers were instead more regularly able to improve their welfare over time through non-farm activities, livestock enterprises or remittances.

Sustained escapers are more likely to own more livestock than the average in the year compared with temporary escapers, and also slightly more likely to receive remittances. This difference between trajectories (sustained escaper vs. others) is statistically significant (p=0.05). Sustained escapers are more likely to engage in non-farm activities, with the difference between trajectories (sustained vs. temporary escaper) only marginally statistically significant (p=0.11). Sustained escapers are marginally more likely to engage in what may be manufacturing activities in the dataset (i.e. 'tailor/seamstress' or 'other salaried worker'). However, this difference between trajectories (sustained escaper compared with temporary escaper and sustained escaper compared with non-sustained escaper) is not statistically significant.

Source: Analysis of Chronic Poverty and Long Term Impact Study (1996-2010)

Figure 6: Sustained escapers, temporary escapers and impoverished individuals engaging in livestock, non-farm activities, manufacturing or receiving remittances, selected communities in rural Bangladesh, 2010 (%)



Note: All figures are in terms of individuals rather than households, and are not statistically representative at national or rural levels; rather, these are provided for illustrative purposes.

Source: Analysis of Chronic Poverty and Long Term Impact Study (1996-2010)

While the direct effects of 'growth from above' may be limited, the indirect effects can be substantial: rural wages grow as wage labour markets are tightened by the pull of growing urban sectors, as in the Bangladesh example (Box 5).

In three countries (Ethiopia, Rwanda and Tanzania), moreover, there was also an explicit analysis of the political settlements underlying poverty reduction efforts (Golooba-Mutebi, 2019). This investigated the nature of the distribution of power and found that, where power was disbursed rather than concentrated and growth was less fettered as a result as in Tanzania prior to 2015, sustained escapes happened at a higher rate; in Ethiopia or Rwanda, by comparison, there was more chronic poverty.[5] These sustained escapes in Tanzania were still enabled predominantly through 'growth from below' through asset accumulation and diversification activities. The key was that these 'growth from below' initiatives were barely fettered by government regulations. There are other factors at play in the comparison, of course, such as the higher intensity and frequency of shocks, especially droughts in Ethiopia.

1.2.3. The need to manage risks to economic activities

Managing risk, then, is central to achieving sustained rather than transitory escapes, and escapes rather than impoverishment. If governments and other stakeholders could just identify what major risks are preventing sustained escapes and causing impoverishment, then poverty reduction would be a lot faster. This is especially but not only true in Africa, where negative trajectory ratios are common – transitory escapes, impoverishment and chronic poverty exceed sustained escapes. Managing risks is complementary to the pathways out of poverty forged by livelihood strategies and enabled by the growth, human development, political and policy environment. These positive pathways are also reflected below in the discussion of each key risk.

The range of risks poor and near-poor people face is daunting:

Livelihoods/income strategies

- **Agricultural risks**: drought, floods, production system risks, market risks. Agriculture is a necessary part of the livelihoods of most poor and near-poor households and most pathways out of extreme poverty, even where landholdings have become tiny.
- **Non-farm economy risks**: regulation, inadequate market size, credit risks. Non-farm employment and self-employment have increasingly become a necessary part of sustained escapes, with many sustained escapers able to diversify within and from agriculture.
- **Migration risks**: exploitation by middlemen, high interest rates for loans taken to enable migration.
- **Credit risks**: collateral property is seized, resulting in fear of credit. Loans are important in helping diversify, smooth consumption and build human capital.
- **The risk of losing a job, or having working hours cut.** In Bangladesh and Cambodia, garments sector jobs were the surest way out of poverty; even in Kenya a salaried job is seen as the surest way out.

Assets

- **Asset risks**. Thefts are increasingly prevalent and undermine the asset accumulation (business assets, farm equipment, standing crops) that is a standard part of escaping poverty sustainably. Households headed by women (and older persons) are more vulnerable to asset theft than those headed by men.
- **Largely unprotected livestock risks**. Diseases are not vaccinated against, there is no provision for drought (except livestock accumulation itself), conflict often entails loss of livestock and livestock theft is common, whereas livestock development and enterprise is frequently part of a sustained escape.

Box 5: The growth in real rural wage rates in Bangladesh in the 2000s

Net food producers benefited from increases in the price of food, especially during 2007–2008 (World Bank, 2013a), while agricultural wage labourers saw their real wage rates increase, with these increases accelerating during the second half of the 2000s (Wiggins and Keats, 2014). Rural real wages have particularly accelerated since 2005, with an annual growth rate of approximately 10% for both male and female workers during agricultural peak and lean seasons (Zhang et al., 2013). This has led some to argue that, since 2005, it has been increases in labour income connected to growing economic activity that have played the largest role in reducing extreme poverty (Azevedo et al., 2013).

A key driver of growth in rural real wages is more ample job opportunities in the non-farm sector, especially jobs for women in the manufacturing sector (Zhang et al., 2013). While the ready-made garments sector employed 1.3 million people in 1995, this increased to 3.6 million in 2010, with a particularly rapid increase from 2004 (ibid.). The sector was a key driver of economic growth during the 2000s (World Bank, 2010b).

Migration, both domestic and international, has also contributed to the rise in agricultural and rural wages for the remaining workers in rural areas (Sen and Ali, 2014). Indeed, despite the high upfront costs of international migration, the share of the two lowest landowning groups in rural areas (owning up to 0.40 ha) among rural households reporting international migrants increased considerably from 38% in 2000 to 54% in 2008 (Hossain et al., 2013, in Sen and Ali, 2014).

Source: Scott and Diwakar (2016)

- A quality **education** provides a strong basis for a sustained escape from poverty. However, education is also risky – getting children through to secondary and beyond entails high costs, resulting in debt without tangible benefits and/or the mobilisation of significant social capital. Perceptions – that an academic education is superior to a technical or vocational one, for example, or that it is more important to educate boys than girls beyond primary – can also make for risky choices. There are also significant risks that the poor quality of education, and its inadequate links to labour market, will prevent the expected returns from being achieved.

Individual/household-level conversion factors

- **Ill-health risks** are the most prevalent of all and least protected against (Rwanda has proved the stellar exception).
- The **risks posed by increased dependency** are often enough to prevent an escape from poverty being sustained. Children are seen as necessary as a household labour force and carers for older parents and grandparents; this remains a powerful logic for many poor and near-poor people.
- The **risk of becoming (severely) disabled** is enough by itself to impoverish and maintain a household in chronic poverty. It is usually said that risks need to come in sequences or combinations, but this risk seems to have significant effects on poverty outcomes on its own.
- **Gender risks.** Adverse gender norms curtail mobility (see section 1.2.4) and make women vulnerable to theft.
- **Intra-and inter-household relationship risks**: collaboration between husband and wife ending, in-laws evicting/stealing property on widowhood, separation or divorce. Beneficial collaboration and mutual support are often important aspects of sustaining escapes from poverty.
- **Social exclusion risks.** Social inclusion on decent terms is important. The social connections needed to diversify a household economy are not available to the chronically poor.
- Where there are **intersecting inequalities** – gender, disability and poverty, for example – risks can be compounded and chronic poverty may result.

Macro conversion factors

- **Macroeconomic instability** and, linked to this, **strong dependence on exporting commodities** can lead to volatile growth, which does not enable sustained progress out of poverty.
- Impoverishment caused by **disaster risk** – either rapid-onset (flood) or slow-onset (drought) – is often related to inadequate disaster risk management or insufficiently risk-informed development approaches.
- **Input price shocks** can make it difficult or impossible to sustain an escape from poverty for farm households.
- **Security risks** are critical. There is a need to counterbalance pro-poor policing and justice. Situations where there is large-scale or protracted conflict are those where there are larger shares of chronic poverty.

1.2.4. Risk profile: vulnerabilities of women-headed households and their exercise of agency

Women-headed households are typically more likely to face vulnerabilities coupled with weak 'conversion factors'[6] that can impede their ability to turn assets into sustained escapes from poverty. These households were more likely than male-headed households to experience an increased risk of transitory escapes and impoverishment in rural Kenya and Nepal, relative to sustained escapes, and an increased risk of impoverishment relative to sustained escapes in Cambodia (according to regression analysis results). Vulnerabilities facing women are often related to social characteristics (social norms, discriminating practices) that inhibit individual and household functioning. For example, as women accumulate assets, their risk of losing them may also increase. In East Africa, women with assets face the risk of theft and of property grabbing by their husbands' relatives if their marriage dissolves, whether through separation, divorce or widowhood (Box 6). So 'growth from below', while the predominant household-level strategy in driving sustained escapes from poverty, has its own set of economic and social risks that need to be managed.

Gendered norms also act to curtail women's mobility and agency (Box 7) and can sometimes circumvent existing laws whose implementation is not monitored. These gendered risks and restrictions can hinder the ability of

Box 6: Risks of theft for women-headed households

Acanit is 80 years old. Before her husband died they were doing well; they had built up their assets through farming and investing in cattle. They had a cattle kraal – there were so many cattle. Since her husband died, her animals have been scattered. Her relatives tricked her: she lent them some cattle but they did not return them. Since she is a woman they know she has no power to make them give the cattle back. In the end she just gave up, saying, 'After all, they are my relatives and my children.' Acanit now has no cattle and instead farms a small garden close to her house. Here she grows beans, which she shares with her neighbours, friends and relatives, and she goes and eats with them as well. Sharing, she explains, is a reciprocal safety net to ensure one gets from neighbours what one lacks.

Source: Life history interview in Uganda education to be converted into improved wellbeing, and so may explain why chronic poverty and temporary escapes are the dominant patterns for women-headed households. Relatedly, quantitative research on disability and poverty dynamics in Bangladesh identified poor disabled women as facing a 'triple discrimination', making it very difficult for them to escape poverty (Diwakar, 2017; Shepherd, 2017).

Despite their vulnerability, women-headed households can experience escapes from poverty (Box 7). Again, as Box 7 highlights, these escapes typically occur through 'growth from below' strategies. More generally, sustained escapes are consistently observed in the qualitative data where husbands and wives have collaborative relationships around these livelihood strategies and such couples also typically develop a narrative that they work hard. Positive gender norms around women's economic empowerment (WEE) thus play a role in, for example, converting education and entrepreneurialism, such that they ensure escapes from poverty are sustained. Qualitative work in rural Bangladesh also found that migration of male heads overseas left women heads more financially secure, owing to their receipt of remittances and the consequent ability to invest in assets conducive to wellbeing.

1.3. Resilience thresholds

The drivers of sustained, compared with transitory, escapes suggest the factors that will produce resilience to falling back into poverty – the essential flipside of sustaining an escape from poverty. Resilience may be viewed as a set of capacities enabling households to remain out of poverty over the long term, even in the face of crises. Capacities include personal abilities, resources (ownership, access),

Box 7: Gender norms inhibiting empowerment and ability to sustain a poverty escape

Aarshi in Dailekh, rural Nepal, reflects that her freedom of movement has been curtailed ever since her husband migrated. 'I used to work here before and live with my husband here. After he went abroad, I could go and stay in urban area [of] Dailekh and Surkhet but I didn't go because people will think badly about me if I went and stayed there alone. People of the village perceive badly if women go out more often here.'

During Sita's trajectory out of poverty in urban Banke, she noted, 'I did social work... I did tailoring work too. My mother-in-law informed me about [training programmes]... So, I gradually got engaged in it. My husband also didn't restrict me in any way.' However, while women in urban areas may experience fewer sociocultural restrictions, such examples point to their higher workloads stemming from the double burden of income and care work (Chant and McIlwaine, 2013), without the same level of community support. This care work may be transferred to daughters, contributing to the transmission of traditional gender roles and, with it, income and time poverty (Chant, 2013).

Source: Life history interviews in Nepal, unless stated otherwise

Box 8: Will this become a sustained escape from poverty?

Among the life history interviews conducted, only one individual was identified in Morogoro Urban, Tanzania, who was originally poor and very recently became non-poor. Ashatu was once destitute. She had had eight children, three of whom had died. Her husband was a drunkard, which meant she was the only one responsible for taking care of her remaining children, especially feeding and taking them to school. Her husband then also died, leaving her to take care of the children alone. Ashatu had to work hard to escape poverty. The following are the important factors that enabled Ashatu to escape from poverty despite being a widow with five children to take care of:

- **Land availability** enabled Ashatu to run agricultural activities without any obstacles. Her husband had left her with three plots of land (1.25 acres that were used for planting maize, 1.75 acres that were used for planting paddy and 4 acres that were used for planting maize and vegetables).
- **Working hard on the farm.** Although the number of working adults decreased after the death of her husband, Ashatu never gave up; she kept on pushing, both in farming and in selling what they were harvesting. This enabled her to keep on sending her children to primary education.
- **Buying a piece of land in a new residential area.** Using the money she earned, Ashatu was able to buy land and build a new house with a cement floor, brick walls and an iron-sheet roof, with multiple bedrooms and a sitting room.
- Ashatu was also able to escape from poverty as a result of her **saving practices**. The savings enabled her to buy the building materials she needed.
- Using her **children** in farming activities increased the labour available on the farm.

However, farming inputs, especially fertiliser, were needed to improve crop production and move Ashatu and her family even further above the poverty line. She said:

If I were able to get fertiliser, I believe I would improve my crop production and harvest more. But the problem I have been facing is that when they announce that the subsidised fertiliser is available, in most cases, I do not have money to pay for it... when I try to mobilise money the time lapses; by the time I get money it is too late...

Source: Life history interview in Tanzania strategies (e.g. diversification in or out of farming) and power in relationships (gender, market, local politics, local economy). These are all located within a context of overall welfare, public service provision, climate and growth/employment opportunities that make personal capacities more or less important – that is, the more collective provision there is, the less important the personal capacities.

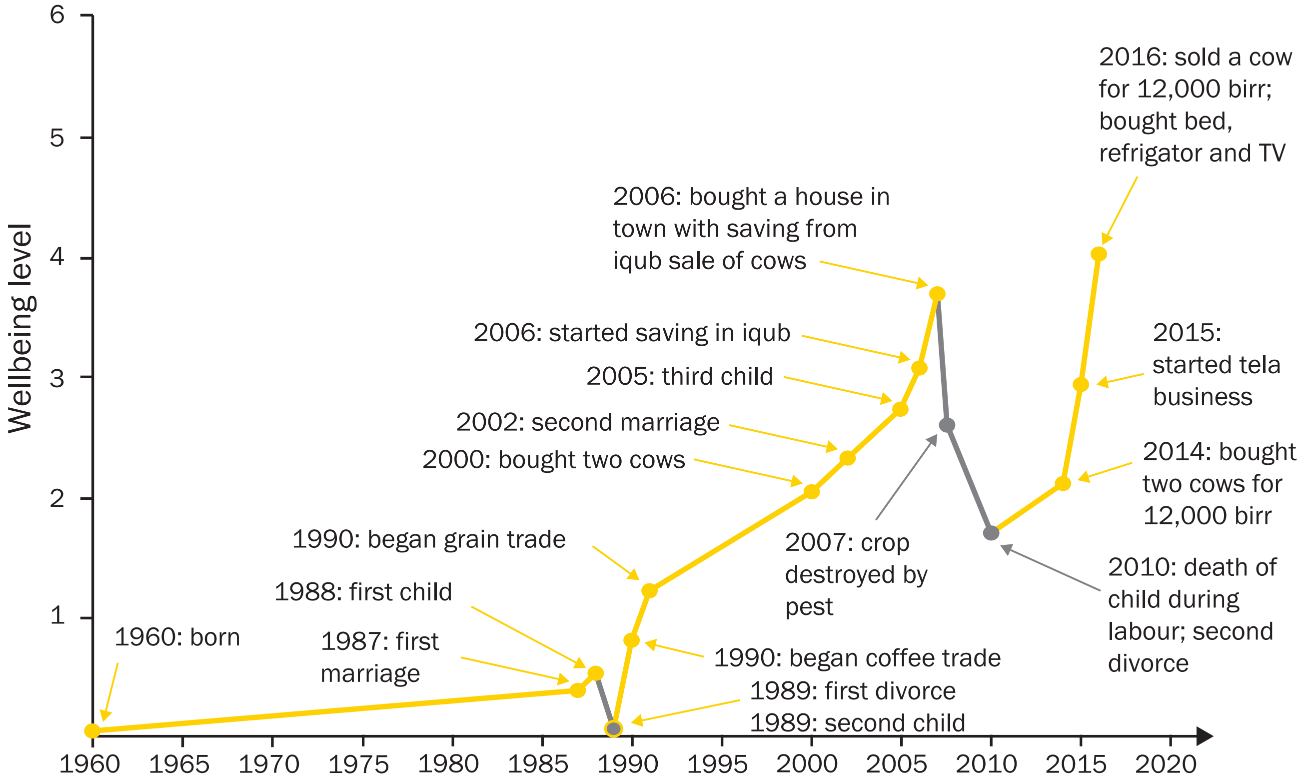
This begs the question: could there be resilience 'thresholds' – the opposite of a poverty trap? Quantitative research has so far failed to reveal these. If there are thresholds, they are likely to be context-specific and localised (Scott et al., 2014). In our country studies, largely qualitative evidence reveals that universal health coverage, post-primary education and being able to make urban property investments are especially important to achieving resilience. The utility of urban property investments is illustrated in Figure 7, which presents an Ethiopian woman's life story framed on the y-axis by the level of wellbeing she achieved.

Our focus groups and individual life histories discussed the factors participants thought led to people remaining out of poverty once they had escaped, or that prevented the non-poor becoming poor. Definitions of resilience (and poverty) were context-specific but generally involved accumulated assets (landholdings, livestock, machinery, houses, means of transport), the ability (and need) to employ labour and own a non-farm business or engage in non-farm activities (Kessy et al., 2015).

There were several key steps noted among sustained escapers in developing resilience to downward pressures in Tanzania. For example, in villages in Kilolo district, there could be several stages (Table 3). Achieving resilience here was in large measure down to investments in rental property. This was necessary because of the growing instability of agricultural incomes and because of the growing need to send children to private schools, given the poor quality of the public education service. In effect, the bar to resilience was raised by the failure of public service provision and economic policy. Increasingly, those in wellbeing level 4 (upper levels) are investing in rental property.[7]

Having both husband and wife working and supporting each other could also help significantly with resilience to shocks – for example, enabling a family to cope with illness or disability much better than where one person was not working or where incomes were not shared. There is an increasing tendency for non-governmental organisations (NGOs), government and others to emphasise greater female participation in decision-making, for example over what to do with marketable surpluses from crop harvests or from business. The decision to invest is promoted as a decision to be made jointly, rather than the male entitlement it traditionally was in this patrilineal society. This means entrenching a process of cooperation between adults over investments (Kessy et al., 2018).

Figure 7: Urban property investments aid resilience



Source: CPAN qualitative dataset

Table 3: Achieving resilience – Kilolo district, Tanzania

1. Household achieved wellbeing level 3, just under the poverty line
Employment savings (often from wage labour at a processing plant in town, a loan from a microfinance institution or a family inheritance financed the renting of farm land to farm mostly cash crops but also food (maize), with the surplus sold.
2. Household achieved a lower level 4 wellbeing status
A bumper crop financed investment in a small business, usually retail. At this stage of diversification, savings from farming were used to fund business and vice versa to meet capital needs over the season.
3. Household achieved an upper level 4 wellbeing status
Profits from farm/non-farm business in the good years, together with borrowing from a microfinance institution, were used to expand the acreage of cash crops or to expand a retail business into more items (from food to household items to hardware).
4. Household achieved resilience: level 5 or upper level 5
The household purchased rental properties – land rental, motorcycle rental, trucks rental – and gathered rental incomes.
5. Household achieved life-time resilience
The household invested heavily in private educational costs in instalments necessary to establish resilience in old age from support from children.

Source: Da Corta et al. (2018a)

In rural Rwanda, a combination of access to more substantial holdings of land (1–2 ha) and livestock (3-8 cows) and an ability to trade in crops would similarly provide a degree of resilience to shocks. But, because health insurance had seen high levels of uptake (more than 80% of the population covered), resilience could be achieved at a lower level of asset accumulation than elsewhere. The existence of health insurance combined with a functioning public health service with a good referral system meant that the life histories in Rwanda were not peppered with impoverishing illnesses, since so many of the potential costs were covered and an effective service was provided. As discussed above, in the context of greater public health provision, greater resilience can be achieved at lower levels of wealth.

Because of the Rwandan government policy in support of marriage and making marriage a more cooperative venture through local discussion groups and attempts to enforce married women's rights, there were fewer abandonments, separations and dispossessions perpetrated by in-laws of women who were legally married or were widows. It still happened, as men sometimes circumvented the law, but there were fewer instances compared with in other countries in the region.

The hazards faced by poor Ethiopians are many. The government has protected people widely (though not universally) against the food insecurity and droughts that previously led to famine, through its Productive Safety Net Programme (PSNP). This initiative has become quite elastic, so that many vulnerable households are also protected in times of stress. However, there is little protection against the many possible idiosyncratic shocks – illnesses, death of breadwinners, old age, disability, burning down of a house and loss of property. Expanding the community health insurance scheme could be a next step in Ethiopia's attempts to create resilience (Tafere, 2018).

By comparison, in Niger, where there is probably an equal level of need, a national safety net is only just being established. Ethiopia's PSNP and Rwanda's health insurance scheme could be an inspiration for Nigerien policy-makers.

Where risks are high and unprotected, and come in combination or sequence, it can be difficult to reach a resilient level of wellbeing. For example, in Bugesera district in Rwanda, suffering its third year of drought in 2017, resilient sustained escapes were rare (CPAN/IPAR, 2019). Only one respondent temporarily hit wellbeing level 5 (out of 6);[8] this respondent then became impoverished. The other sustained escapers and even the non-poor only ever hit level 4, just above the poverty line. And at that level, some considered themselves poor (rather than non-poor). A key reason is the length of the drought and challenges to agriculture in Bugesera. Though many had moved to the new centralised villages, had purchased houses and were close to services, their productive assets (mostly land) were sold to fund the move or construction – an economic shock. Their land was dwindling in size and fertility, they could not afford fertiliser or a cow to manure it and there seemed to be very little, if any, attention from agricultural extension workers – a stressful situation. Almost all suffered downward mobility owing to drought and these other shocks and stressors. None of the escapes was sustained and most escapes owed to inheritance from parents, which enabled the survival of some shocks or stressors – such as the regulations that denied people fishing rights. As consequence, even the never-poor at level 4 were struggling.

In Nepal, financial management was mentioned often, as was diversification into non-farm enterprise.

One life history interviewee said, 'The first thing [needed] is financial discipline. One has to spend and invest the income in a right place and should save the remaining amount. And another thing is they should work hard with continuous effort. Also, they should use their resources such as land wisely and invest their money where they will get benefits. With the money saved, they should invest in buying land or educating their children.'

Secondary education was almost always associated with a reduced risk of transitory escapes (Uganda), chronic poverty (rural Bangladesh and the Philippines) and impoverishment (Cambodia and Tanzania), all relative to sustaining poverty escapes. In the Philippines, education was always mentioned in focus groups as the key to improving wellbeing over the years, and life history interviewees consistently credited secondary and particularly tertiary education as being responsible for their sustained escapes. Other than that, having relatives it was possible to rely on was important – for instance a brother in Qatar sending support for schooling and health costs. Salaried employment (sometimes alongside riskier, non-farm self-employment) helped households remain out of poverty. For example, in the face of shocks they could sell off some of their pigs in a piggery business.

The absence of universal statistical significance across all countries studied, though, suggests that conversion factors (i.e. how to convert an asset into an outcome) are not always straightforward – which could reflect the weak links between education and the labour market, and the general absence of technical and vocational education and training (TVET) opportunities or apprenticeships that might have more immediate effects on entry into the labour market.

In Kenya, for example, where completed years of secondary education were associated statistically with transitory rather than sustained escapes from poverty in the 2000s, qualitative research revealed that sustained escapes were either through an agricultural route where land was relatively abundant, or through a non-farm and migrant route where it was not (and also even where it was). For the latter, having a technical skill (as a mason or tailor) was more likely to lead to success than having secondary education. This could be because the labour market was no longer demanding the skills of those with the standard academic education, or because people with secondary education tend to invest in riskier enterprises or self-employment in an economy where business risk is high and generalised.

While these results – the importance of migration and the non-farm economy for sustained escapes – are not as clear as they initially seem, the policy implications are clearer. While agricultural policy often gets plenty of emphasis and a substantial budget allocation (several African countries are now meeting, or are near to meeting, the 10% budget target adopted by the African Union, including Ethiopia and Rwanda – though many are not), levels of investment in the rural non-farm economy and in making urban development migrant-friendly lag way behind. There is scope for African countries to learn from the migrant support programmes developed in Asia, and from more inclusive urbanisation processes (McGranahan et al., 2016) that encourage 'growth from below'.

The agricultural policy implications are also clear: agriculture remains an important part of many stories of sustained escape, even where landholdings have become small and focused on food farming. Such farmers typically get very little external support, however, while there are interventions that can make a big difference – like having the manure from livestock to fertilise small plots of land, which reduces variation in crop production and can increase the small surpluses available for sale. Getting agricultural markets to work well for these very small producers can also help (Lenhardt et al., 2012). Agriculture and energy have also been identified as two key sectors enabling an integrated economic–environmental transformation agenda (Mdee et al., 2016).

The Rwandan health insurance scheme is clearly having major impacts in preventing impoverishment (Simons, 2018). The life histories collected in most countries are full of the impoverishing effects of ill-health, but those in Rwanda much less so (Da Corta et al., 2018a). There may still be operational issues to iron out, not least the financing of extensive subsidies to the poorest people and the great difficulties that many poor people who are not subsidised face in paying the premiums, but the programme represents a major achievement in preventing health-related impoverishment.

Most countries have universal health coverage as an objective, and strategies to achieve it, but few have been able to harness these so successfully to the cause of eradicating poverty.

There is much less appreciation of the impact of theft – of crops, business assets or livestock. This can be a problem especially where villages have been consolidated and farmland is far away. There seem to be few policy programme responses to this issue across the countries studied. Thieves often target the livelihood activities of vulnerable people – notably women and older people in Kenya, for example (Scott et al., 2018) – making it more difficult for them to sustain escapes from poverty. Policing and preventing crime is an area of policy crying out for new initiatives.

1.4. The vulnerable near-poor[9]

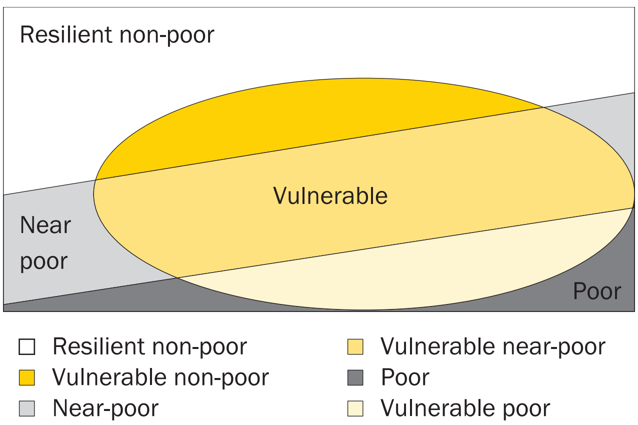
We also know that there has not been the same level of progress at the higher international poverty line (now US$3.10) per day. People are getting stuck between the international poverty lines. In many countries, people escape poverty only to remain vulnerable to it. The 'vulnerable non-poor' (or the 'near-poor') then become an important category that has drawn the attention of policy-makers (Box 9). It seems that joining the middle classes is difficult.

In a growing number of countries where extreme poverty has been reduced, attention is increasingly being paid to the 'vulnerable non-poor'.[10] Being above but near the poverty line, or 'near-poor', makes some households vulnerable to falling into poverty in the future. Which households are they and why? Which do not fall into poverty and why? The same sources of resilience that promote sustained escapes from poverty could be expected to function in similar ways for the near-poor and households vulnerable to future poverty (see Figure 8). Do households that sustainably escape poverty also sustainably escape vulnerability, and, if not, what are the drivers associated with these different trajectories that can help build resilience? As sustained poverty escapers that also leave vulnerability behind are likely to have become more resilient, examining these sources of resilience even among the near-poor is important in developing effective growth strategies that promote upward mobility.

Box 9: Uganda's vulnerable non-poor and growth

In 2013, the proportion of people below Uganda's low national poverty line fell beneath 20% of the population, an achievement attributed to growth, especially agricultural growth, and a degree of luck (World Bank, 2016a). However, many who had escaped poverty were not far from the poverty line. Combining the 'vulnerable non-poor' with the poor still encompassed more than six out of every ten Ugandans (DRT, 2015); and, for every three who escaped poverty, two entered it (Ssewanyana and Kasirye, 2013). Growth has not yet involved structural transformation, so most Ugandans still depend on low-productivity, insecure jobs or self-employment.

Figure 8: Links between resilience, poverty and near-poverty, and vulnerability



Uganda and the Philippines are two countries where there has been a vibrant debate about including the vulnerable non-poor in efforts to reduce poverty. Analysis of the Uganda National Panel Surveys from 2009/10 to 2013/14 and the Philippines Family Income and Expenditure Surveys from 2003 to 2009 reveals that 77% of households in Uganda and 55% of households in the Philippines had per capita income above the poverty line but between that and twice the national poverty line in at least one of the survey years. Vulnerability was also high, with 59% in Uganda in 2013/14 and 51% in the Philippines in 2009 estimated as being vulnerable to poverty, or more likely than the typical person to be poor in the subsequent period. In most cases, vulnerability status encompasses poverty status, meaning that poor households were also highly likely to be vulnerable, though there was a much larger share as well of households that were not poor yet vulnerable.

Policies should ideally acknowledge not only the varied drivers of sustained escapes from poverty but also the drivers of vulnerability to poverty. This is because an assessment of vulnerability dynamics can help identify resilience capacities of households by considering future expected poverty in addition to present poverty dynamics. In Uganda, secondary education and some economic diversification from agriculture, particularly for households at higher levels of income, reduce vulnerability to poverty significantly – very similar to findings for sustained escapes from poverty. In the Philippines, a level of income that enables good use to be made of loans and enables greater health expenditure and increased dependency levels while avoiding impoverishment emerges as important in promoting resilience.

At the same time, there are factors that undermine these sustained escapes and processes of resilience-building. Regression results indicate that urban residence in Uganda and alcohol consumption in the Philippines pose constraints to sustained escapes from vulnerability among the near-poor. This reflects the many risks households experience in urban areas where services and safety nets may be less accessible and community support may also be lacking (Diwakar et al., 2019).

Certain conditions enable the near-poor to continue to make rapid progress and build resilience. These include a substantial formal sector, more commercialised agriculture, reduced dependency burdens, improved conditions for women-headed households and assistance to poor and near-poor households. Assistance, whether in the form of cash transfers or remittances, was associated with increasing the likelihood of sustained escapes among the near-poor in both Uganda and the Philippines. However, at the moment, cash transfers remain targeted mainly to households that are already poor. Extending the focus of social protection and assistance to households near the poverty line would do well in these contexts, especially to help resist the impoverishment arising from major risks.

At the same time, assistance in the form of remittances and help from relatives and friends is also about social capital and networks, reflecting a social structural component of mobility that is critical in building resilience and important to consider in programming. Supporting people's agency as embedded within these kinship structures is a step towards improving resilient outcomes over time for near-poor households.

1.5. A country typology: progress on poverty

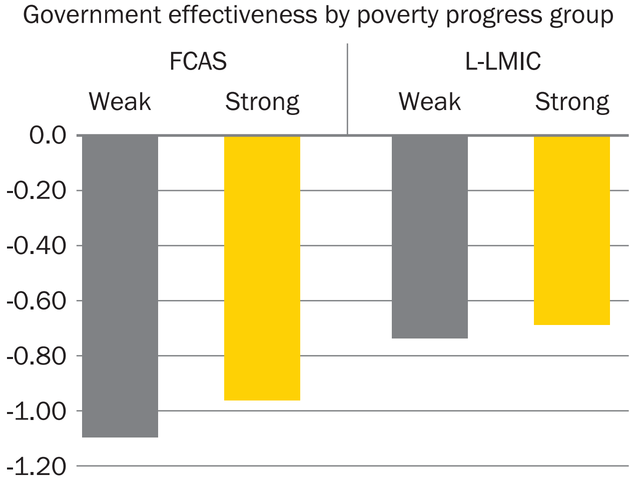
The analysis above was carried out in countries experiencing different rates of development progress. The majority of countries studied were those where stronger progress on poverty had been made (Bangladesh, Cambodia, Ethiopia, India, Nepal, Rwanda, Tanzania, Uganda), but a number of countries were included where progress on poverty was less rapid (Kenya, Malawi, Nigeria, the Philippines). Of course, just as with households, this picture of progress on poverty is dynamic and subject to reversals: since 2010 poverty reduction has slowed in Rwanda and gone into reverse in Uganda, for example.

In this report, country income status and progress on poverty are used to categorise countries, based on a cross-country analysis carried out in 2017 (Shepherd et al., 2017). This showed that:

- Countries making weak progress on poverty generally show lower growth than those making stronger progress.
- Stronger progress on poverty is associated with lower average inequality, as measured by the Gini index.
- Government effectiveness also seems to characterise strong progress on poverty (Figure 9).
- Countries with worse progress on poverty (within country categories) are as follows:
  - FCAS fare worse on GDP growth rate, growth volatility, human development and government effectiveness.
  - LDCs fare worse on volatility, GDP growth rate, aid and revenues per poor person and natural resource rents.
  - L-LMICs[11] fare worse on government effectiveness, human development, aid and revenues.

There are LDCs that have done well in terms of reducing poverty, where growth has been high (2% higher than those not doing well) and less volatile than elsewhere – and interestingly, with half the level of FDI and less aid per poor person than in LDCs doing much less well on poverty. They have also had better human development outcomes, though this is not correlated with health or educational expenditure. Government effectiveness is also better, but they are not necessarily more peaceful.

Figure 9: Government effectiveness and progress on poverty (per year) in fragile and conflict-affected states (FCAS) and lower lower-middle-income countries (L-LMICs)



Source: Analysis of World Governance Indicators (WGI) database

Among LMICs, neither growth nor human development is especially associated with progress on poverty. Both of these are occurring across countries making stronger or weaker progress on poverty. The difference seems to be made by greater government effectiveness, higher domestic revenue mobilisation and aid per poor person. These more successful countries are also reducing their vulnerability to climate change more rapidly than others.

There are also groups of countries among the LDCs, FCAS and LMICs that are not making significant progress on chronic poverty. We identify countries that have experienced a 'perfect storm' of factors – a combination of low and/or volatile growth, weak government effectiveness, low aid and environmental vulnerability – that make it very challenging for these countries to progress in the near future. These are countries where a large proportion of the population is likely to remain in extreme poverty in the foreseeable future. They include:[12]

- **LDCs**: Benin, Comoros, Madagascar (regress on poverty); Burundi, Central African Republic (CAR), Guinea-Bissau, Haiti, Liberia, *Malawi*, Mali, Sierra Leone, The Gambia, Togo, Zimbabwe (weak progress)
- **Lower-LMICs**: Cameroon, Côte d'Ivoire, Mauritania, São Tomé and Príncipe, Zambia (regress on poverty); Djibouti, *Kenya*, Laos, Lesotho, Senegal (weak progress)
- **Upper-LMICs**: Guatemala (regress); Cape Verde, Guyana, Honduras, *Nigeria*, *Philippines*, Swaziland, Timor-Leste (weak progress)

There is also a worrying divergence between a group of 14 severely conflict-affected poor states (SCAPS) and other FCAS that have not been making (much) progress on poverty in terms of growth, volatility of growth, human development and vulnerability to climate change.[13]

Though growth *per se* has not been so much an issue, the regressing/weaker progress L-LMICs (especially in South Asia) have experienced a combination of low government revenue and aid per poor person, relatively weak government effectiveness and significant environmental challenges.

However, even in these countries with limited progress on poverty there has been more consistent progress on human development, as defined here by the under-five mortality rate (Figure 10). A significant challenge is to turn progress on human development into progress on monetary poverty (see Sections 5.2–5.4 in Chapter 5).

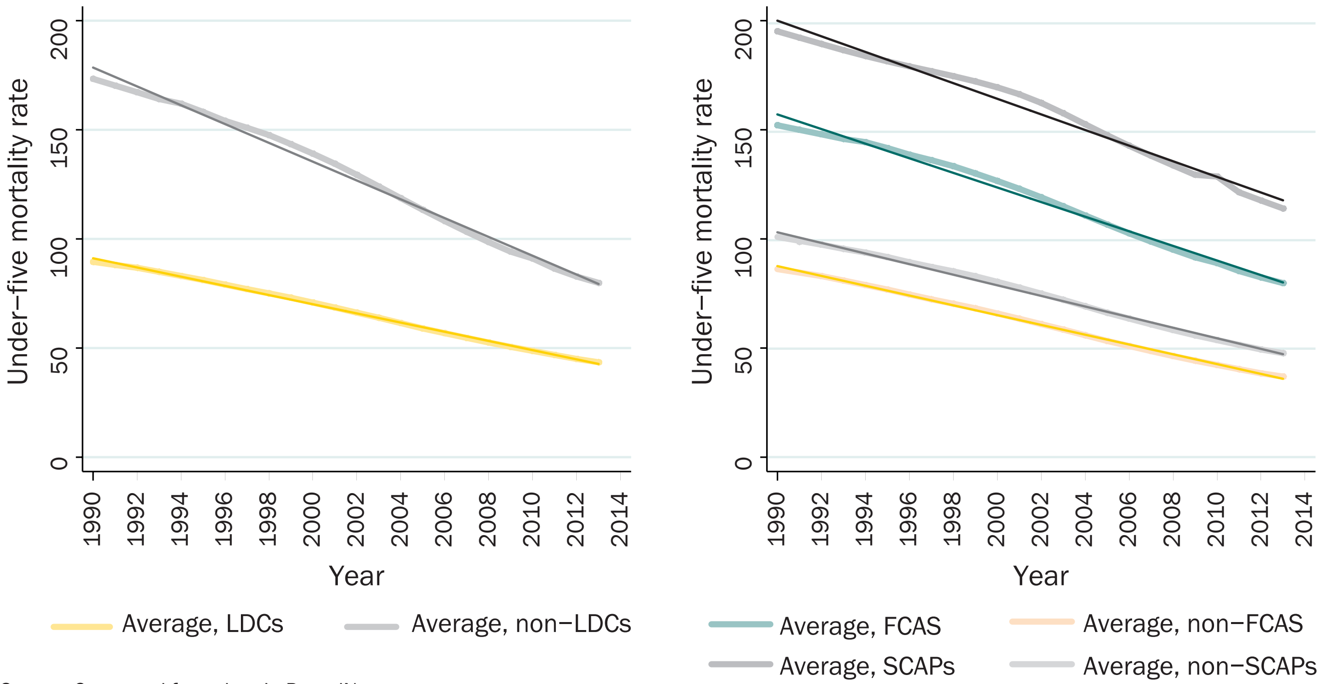
1.6. Where are the poorest within countries?

Identifying where poor people live within countries is also important. Substantial inequalities exist within countries. These occur owing to a range of factors, including individuals' power and agency, capabilities and effective access to goods and services, with income inequality occurring as both an outcome and a driver of broader inequalities. Below we discuss in more detail i) the poorest people who face multiple disadvantages or intersecting inequalities; ii) those living in spatial poverty traps; and iii) the hidden poor in more affluent areas.

Multiple disadvantages affect people with more than one ascribed identity, such as membership of a discriminated-against race, caste, ethnicity or gender, which may be compounded by religious identity, disability or poverty. These intersecting inequalities make it more likely that people will have a compounded risk of discrimination, will be difficult to reach through development interventions and will find it more difficult to engage with markets on good terms. This is the case for disabled poor women in Bangladesh, who face a triple disadvantage (Diwakar, 2017). India provides a case study (Box 10).

Government policies can focus public investment on particular areas within a country where they boost market functioning, draw private investment and stimulate economic activity, tightening labour markets and raising local wages. Examples include growth corridors and export promotion zones. Such interventions can benefit both the local and the national economy but can have a serious downside by driving up spatial inequality, with improvements in income in booming areas masking high levels of poverty in other areas when relying on an aggregate snapshot of poverty and inequality. Concentration of investment can lead to a 'bad neighbourhood effect' where there is an absence of investment, which constrains opportunities, limiting poverty reduction and blighting whole areas, limiting returns on investment and enterprise success and even restricting the benefits from improved human capital because of the lack of role models and good entry-level employment opportunities, making success harder to achieve (Bird et al., 2010).

Figure 10: Reduction of child mortality per person by country group (per 1,000 live births)



Source: Computed from data in PovcalNet

These spatial poverty traps can be urban as well as remote rural and many of the people living in them are commonly not only poor but chronically poor, experiencing intersecting inequalities and either exclusion or adverse inclusion. This limits the economic benefits they gain through wages, returns to entrepreneurship or investment.

This is not to suggest that governments should not invest in stimulating investment and growth in already prosperous areas, but that such investments should be balanced by interventions to tackle spatial poverty traps in others, including in infrastructure (roads, bridges, power, water and sanitation, information and communication technology (ICT) and telecommunications) and health and education, to reduce the geographic isolation people in spatial poverty traps can experience. In addition, governments should reduce the barriers to market functioning and public service delivery and help residents acquire improved capabilities and agency, thus increasing the returns to out-migration. Some spatial poverty traps are harder to tackle than others – in India's forest regions, for example, compared with its drought-prone regions. This is because access to forests and forest produce was limited for the forest residents, and some contracts for collection of non-timber forest produce included low rewards and adverse terms and conditions (Shah et al., 2006).

Kenya has a number of persistently high poverty counties and high poverty wards within less poor counties, which will take a substantial change of gear to address through public and private investment and policy. Recent work has found that there can be a perfect storm of development-inhibiting factors at the sub-national level too. Figure 11 illustrates this. The contextual deprivations measured for the map include corruption measured by rates of bribes; public expenditures on health and human development as a share of poor people in the county; risk of natural hazards; and fatalities from armed conflict as a share of the county population. The red dots indicate countries where there are high contextual deprivation scores and high poverty rates.

The increases in aggregate incomes found in some growth poles and highly favoured areas can mask the existence of large numbers of very poor people, whose incomes have stagnated or diverged from the average. Likewise, capital cities and other metropolitan centres and areas with high levels of capital penetration[14] and densely functioning markets can incorporate chronically poor people in adverse circumstances closely resembling modern-day slavery. This is more likely to occur when people with limited skills and education or from a discriminated against group seek work. Their limited negotiating power can result in low wage rates and poor conditions of service in high-risk jobs.

Interventions to reach chronically poor people in the context of rising aggregate income levels need to recognise the limited capabilities, agency and negotiating power of the poorest people and work to equip them to engage in markets on good terms, while seeking to stimulate job-rich growth and regulating and monitoring labour markets in such a way as to ensure the creation of decent work-generating pro-poorest growth (PP^2G). Many of the poorest women are engaged actively in labour markets but the discrimination and adverse inclusion they face as a result of intersecting inequalities mean they often experience very poor working conditions, including poor pay, insecure work, long hours, the expectation of unpaid overtime and sexual harassment in the workplace (see Box 10).

Box 10: Intersecting inequalities in India

Women and children from Scheduled Castes (SCs) and Scheduled Tribes (STs) in India are much more likely to be poor and malnourished and to die young compared with other groups in the population. Discrimination has damaged their human development and, while the discrimination described here is not uniform across India, it is sufficiently widespread to affect access to and use of public services.

Focusing first on poverty rates, we see that in 2009/10 the poverty rate for STs was 33%, compared with 30% for SCs and 25% for Muslims, against an overall average of 21.6%.

At the intersection of gender, we see that Dalit women die younger than women from other groups. The average age at death for Dalit women (39.5 years) is 14.6 years younger than for higher-caste women (54.1 years) owing to 'higher exposure to mortality-inducing factors' (Borooah et al., 2012) including poor sanitation and water supply. Even in cases where higher-caste and Dalit women experience similar mortality-related factors, Dalit women have lower life expectancies. Even after accounting for social status differences, a gap of 5.48 years remains, and a difference of 11 years would remain if they experienced identical social conditions (e.g. sanitation and drinking water).

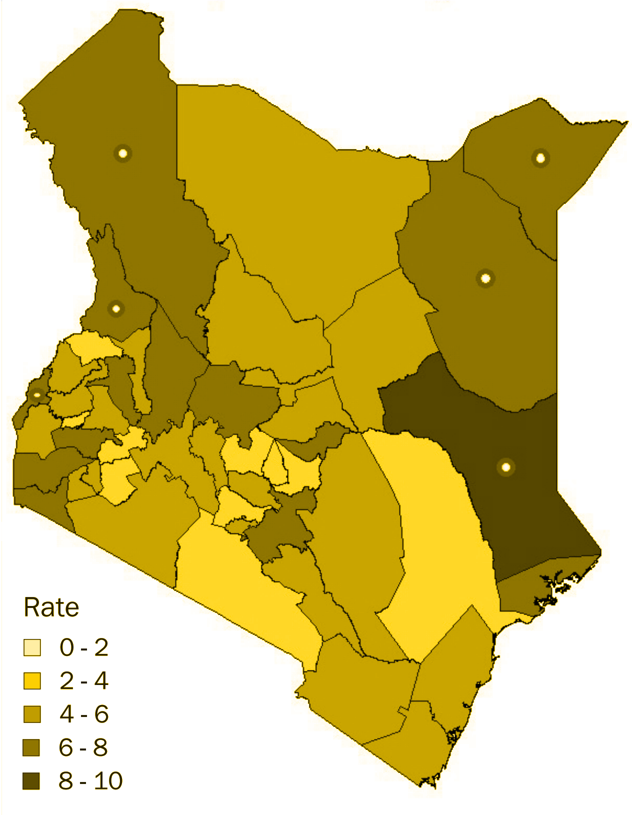
These findings show that identity is responsible for a proportion of the poor outcomes experienced by SC and ST women and children. Field-based studies indicate group-specific factors for high malnutrition levels including discrimination in accessing income-earning assets, education and government schemes related to food and health. Discrimination is faced by SCs and STs accessing subsidised food from owners of 'fair price shops' (administering India's Public Distribution System to ration card holders) (Thorat and Sabbarwal, 2013). SC children also face discrimination accessing the Mid-Day Meal Scheme in schools and state kindergarten centres (Anganwadi centres) (Thorat and Lee, 2006). This includes selective denial of meals, not serving sufficient quantity, serving such children last, serving them from a distance, humiliating them for asking for a second serving, separate seating arrangements, not recruiting cooks from the lowest castes, refusal by higher-caste children to eat if food was cooked by someone from marginalised groups and requiring lower-caste children to bring their own plates or refusal to wash their plates.

1.7. Which sectors employ the poorest people?

The poorest people tend to have limited capabilities. Their disadvantages in health, education and skills and their limited agency and social capital constrain their employment choices and mean they tend to be highly concentrated in low-quality employment or self-employment. Work that is drudgery-intense, low-skilled and with low barriers to entry tends to be within the informal sector and with poor conditions of employment, including poor pay and job insecurity. The sectors and sub-sectors where the poorest are disproportionately located include paid and unpaid work in household agriculture, construction, domestic work and petty trade (CPAN, 2014). However, the poorest people can also be found in very specific 'price-taking' service roles in high growth-potential sectors, where intersecting inequality combines with their poor negotiating position to drive their inclusion in the growth process on adverse terms. Poor terms of employment can include having zero hours contracts, no written contracts, compulsory overtime and tightly policed toilet breaks (e.g. in factory settings) and not having equity legislation or statutory minimum wages, leave or retrenchment policies applied.

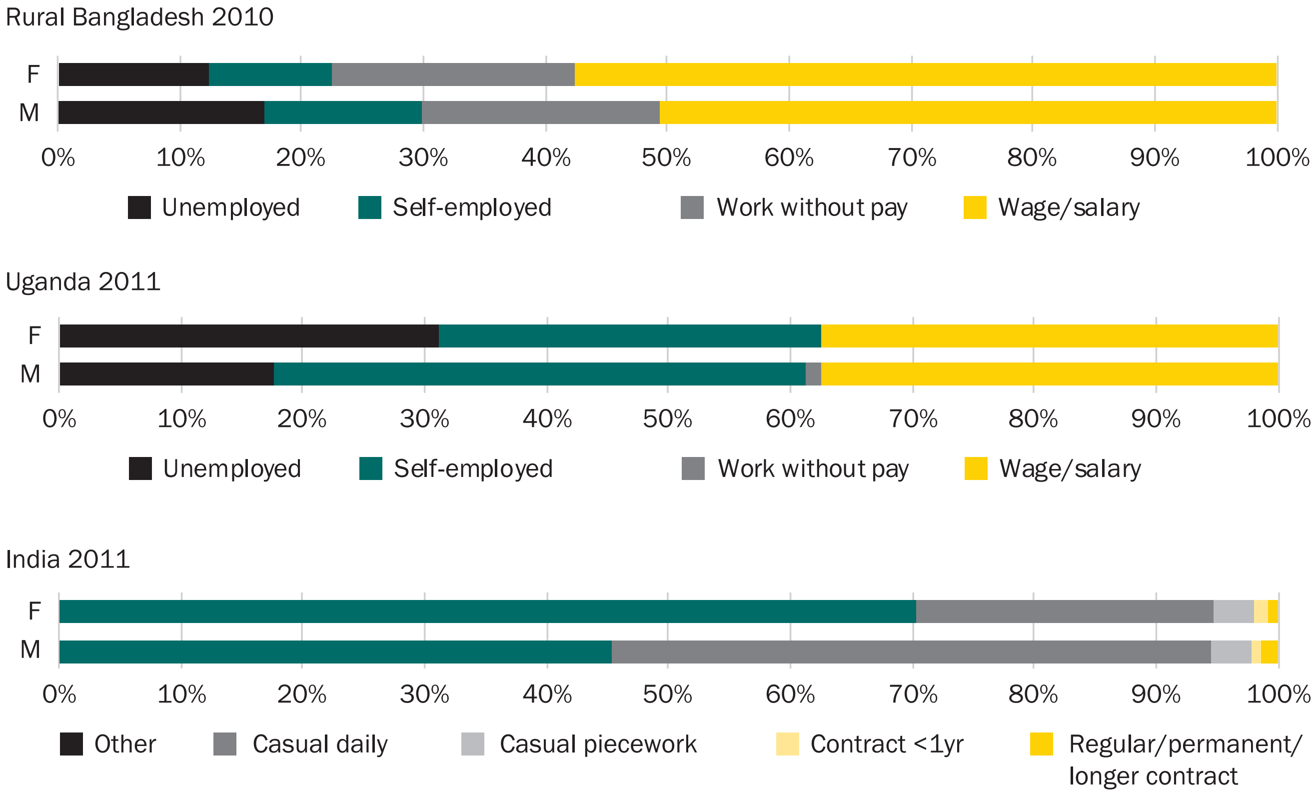
Descriptive analysis of employment of the chronically poor in rural Bangladesh, India and Uganda (Figure 12) reveals some stark cross-country differences – for example, the vast dependence of the chronically poor on casual labour in India, especially in agriculture and construction, compared with self-employment or own-account working elsewhere; the greater dependence of chronically poor women on agricultural labour compared with men; and the much greater spread of occupations in Bangladesh and India compared with Uganda.

Figure 11: Contextual deprivation and poverty rates, Kenyan counties



Source: Diwakar and Shepherd (2018b)

Figure 12: Employment of chronically poor household heads in rural Bangladesh, India and Uganda



Notes: Data is not statistically representative but for illustrative purposes only. The Indian data did not provide information around work without pay, nor which activities were self-employed or waged. Most of the 'unemployed' category thus likely refers to casual piecework and/or work without pay.

Sources: Rural Bangladesh 2010: authors' analysis of Chronic Poverty and Long Term Impact Study dataset; India 2011: authors' analysis of India Human Development Survey; Uganda 2011: authors' analysis of Ugandan National Panel Survey

Notes

1 Other purely quantitative analysis of household panel surveys to reveal the role that growth plays in these trajectories has been carried out for India and Pakistan, as well as Ethiopia, Malawi and Rwanda, as background papers for this report.

2 Further analysis is required to understand the differences between quantitative and qualitative results. The results mentioned here have been those where there was little if any difference between the two research approaches.

3 These conversion factors include personal factors such as intelligence, handicaps and height; social and gender norms; and other macro contextual or environmental factors such as climate, provision of public goods and infrastructural facilities (Diwakar and Shepherd, 2018a).

4 These elements also constitute dimensions of a useful framework for multidimensional poverty analysis produced by the Swedish International Development Cooperation Agency (Sida, 2017).

5 The comparison is rough and ready, however, since the Tanzania panel survey effectively uses a low poverty line, though similar results were also achieved at higher poverty lines.

6 Personal, social and environmental or other macro-contextual characteristics. See Diwakar and Shepherd (2018a: 9–10).

7 Personal communication from Lucia Da Corta.

8 These levels of wellbeing were developed in the research and should not be confused with Rwanda's four-part ubudehe wellbeing categorisation of the population.

9 This section is extracted from Diwakar et al. (2019).

10 Near-poor households in this research are those with expenditure per capita over the national poverty line yet under 1.5 and 2 times the poverty line, given its common usage in the literature and our country contexts (e.g. DeParle et al., 2011; World Bank, 2015; Diwarkar et al., 2018).

11 These are the lower-middle-income countries included in the International Monetary Fund (IMF) 'Low Income Developing Countries', which have per capita gross national income up to twice the low-/middle-income (LIC/MIC) threshold (www.imf.org/~/media/Files/Publications/PP/2018/pp021518-macroeconomic-developments-and-prospects-in-low-income-developing-countries.ashx).

12 Countries in italics have been included in the background research for this report.

13 There is substantial overlap with the LDCs making lower progress on poverty among these countries.

14 This can include mineral-producing areas.

2 Growth and poverty reduction

Photo: Kate Bird, local shop in rural Cambodia, ODI/CPAN

Key messages

- Growth on average leads to poverty reduction, and higher growth leads to faster poverty reduction, but with very varied effects for the poorest. This is true on a country level but also on a sub-national level (e.g. India).
- Governments, foreign direct investment and large and medium enterprises typically pursue 'growth from above', with government promoting the associated hard and soft infrastructure and often supporting firms directly.
- Where this has led to labour-intensive manufacturing, the impacts on poverty have been especially positive. Where it leads to polarisation (the concentration of people at the bottom or top of the income distribution over time), the impacts are much more restricted.
- 'Growth from below' is what most poor people have to rely on to get out of and stay out of extreme poverty. This is informal, small-scale, agricultural and often unrecorded, despite accounting for a large proportion of income growth in most developing countries, and despite having been the object of research attention since the 1970s.
- Governments may wish to sweep 'growth from below' under the carpet as 'unmodern', to tax and regulate it prematurely and to modernise agriculture. Comprehensively promoting 'growth from below' is rare among developing country governments, somewhat less rare among donors and more or less absent from foreign direct investment.
- Historically, in a proportion of growth episodes poverty is not reduced or increases. This has been less noticeable during the post-2000 high-growth period. Approaches to 'immiserising growth' generally emphasise more inclusion in services, infrastructure and employment, whereas other causes of immiserising growth often get less attention – discrimination, violence, land dispossession, environmental destruction and the effects of technological or structural change, among others.

- Anti-poorest growth is associated in a cross-country analysis with poor governance indicators (effectiveness, voice and accountability, and absence of violence), while countries with high levels of poverty-reducing growth performed much better on these governance indicators.
- The key determinants of different distributional impacts of growth include the volatility of growth, associated with dependence on foreign direct investment and minerals; the enclave nature of much mineral-based growth, with especially big implications in Africa; and the quality of macroeconomic policy, economic policies to promote diversification and revenue management from such growth.

Growth is defined and measured in two ways: an increase in a country's GDP and/or an increase in the incomes or consumption of its citizens. To achieve the eradication of poverty, the second is clearly more relevant, but the first is a precondition for achieving the second, at least in the medium to long term. In the short term, the income or consumption of the poor can increase through redistribution, but this is unlikely to be sustained in the medium term without some economic growth.

Reducing poverty and tackling chronic poverty is good for growth: the poor have a high propensity to spend, and growing their prosperity increases effective demand. Higher incomes enhance people's ability to access education and health services, which in turn raises the standard of the labour force and attracts investment. It should increase the potential for savings and for investment. This is especially the case if i) escapes from poverty are sustained/people do not fall back, contributing in the medium term to growth of a middle or resilient class; and ii) if incomes of the poorest increase significantly. The type of growth and associated policies are important determinants of such outcomes.

We know reducing inequality is good for growth. Increasing the incomes/consumption of the poorest people is an aspect of reducing inequality and is also good for growth. Conversely, high poverty levels reduce economic growth, for example by slowing private investment in human development, which in turn helps promote growth. The extent of this effect depends on levels of inequality and the pattern of economic growth. High poverty levels also lower tax returns and savings, which both slow growth.

This chapter begins by showing how growth can have very different distributional consequences. It can promote the interests of the poor or the poorest but it can also be 'anti-poorest' or 'immiserising' for periods of time. It explores the contribution of reducing wealth inequality to pro-poorest growth (PP^2G), and finally the extent to which governments and aid donors are promoting the 'growth from below' that sustains most escapes from poverty, as Chapter 1 revealed.

The poorest people face particular barriers in engaging with growth processes. The markets they engage with tend to be thin and incomplete,[1] and the poorest people are constrained in their interactions with them. These constraints centre around their limited agency and capabilities as economic actors, the unfreedoms they experience[2] and a range of factors in the wider enabling environment that act as barriers to entry.

The binding constraints facing the poorest people are likely to include some or all of the following: inadequate physical and social infrastructure, power and ICTs; financial exclusion; low levels of access to and control of physical assets; low capabilities (and in particular education and health); low levels of power and agency; and distorted regulation and petty corruption. These issues are addressed in subsequent chapters (3–5).

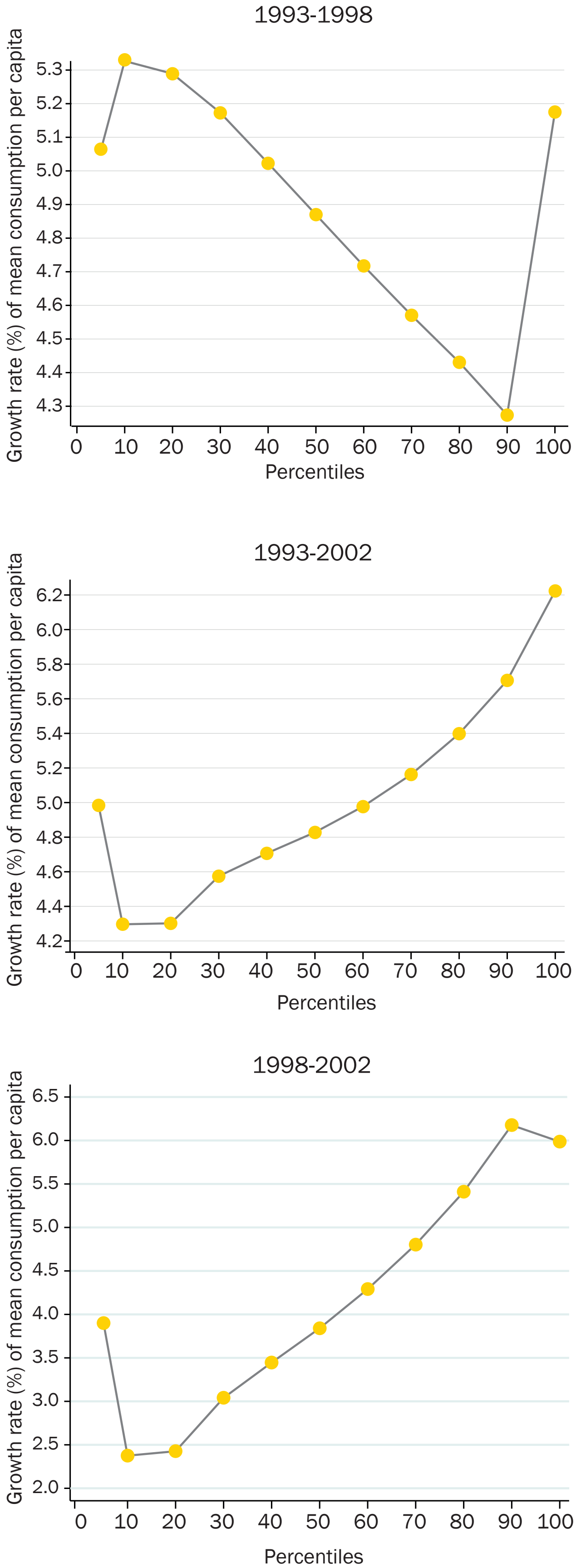
2.1 Pro-poorest and anti-poorest growth

There is no need to repeat the mantra that growth on average leads to poverty reduction – this is well known and accepted. What is less well known is how varied the effects of growth are on different groups of people, including among the poor. Growth incidence curves (GICs) shed some light on this. Figure 13 presents the example of Viet Nam between 1993 and 2002: this shows that i) the incomes of the poorest people increased in absolute terms over the period, more in the earlier than in the later part of the period; but ii) relatively speaking, the poorest did worse than the average and much worse than those at the top of the distribution.

We will talk about relative pro-poorest, absolute pro-poorest and anti-poorest growth in this report: relative pro-poorest where the poorest do better than the average, contributing to reduced inequality; absolute pro-poorest where their incomes grow substantially, even if less than the average (this is compatible with increased inequality); and anti-poorest growth where their incomes reduce (and where there may be net impoverishment).

The example of Malawi (Table 4) shows again that growth can result in very different distributional results. Combining periods can also be misleading – growth in 1998–2010 was pro-poorest in absolute terms but this combined a period of relative PP^2G with a period of marginally absolute PP^2G characterised by one analysis as anti-poorest growth (Dabalen et al., 2017). The interpretation of the effect of growth on poverty from 2004 to 2010 has been contested, with one analysis, and government, claiming that strong growth in general and agricultural growth in particular, with subsidised inputs

Figure 13: Viet Nam Growth incidence curves, 1993–2002

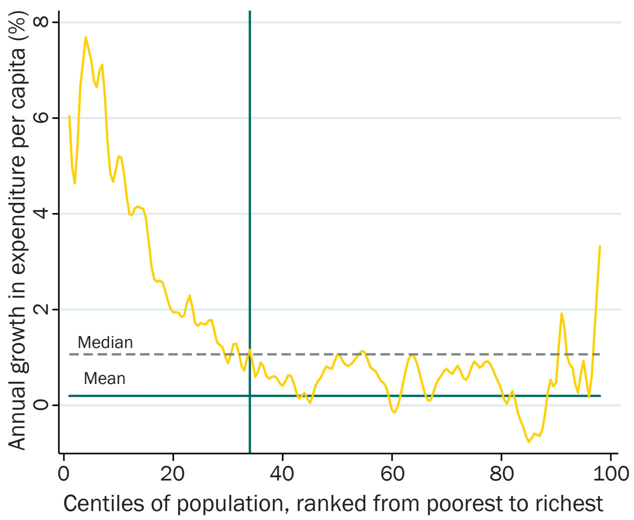


Source: Authors' analysis based on PovcalNet scraped dataset from Dykstra et al. (2014)

Table 4: Distribution of growth by time period, Malawi, 1998–2010

	Pro-poorest growth?	Growth rate, bottom 20	Growth rate, mean	Source
1998–2004	Relative	5.55%	2.96%	Authors' analysis of PovcalNet
2004–2010	Absolute	0.47%	4.84%	Authors' analysis of PovcalNet
1998–2010	Absolute	5.94%	6.25%	Authors' analysis of PovcalNet
2010–2013	Relative	4.74%	0.20%	Gondwe's (2017) analysis of Malawi's Living Standards Measurement Survey: the Integrated Household Panel Survey

Figure 14: Malawi growth incidence curve, 2010–2013



Source: Gondwe (2017)

Table 5: Mean and median growth rates, 2010–2013

Growth rate in mean	0.20
Growth rate at median	1.07
Mean percentile growth rate	1.49
Corresponding percentile	**Rate of consumption growth**
10	6.16
20	4.74
30	3.71

Source: Gondwe (2017)

for half of all smallholder farmers, was pro-poor (Pauw et al., 2016). Malawi then returned to a strongly PP²G pattern in the 2010–2013 period (see Table 5), attributed partially to growth in non-farm employment, among other factors. Most of the benefits of growth were rural – the poor(est) in towns fared badly.

2.2. Is growth in crisis?

If growth does not always lead to poverty reduction (or even increased wellbeing for the majority), is this relationship in crisis? A substantial proportion of growth episodes are anti-poorest: people are impoverished as others escape poverty during growth, and impoverishment can exceed escapes; and temporary escapes may exceed sustained escapes. The consumption of the poorest people has barely improved over several decades.

Immiserising growth occurs when growth fails to benefit, or harms, those at the bottom. This definition of the term is different from that in economic theory, where it refers to a worsening of the terms of trade in the context of trade liberalisation that leaves a country worse off (Bhagwati, 1958). Immiserising growth is not an insignificant phenomenon empirically, occurring in between around 10% and 35% of cases, depending on the dataset and the growth and poverty measures used (Shaffer, 2016; Shaffer et al., 2019).

Why does growth not always lead to much poverty reduction? One way to think about the causal mechanism leading to immiserising growth is in terms of the distinction between failed inclusion and active exclusion. Failed inclusion is about the incomplete spread of a beneficial process, whereas active exclusion is about the spread of harm. Arguably, immiserising growth episodes have more to do with the latter than the former.

The typical micro-level strategies of pro-poor or inclusive growth follow in a very logical way from the notion of failed inclusion. For example, in Klasen's (2004) overview article, he identified the following 'agreed policy implications' for micro-level strategies of inclusive growth: agricultural research and extension, rural infrastructure, investment in education and health, provision of microcredit and subsidies for infrastructure for the poor, and so on. Likewise, seven core items make up the Inclusive Growth Strategy in the World Economic Forum (WEF) Inclusive Growth and Development Report 2017: education, basic services and infrastructure, credit, small assets, employment and fiscal transfers. Policy measures directly addressing discrimination, violence, land dispossession, environmental destruction and the effects of technological or structural change, among others, are absent from these lists.

Immiserising growth outcomes are related to a number of processes whereby malevolent processes were initiated, enabled and/or not prevented. Table 6 shows some of these.

The types of causal mechanisms represented in Table 6 have not been the analytical focus of the pro-poor or inclusive growth literatures. The implicit model underlying these perspectives has been failed inclusion.

We assembled GICs for 77 countries, including 47 developing countries, for the high-growth period of the 2000s (Annex 5). Figure 15 summarises the results for the developing countries. What is striking is that the vast majority of countries' growth distributions were either relatively or absolutely pro-poorest: this was an era in which the poorest did well from growth, reflecting the relatively high rates of growth achieved in most countries. Countries with absolute PP²G typically have higher rates of poverty reduction than those with relative PP²G. Many of the pro-poorest episodes unsurprisingly saw substantial reduction in the incidence of poverty; relative PP²G was common among upper-middle-income countries (UMICs) and in Latin America. But even among today's LICs with data, there were only two cases of anti-poorest growth,

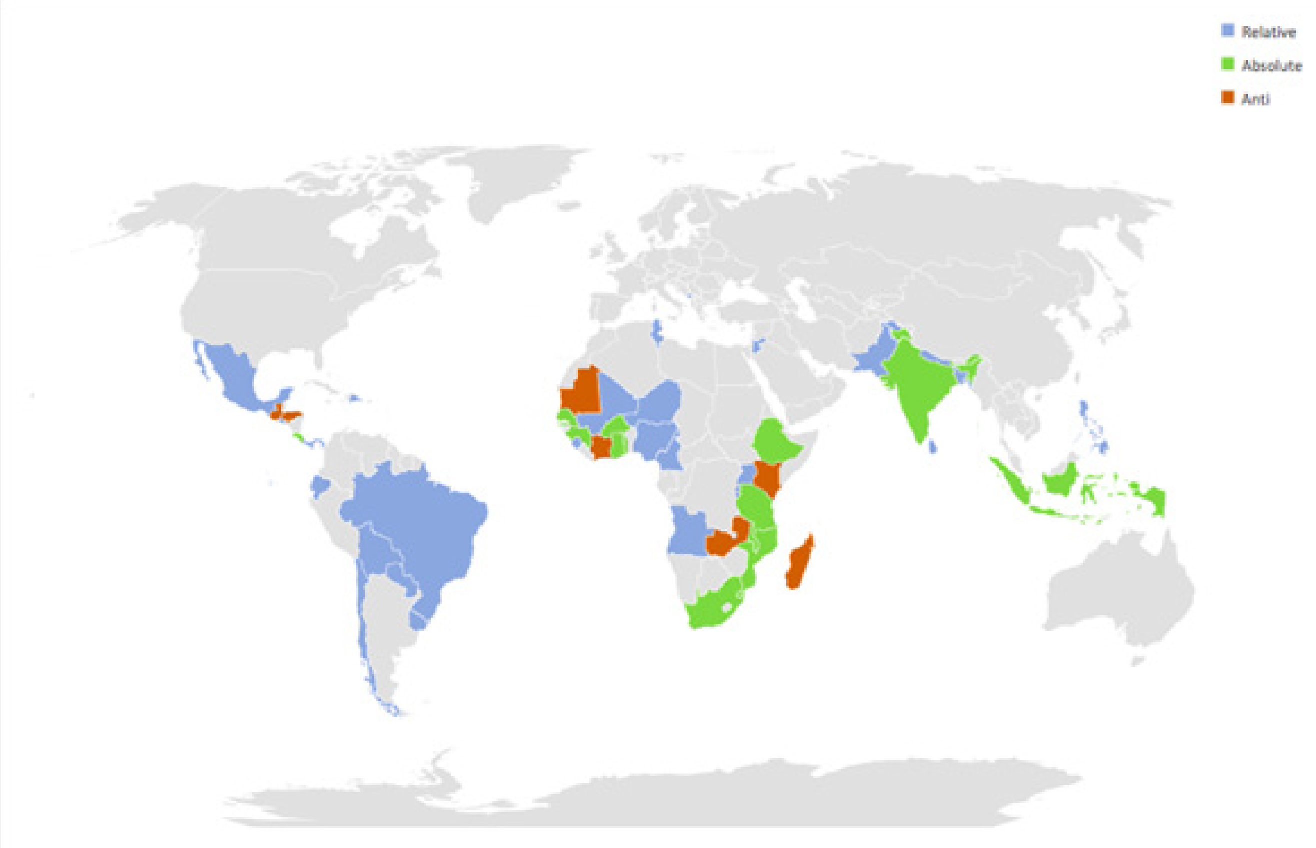
Table 6: Elements of harmful sequences leading to immiserising growth

Initiating or sustaining	Facilitating	Forbearing to prevent
1. Discrimination and violence (Mexico, Bolivia, India) 2. Conflict (India, Nigeria) 3. Land dispossession (Mexico, Bolivia) 4. Environmental destruction (Ecuador, India, Nigeria) 5. Market liberalisation and global integration (Mexico, Dominican Republic, Bolivia) 6. Structural transformation and technological change (Singapore, Indonesia)[a] 7. Corruption (Nigeria) 8. 'Dutch disease' (Nigeria)	1. Dismantling of basic subsidies (Dominican Republic) 2. Withdrawal of support for indigenous welfare (Mexico) 3. Non-enforcement of anti-discrimination or anti-corruption legislation (India, Nigeria)	1. Absent or inadequate social protection, social spending or policies linked to the harmful sequence (Singapore, India, Nigeria)

Note: a Indonesia did not experience increasing poverty.

Source: Shaffer et al. (2019)

Figure 15: Relative PP²G, absolute PP²G and anti-poorest growth



Source: Annex 4

and an almost equal number of relative and absolute PP²G cases. Among the developing countries for which there are GICs, there were no cases of anti-poorest growth in Asia. Among high-growth countries, there was only one case of anti-poorest growth – Zambia – suggesting that high growth is indeed generally good for the poorest.

These categories are time-bound – a country that shows relative PP²G at one time may not do so at another – and space-bound too – the distribution of growth benefits varies from one sub-national unit to another. Mexico illustrates the former; India's states illustrate the latter.

Figure 16 presents the empirical relationship between the three growth regimes and poverty reduction, when defined in terms of a threshold. This relationship is complicated. In the left-hand graph in the figure, most of the cases of anti-poorest growth are in the upper-left quadrant, where growth is below average and absolute poverty reduction is very low or poverty is even increasing. In general, then, having anti-poorest growth makes it almost certain that a country has low poverty reduction and low growth. Anti-poorest states also have higher levels of inequality on average relative to the other two categories of country, lower GDP per capita and marginally lower average growth rates.

However, as noted, country experiences are varied. There are even cases where below-average growth is associated with absolute or relative PP²G, so the experiences are much more diverse and the relationship is complicated. For example, while the few countries with anti-poorest growth typically have lower than average rates of growth, the situation is not uniform.

Nepal (relative PP²G despite having growth below the average over its GIC period) had the highest rate of annual absolute poverty reduction. A country with high growth and a poverty increase over the period is Zambia (one of our few cases of anti-poorest growth, located in the top-right quadrant). All other countries with poverty increases (Cameroon, Côte d'Ivoire, Madagascar, Kenya) experienced absolute PP²G except for Kenya, which was anti-poorest, and are located in the top-left quadrant, where they also experienced below-average growth rates as expected.

Figure 16 (right panel) shows a clear positive linear relationship between poverty reduction and income equality. In the bottom-right quadrant, we see a handful of exceptional countries that have high inequality yet have also somewhat managed to reduce poverty. South Africa (absolute PP²G) is one such example (orange dot farthest

Box 11: Immiserising growth episodes over the long run in Mexico

A long historical perspective on Mexico shows how variably indigenous people have been included or excluded from growth, with clear episodes of immiserising growth when the wellbeing of the indigenous population declined. Prior to the 1910 Mexican revolution, the Porfiriato period witnessed the imposition of the Spanish Code with a clear social hierarchy, with indigenous people at the bottom and modernisation led by the white population – a strong ethno-cultural ideology. There was a low rate of economic growth, loss of land to companies and a high infant mortality rate.

In the miracle years of 1950–1957, with the Institutional Revolutionary Party (PRI) in power, the business class and 'big agriculture' did well, as did the middle and industrial working classes. The peasants were left at the bottom of the hierarchy, with peasant collective farms (*ejidos*) discriminated against in terms of fertiliser allocations. The bottom 20% lost out absolutely in this period. Ideologically, there was an attempt to construct a new Mexican/mestizo identity, which excluded indigenous people.

Subsequent immiserising periods include 1977–1981, 1987–1991 and 1996–2000. Government created reserves for indigenous people in southern Mexico, especially Chiapas, and used its right to expropriate land. This led to peasant mobilisation. Cheap food was imported, which reduced farm prices, while other prices increased. In 1987–1991, liberalisation dismantled marketing boards and privatised *ejidos* and farm support programmes benefited better-off farmers. In 1996–2000, the North American Free Trade Agreement (NAFTA) allowed cheap (subsidised) US corn into Mexico, and the indigenous corn producers were not at the NAFTA negotiating table to protect corn.

Between 2000 and 2008, there was rising migration out of indigenous southern Mexico, and remittances became a more important source of livelihood. Competitiveness remained central to state ideology, and the ruling party judged indigenous producers not to be globally competitive, whereas in fact they had been when levels of farm support were as great as those provided to the large farm sector. This history led to the peasant organisations splitting from the PRI and the Zapatista rebellion.

Source: Teichman (2019)

Box 12: Variations in the incidence of poverty-reducing growth across major Indian states

An analysis of GICs across major Indian states for 2005–2011 revealed a varied pattern: while most states had positive income growth for the bottom 20% of their population, only a few stood out as having growth above the mean for the poorest; yet others are visibly anti-poorest in their income distribution. Surprisingly, PP^2G may occur alongside high levels of impoverishment, high chronic poverty and/or low levels of escapes. However, on average, the depth of poverty remains lower in these states than the average – the poor are less poor than elsewhere. Mirroring the literature on inequality, growth and poverty reduction, highly unequal income distributions exist in situations of immiserising growth.

PP^2G states exhibit lower growth volatility but this does not translate necessarily into lower impoverishment rates in these states. They have lower growth, partly on account of a high share of agriculture in state domestic product. These states are also transitioning into services sectors at a faster rate than others, which since the 2000s may be more employment- and growth-inducing than in prior decades. This may bode well for future poverty trajectories, given that states with higher services as a share of GDP have lower chronic poverty.

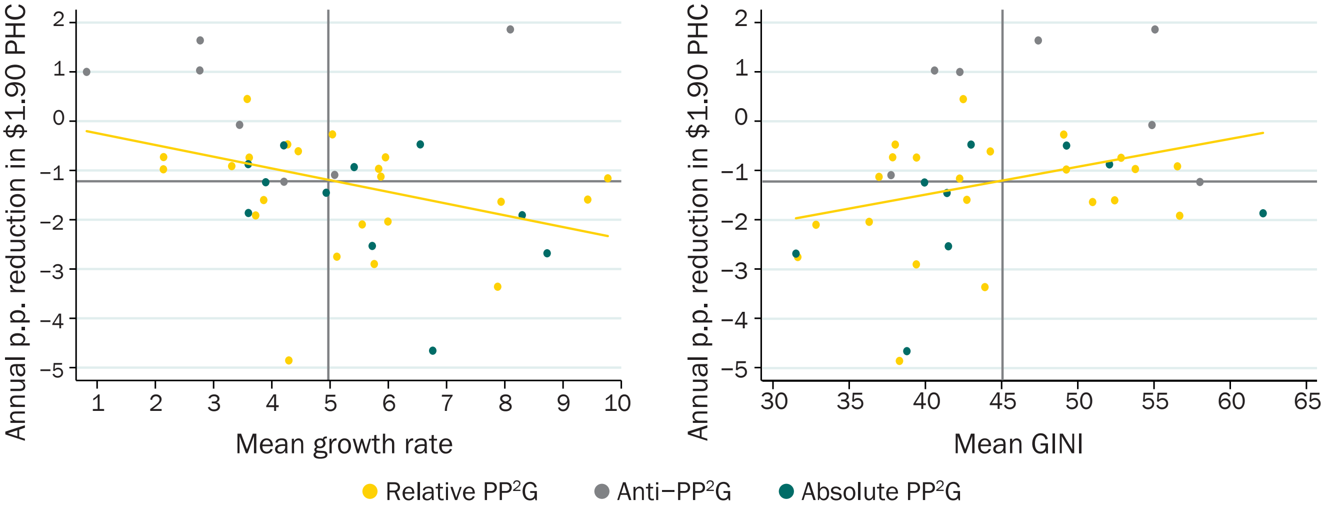
There is a nexus of high rates of mineral exploitation and Naxal violence in anti-poorest states, which may undermine the ability of these states to generate positive growth for the poorest. Chronic poverty remains concentrated among the Adivasi population of India, and in particular in states with anti-poorest growth.

A household's initial resource base, household attributes and capacities, activities of the household head and contextual factors (such as levels of discrimination and the nature of economic growth) all affect the risk of chronic poverty in India. Secondary education completion rates for household heads are much higher in PP^2G states relative to others. These states are also performing better in gender equality in education. Connectedly, on average, PP^2G states have a perfect replacement fertility rate. People in PP^2G states are more likely to live close to key services that could promote immediate income growth of the poorest.

Casual employment is highly common overall but much less so in PP^2G states. There has been a larger increase in the share of household heads employed in industry, including construction, in PP^2G states relative to anti-PP^2G states, suggesting that this sector can drive pro-poor growth. The highest mobility around the poverty line in PP^2G states exists where the household head was employed in agriculture in the base year. Moreover, households that began the period with heads employed in agriculture but who subsequently transitioned into industry or services were more likely to become impoverished and less likely to escape relative to anti-poorest states, suggesting that safety nets in PP^2G states need to be strengthened.

Source: Diwakar et al. (2018a)

Figure 16: Poverty reduction, growth and inequality



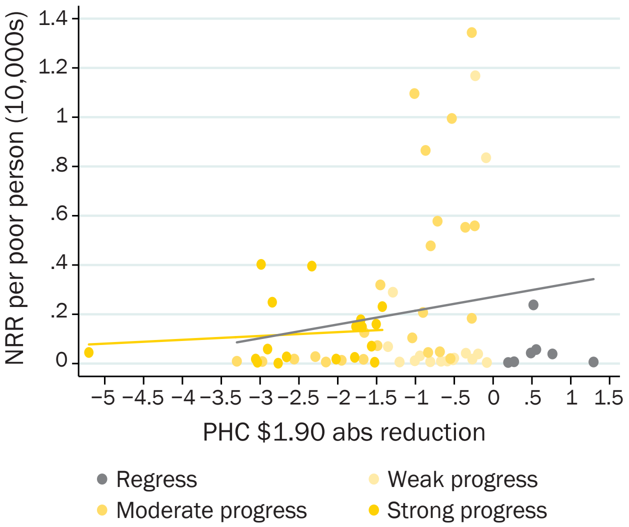
Notes: PHC = Poverty headcount rate. The horizontal line is the mean poverty reduction rate (in annual percentage points), and the vertical line is the mean of the other variable being compared within the graph over the subset of countries analysed.
Source: Analysis of WDI and PovcalNet databases

to the bottom right quadrant). Nepal (relative PP²G) and Tanzania (absolute PP²G) are examples of countries with low income inequality and high rates of poverty reduction.

The **natural resource intensity** of the economy is compatible with higher and lower rates of poverty reduction: so, as much analysis demonstrates, it is not the critical issue, rather it is about institutions and political settlements and how natural resources are managed (Acemoglu and Robinson, 2013). However, an increase in natural resource rents (NRR) (as a proportion of GDP) is associated with anti-poorest growth, so this is something for policy-makers to be aware of (see Figure 17). Natural resource rents have increased at a higher rate where there has been anti-poorest growth.

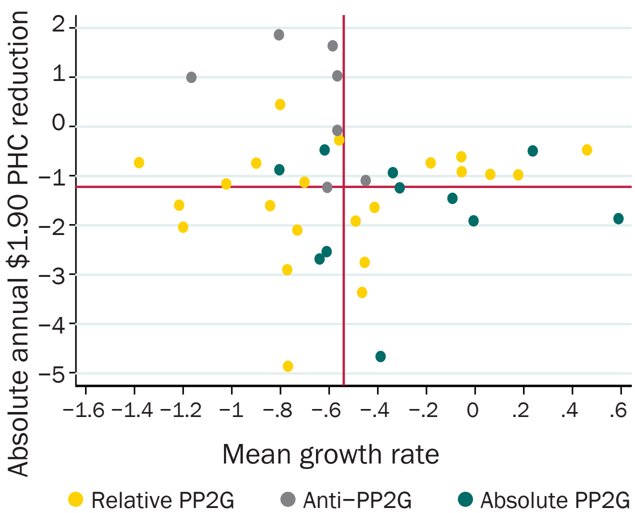
Having said that, there is no easy relationship between institutions, for example, government effectiveness and poverty reduction, or between governance indicators generally and the distributional patterns of growth. The exception is that anti-poorest growth is associated with low levels of government effectiveness (GovEff) and voice and accountability (VA). And GovEff and political stability and absence of violence (PSAV) worsened for this group of countries over the GIC periods.

Figure 17: Natural resource dependence and rate of poverty reduction



Source: Analysis of WDI and PovcalNet databases

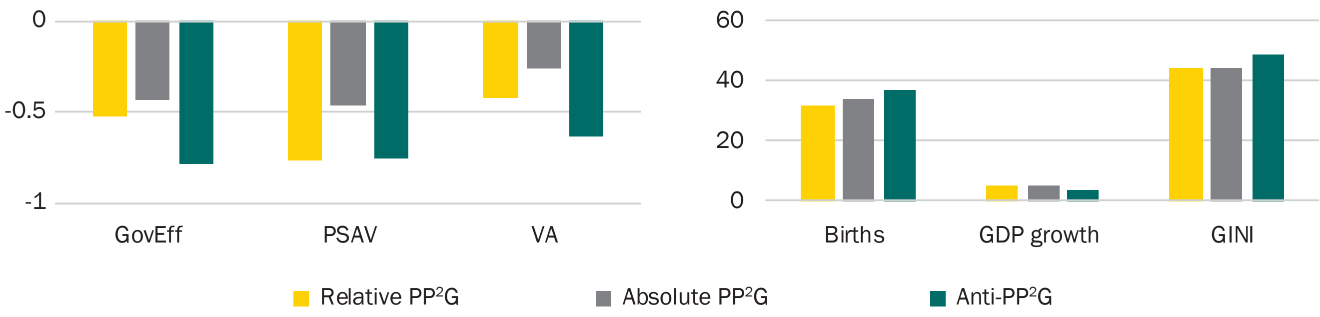
Figure 18: Government effectiveness and rate of poverty reduction



Source: Analysis of WDI and WGI databases

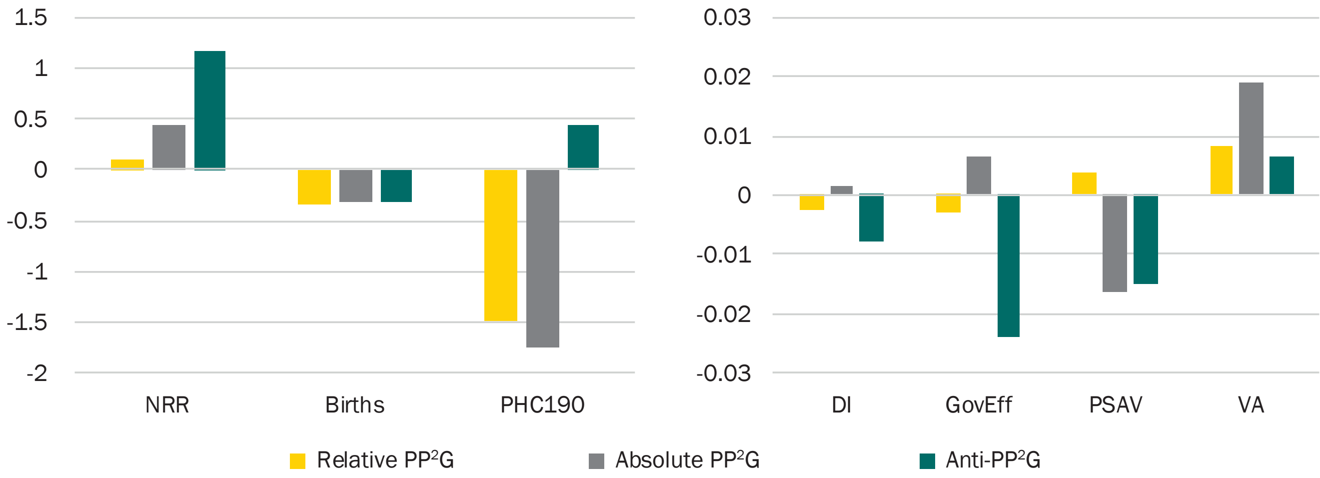
Overall across these governance indicators, absolute PP²G states performed much better than others (Figure 20). These are the states where growth and poverty reduction is generally faster – states that have managed to achieve that beneficial policy/governance–growth–poverty reduction nexus. A visible consequence is the higher birth rates in countries with anti-poorest growth episodes, and higher and increasing inequality (Figures 19 and 20).

Figure 19: Means by PP²G status (various indicators)



Source: Analysis of WDI and WGI databases

Figure 20: Change (over GIC periods) by PP²G status (various indicators)



Source: Analysis of WDI and WGI databases

Table 7: Relative, absolute pro-poorest growth by various indicators

PP²G	GDP growth	Gini	Human Development Index	Annual relative reduction in \$1.90 poverty	Poverty gap \$1.90	Government effectiveness	Political stability & absence of violence	Voice and accountability
Relative PP²G	5.37	40.58	0.64	-6.60	6.86	-0.32	-0.44	-0.23
Absolute PP²G	5.30	40.50	0.57	-2.51	11.80	-0.25	-0.36	-0.11
Anti-poorest growth	3.64	44.70	0.53	1.09	12.41	-0.50	-0.42	-0.33

Note: Voice and accountability captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media. Political stability and absence of violence/terrorism measures perceptions of the likelihood of political instability and/or politically motivated violence, including terrorism. Government effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

Source: Authors' analysis based on World Development Indicators (poverty variables) and Worldwide Governance Indicators (governance variables).

Table 8: Best and worst performers for selected indicators

		NRR		Birth rate		Gini	
Values	PP^{2}G episode	Country	Change	Country	Average	Country	Average
Lowest	Relative	Angola	-2.91	Tunisia	17.29	Pakistan	31.63
	Relative	Nigeria	-2.52	Brazil	18.11	Bangladesh	32.83
	Relative	Burundi	-0.36	Sri Lanka	18.59	Sierra Leone	36.31
Highest	Relative	Pakistan	0.96	Mali	48.08	Panama	53.78
	Relative	Mali	1.17	Angola	49.13	Brazil	56.54
	Relative	Bolivia	3.89	Niger	50.74	Bolivia	56.69
Lowest	Absolute	Ghana	-0.23	Costa Rica	17.83	Ethiopia	31.51
	Absolute	Malawi	-0.16	Indonesia	21.03	Tanzania	38.79
	Absolute	Ethiopia	-0.04	India	22.20	Senegal	39.94
Highest	Absolute	Burkina Faso	0.80	Malawi	41.86	Costa Rica	49.27
	Absolute	Mozambique	1.28	Mozambique	43.47	Swaziland	52.07
	Absolute	Guinea	2.16	Burkina Faso	44.38	South Africa	62.15
Lowest	Anti	Kenya	-0.09	Honduras	28.89	Mauritania	37.74
	Anti	Honduras	-0.03	Guatemala	35.42	Madagascar	40.61
	Anti	CAR	0.02	Côte d'Ivoire	36.77	Côte d'Ivoire	42.26
Highest	Anti	Tanzania	0.46	Kenya	38.57	Guatemala	54.87
	Anti	Togo	0.63	Zambia	43.86	Zambia	55.07
	Anti	South Africa	0.68	Mauritania	5.54	Honduras	58.01

Notes: Positive NRR values indicate an increase in the share of NRR over time; low Gini values are better; years vary depending on the period of the GIC (years provided in Figure 16).

2.3. Tackling wealth inequality

Having seen that growth can have markedly different effects, and some of the correlates of these different patterns, this section asks whether the participation of the poorest in growth can be strengthened by tackling inequality, which is a now well-established position, explaining the inclusion of a Sustainable Development Goal (SDG) on reducing inequality. The findings below suggest that reducing wealth inequality may assist with pro-poorest growth, while reducing inequality of income may or may not benefit the poorest, there being an unresolved debate on whether income inequality deters growth.

Policy-makers are worried that redistribution would reduce investment and constrain growth by reducing the motivation of the rich to invest. The evidence, however, is that redistribution is only mildly, if at all, negative for growth. In addition, inequality can undermine progress in health and education, cause investment-reducing political and economic instability and undercut the social consensus required to adjust in the face of shocks, and thus it tends to reduce the pace and durability of growth (Ostry et al., 2014).

Wealth inequality is especially negative for poverty-reducing growth (Bourguignon, 2003). A main reason for this lies in how credit markets operate: poor people typically must pay much higher rates of interest than rich people because they represent higher risk levels to lenders and/or because credit markets are not perfectly competitive. This means that investment, and so growth, is held back because the enterprises poorer people invest in must produce much higher returns than those invested in by the wealthy. Redistribution from the wealthy to the poor would lead to gains in economic efficiency.

So transferring capital through credit programmes or grant-based approaches to wealth/asset accumulation among the poor could be a powerful driver of increased aggregate growth as well as poverty reduction.

Many of the chronically poor have low levels of assets and/or obtain low returns to those assets because they are adversely included in markets and economic relationships. This applies to land, water, housing, tools and equipment, and access to sources of power. Where asset holdings are reasonable and the problem is more one of market functioning, it makes sense to focus policy-making and programming for growth on making markets work better for the poor. This would apply to many geographically remote areas where markets may be weakly developed. Where assets are scarce, 'asseting the poor' has become a major development strategy, originating in South Asia but now extending far and wide (Box 13).

Take Bangladesh, for example – a home for strategies of asseting the poor. CPAN work on sustained escapes from extreme poverty in Bangladesh does give some emphasis to the importance of owning and acquiring assets for sustained escapes from poverty, together with remittances

Box 13: Asseting the poor

There has been an evolution from the provision of credit to the poor, through a realisation that the poor often cannot access or use credit, or cannot sustain the repayments, to the conclusion that they need other financial services and a set of complementary actions to take advantage of them and become micro-entrepreneurs. These include gaining the assets on which a micro-business can be built, training, belonging to a group that is supported and monitored, having some mentoring and having access to social protection. The work of BRAC and other NGOs in Bangladesh has been the principal learning laboratory. Programmes using the lessons they learnt are now replicated in many countries.

Sources: CPAN (2014, 2015)

and involvement in non-agricultural work; and of farming, where a strategic approach to participation in markets also emerges as important (Scott and Diwakar, 2016).

However, between 2007 and 2014, a period of sustained pro-poorest growth:

- Ownership of livestock decreased (in terms of numbers) for all wealth quintiles, but decreased least (relatively) among the poorest.
- Ownership of land[3] also decreased for all wealth quintiles, but least (relatively) among the poorest.
- Electricity ownership increased for all wealth quintiles, with a relatively higher increase among the poorest. However, in absolute terms, the poorest are still very far behind: 6% of the poorest quintile had electricity by 2014 compared with 99% of the richest quintile.
- Transportation (measured by ownership of a bicycle, motorbike/scooter or car) increased for all wealth quintiles, but the poorest have gone only from zero to 1%, so fairly negligible progress.
- Mobile phone ownership increased for all wealth quintiles, and was highest in absolute and relative terms for the poorest; they started from nearly zero in 2007 and went to 66% coverage in 2014.[4]

From this one might conclude that asset accumulation has not been the driving force behind the PP²G that Bangladesh has achieved. It must rather be to do with growth itself, including the employment generated by the garments industry (though Chapter 1 showed that this generated relatively few sustained escapes directly), the overall increase in wages, even casual and agricultural wages, and returns to businesses including smallholder farming, together with improvements in human capabilities. However, non-farm assets are not included in the above analysis, and the fact that access to electricity and mobile phones has increased would suggest that perhaps non-farm businesses and related assets might have increased too. We can tentatively conclude from this that asset accumulation is important, especially for a sustained escape from poverty, but that escaping poverty in the first place can be done without significant accumulation of assets.

What does a similar analysis tell us for other countries, and factoring in the distributional pattern of growth (relatively and absolutely pro-poorest compared with anti-poorest)? Data on 26 countries revealed that there was a large decrease in ownership of both land and livestock for the lowest quintile in anti-poorest growth countries, driven by Pakistan in the case of land, with 47% of agricultural land at the beginning of the period covered compared with 33% at the end, and Zambia in the case of livestock. Ownership declined across all except the richest quintile in countries experiencing anti-poorest growth.

Ownership of mobile phones increased across the board, somewhat independently of the growth pattern. So did electricity access, though much less for the bottom 60% in cases of anti-poorest growth. Means of transportation (ownership of a bicycle, motorcycle/scooter or car) improved for all except the poorest.

This is a positive story: that, while land and livestock assets are generally in decline, the poorest in cases of PP²G gain land and livestock and they also increase their access to electricity and mobile phones. Where the poorest people are gaining in terms of income (PP²G), their assets are on the increase. They are investing their income gains in assets, which in turn allow further income increases. Where there is anti-poorest growth, the assets of the poorest are in severe decline (with the exception of ownership of mobile phones).

Resilience to poverty can be achieved in a positive growth context, though this means growing incomes and assets some way above the poverty line. In our qualitative research work on sustained and temporary escapes from poverty (described in Chapter 1), local people define resilience as being secure enough in terms of income and assets that a shock does not take you back into poverty, even if it makes you a little less resilient. So in Rwanda and Tanzania, for example, resilient households were at wellbeing level 5 (of 6): they typically still had and were accumulating agricultural holdings, but had also diversified beyond agriculture, mostly into trade, and invested in property, sometimes urban. Some had been able to save out of small-scale food farming and invest in training and obtain formal public sector jobs, but most were in the informal sector. They had been able to make use of financial services, accumulating savings and small loans and progressing to larger loans. If assailed by a significant shock they slid back to level 4 wellbeing – still above the poverty line (Da Corta et al., 2018a, 2018b).

The kind of growth we are looking for, then, is one that provides opportunities – jobs, self employment and small-scale investment opportunities – with a higher degree of security and a degree of redistribution to allow adequate public education, health and social protection

Figure 21: Changes in the ownership of assets and access to electricity transportation/vehicle ownership and mobile phone ownership by quintile and distribution of growth, 26 countries

Source: Authors' calculations based on Demographic and Health Surveys for 26 countries: Armenia, Bangladesh, Bolivia, Burkina Faso, Côte d'Ivoire, Ethiopia, Ghana, Honduras, Indonesia, Jordan, Kenya, Madagascar, Malawi, Mali, Mozambique, Nepal, Niger, Nigeria, Pakistan, Philippines, Rwanda, Senegal, Sierra Leone, Tanzania, Uganda and Zambia.

policies. A major question is whether this kind of growth can be 'from above', with government shaping a conducive business environment and providing big infrastructure and special economic zones to attract large and medium-sized firms to invest, or whether it has to be 'growth from below' in agriculture and the informal economy, which governments are typically much less keen to recognise, let alone promote.

2.4. Government and donor efforts to promote poverty-reducing growth

2.4.1. Government efforts

CPAN has developed a Poverty Eradication Policy Preparedness Index (PEPPI) and database. This analyses the policies in place that will contribute to eradicating extreme poverty in 2015 and will track policy change thereafter. The 2015 database currently covers 23 high-poverty countries; the intention is to cover 31, which would represent almost 9 in 10 poor people globally. The 23 countries covered so far represent 84% of the global US$1.90 poor in 2013. This is a work in progress.

Here, the PEPPI database is used to give a measure of national policy efforts to eradicate extreme poverty through 'growth from below'. It focuses on the following policy areas, and gives points for having policies in place (5), having some evaluation of those policies (1) and evidence of serious implementation (1):

- employment guarantee/public works programme
- promotion of the informal sector
- agricultural market freedom
- access to irrigation
- land tenure policies that promote security of property rights and so possibilities of renting in/out
- recognition of customary land rights
- insurance against economic risks (e.g. agricultural)
- devolution of tax and policy-making
- quality of Infrastructure
- access to financial services.

This gives a total possible score of 7 for each country's pro-poor growth-focused policies.

The results in Table 9 suggest that there is a way to go for many countries in developing policies that support 'growth from below'. This is true among LMICs as well as LICs.

While most results are as expected, there are a few surprises: Democratic Republic of Congo (DRC) and Malawi scoring higher than Ethiopia, for example, which is a high scorer overall in the PEPPI. Mozambique is a surprisingly good performer too. In the case of Ethiopia, the PEPPI questions on land and property may not fit its system well; however, the index captures the ambivalence of policies in Ethiopia (e.g. its scepticism about the informal sector). By comparison, its human development, protective and gender equality policies are high scoring.

What is missing here is an analysis of national growth strategy documents.[5] A previous analysis of six countries' policies[6] identified a slightly different list of policies that would promote PP^2G, including disciplined macroeconomic policies and a variety of general and sectoral economic and human development policies, together with employment- and labour-focused policies. Table 10 gives the results.

Countries showing some evidence of PP^2G are also countries where the policy framework is more fully developed, so we can infer from this that policies are likely to make at least some difference to outcomes. Cambodia, Ethiopia, Rwanda and Viet Nam had significantly better-developed policy frameworks with reference to the eradication of extreme poverty than Lao PDR and Mozambique.

It is also interesting to note the policy areas that are relatively consistently present and those that are not. All countries have devoted efforts during at least part of the period examined to achieving and maintaining

Table 9: The PEPPI – growth (G), 2015

	PEPPI (G) score (maximum 7)
UMICs	
Brazil	4
China	4.5/6.5
South Africa	5/6.5
LMICs	
Bangladesh	2.5/6
India	4
Indonesia	3.5
Kenya	5
Nigeria	2.5/6.5
Pakistan	2.5/6.5
Philippines	3.5
Zambia	1.5
LICs	
Burkina Faso	3.5/6.5
DRC	4/6.5
Ethiopia	3.5/6.5
Haiti	1/6.5
Malawi	4/6.5
Mozambique	3.5/6.5
Niger	3.5/6
Rwanda	4.5
Tanzania	3.5
Uganda	4/6.5
LIC SCAPS	
Zimbabwe	2/6

macroeconomic stability. This focus can be explained partly by the influence of the international financial institutions (IFIs), which have also provided technical assistance to implement the required policies, helping develop capabilities in this area. This does not mean that the actual implementation of fiscal, monetary and exchange rate policies has been consistent across time and countries, and always reflecting the prescriptions of IFIs' policy orthodoxy. Ethiopia and Viet Nam, for example, had levels of state intervention in the economy that were well beyond those recommended by the International Monetary Fund (IMF), for example in the management of their exchange rates. Nor does it mean that macro-economic outcomes are equally good – they were best in the clear pro-poorest growth episodes in Cambodia and Rwanda, and variably problematic in the other four countries, indicating how difficult it remains to manage macro-economic variables in today's modern, globalised economies.

Some redistributive public expenditure was also common across the countries, though in some (especially Cambodia) this was largely supported by donors.

Policies to promote women's equality were in all cases good on paper and difficult to implement in practice, as local societies remain patriarchal. This may constitute a major constraint to advancement of PP^2G in all countries examined.

There is, then, a group of policy areas where countries with episodes of PP^2G have more consistently developed policies than other countries: pro-smallholder food and agriculture, (though in Cambodia only quite recently); labour-intensive industrial policy; decentralisation; and massive investment in quality education, including pre- and post-primary and TVET. Some combination of these would seem to be what may differentiate the PP^2G episodes from the others.

Table 10: CPAN's pro-poorest growth policy 'package' and its implementation by countries

Policies	Mozambique	Rwanda	Ethiopia	Lao PDR	Viet Nam	Cambodia
Macro-level drivers						
1. Disciplined fiscal and exchange rate policies resulting in stable macro-economy	+/-	+	+/-	+/-	+/-	+
Meso-level drivers						
2. Pro-poor food and agriculture policies, including support to smallholder agriculture (asset accumulation/protection/environmental sustainability)	-	+	+	-	+	(+)
3.Economic policy with emphasis on labour-intensive sectors (especially manufacturing)	-	-	+	-	+	+
4.Regional and local development policies resulting in reduced spatial inequality; includes critical infrastructure	-	+	+	-	+/-	-
5.Efficient and equitable tax reforms	+	?	-	-	+	+/-
6.Public expenditure with redistributive elements	+	+	+	-	+	(+)
6.1 Massive investment in quality education including pre- and post-primary, and links to labour market	-	+	+/-	-	+	+
6.2 Pro-poor (affordable, reliable), pro-rural public spending especially roads, telecoms and energy	-	+/-	+/-	+/-	+	+/-
7. Interventions that favour beneficial integration of the poor in the private sector						
7.1 Integration of informal enterprises in economic planning	-	-	-	-	-	-
7.2 Integrated business development services (i.e. with grants/loans attached to training)	-	+	-	-	+	+/-
7.3 Dealing with petty corruption in the police and judiciary, social services and natural resources front lines	-	+	-	-	+/-	-
8.Policies and interventions on employment and labour market (decent work)						
8.1 Recognition of informal jobs and inclusion of informal workers in legal frameworks, e.g. minimum wages, freedom of association	+	+	-	-	+	-
8.2 Enforcement of health and safety standards especially in agriculture and construction	-	-	-	-	-	-
8.3 Workers informed of entitlements (especially informal)	-	-	-	-	+/-	+/-
9. Progressive women's policies, leading to reduction in gender inequality	-	+/-	+/-	+/-	+/-	+

Note: + positive; – negative; +/- mixed; ( ) only very recently developed.
Source: Shepherd et al. (2016)

Then there is a group of policy areas that have not been strongly developed across all or most countries: efficient and equitable tax reforms (with the exception of Mozambique) and pro-poor public spending on infrastructure, where most countries are expanding their infrastructure but with limited or no interventions to ensure outreach to the poorest/small firms employing informal workers. For example, in all cases, access to electricity is expanding, but ensuring that poor households and micro and small enterprises get access has been a strong priority only in Viet Nam (Pachauri et al., 2013: 24).

The acknowledgement of the role informal enterprises play and their integration in economic planning is a key issue, since the poorest people are informally employed or self-employed (CPAN, 2015), but none of the six countries has so far tackled this in a comprehensive way – though Viet Nam has developed a more conducive policy environment for small businesses and the rural non-farm economy than other countries. While some aspects of the decent work agenda have been taken up in the countries making progress on PP^2G, the enforcement of health and safety standards and provision of information to workers on their entitlements at work has not been highly prioritised.

These weak economic policy areas of tax reform, affordable infrastructure and labour market policies could be a particular focus of future economic policy development. WEE and gender equality is universally a policy area wanting in implementation, so could also be an important focus.

2.4.2. International efforts

Most donors would probably say that they attempt to support both types of growth – 'from below' as well as 'from above'. Some support is neutral – it should work for both. To what extent, then, do donors in aggregate, and individual donors, support either 'growth from above' or 'growth from below', or both?

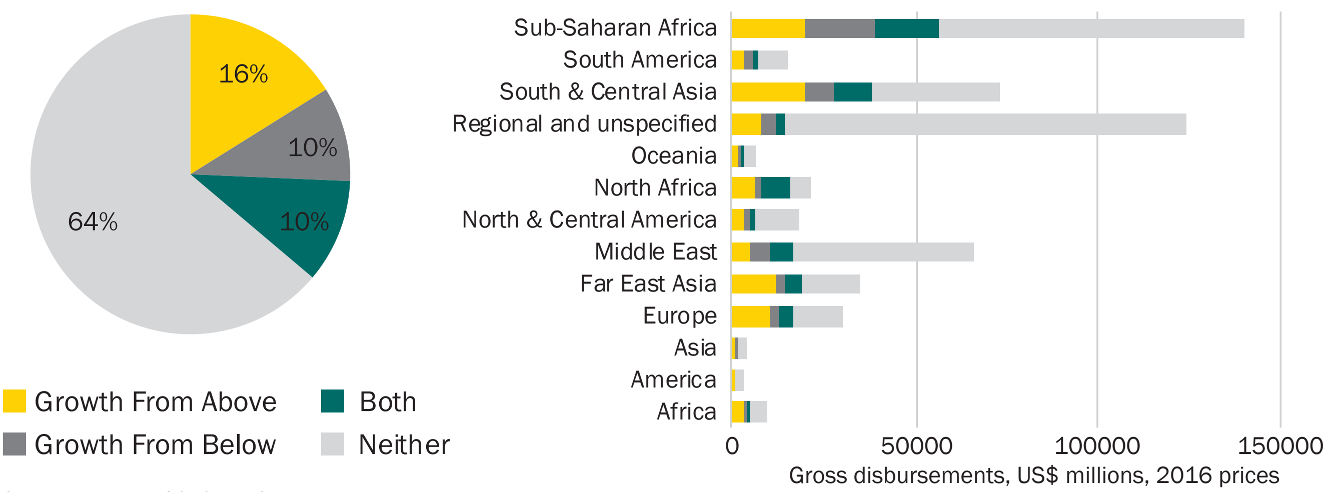
Support to growth can be measured partly in money terms, as below. But probably more important measures would be trade and trading arrangements (e.g. trade preferences, which have been important in supporting garment industries), and investment climate work, which could be largely technical assistance or policy dialogue. So the analysis below is necessarily partial. It should be complemented by an analysis of donor strategies on growth. It is accompanied by a short analysis of FDI so that international investment at least is part of the picture.

Aid

What follows first is an analysis of Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) aid statistics for the years 2015–2017. Support to smallholders, rural infrastructure, public works, any informal sector projects, mobile money, rural roads and electrification could all support 'growth from below', while major infrastructure, special economic zones or financial sector development would support 'growth from above'. Some things could work for both: governance/civil service reform, business environment reform, small business development. The full list of codes used for this analysis is in Annex 6.

The results are interesting. In aggregate, a higher share of official development assistance (ODA) was disbursed to support 'growth from above' (16%) than 'growth from below' (10%) between 2015 and 2017, and a similar proportion could support both (10%) (Figure 22). Regionally, the total amount of funds disbursed shows that most ODA went to sub-Saharan Africa, followed by South and Central Asia. However, interestingly, the latter received less in the form of 'growth from below' support.

Figure 22: Shares of disbursements of aid to 'growth from above' and 'growth from below', (a) total and (b) by region



Source: Analysis of OECD DAC database

'Growth from below' support exceeds 'growth from above' in Africa.

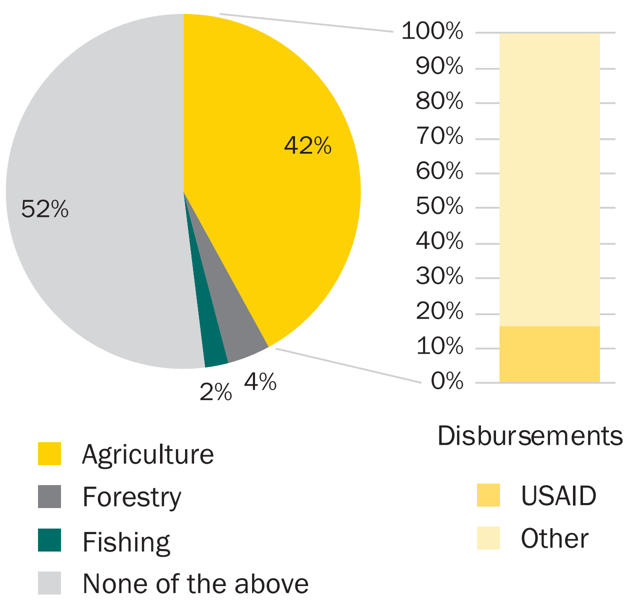
In terms of support to industry, very little has gone to garments and leather as prime labour-intensive industries, and the overwhelming majority goes to small business development (Figure 23). It would be interesting to know whether this is justified, in terms of either growth or poverty reduction. Donors often think that smaller is better, so they have separate programmes for them: 'There isn't the evidence, however: there are good and bad, small and large, domestic and foreign, formal and informal firms. It is about heterogeneity everywhere and they all need to be involved in growth.'[7]

According to a World Bank evaluation (World Bank, 2014), little of this aid to small and medium enterprises (SMEs) has gone to women and, according to a 2016 joint NGO report (ActAlliance, 2016), there is little knowledge about what works and why, despite substantial literature on business development. There is significant funding of SME support programmes by multilateral development banks, IFIs, bilateral donors and governments. However, much of this support is focused on two areas: providing financial loans to SMEs and advocating general reforms to the investment climate, which mainly benefits larger enterprises, including multinational companies, rather than SMEs. Other support programmes are often neglected. These include combinations of infrastructure provision, training in management and human rights, comprehensive access to finance linked with business development services and a voice for SMEs in policy (ibid.).

A proper cross-agency evaluation of support to SMEs would seem to be a priority, with respect to contributions to both growth and poverty reduction. It is likely that support to micro-enterprises has been better covered by evaluation work, but the adequacy of this should also be examined. A very preliminary analysis of USAID's SME portfolio, based on the OECD-DAC database on ODA, indicated that 55% of aid to SMEs could be construed as supporting 'growth from below'.

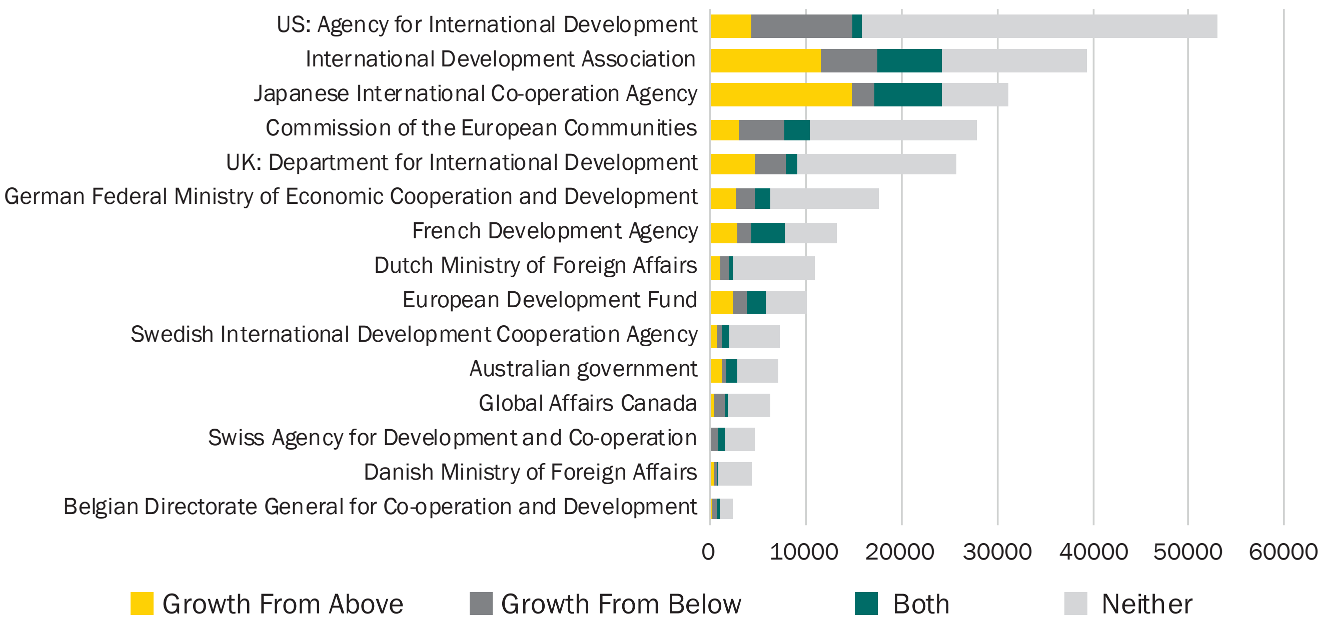
In terms of expenditure across countries, an analysis of LDCs suggests i) that there is a large concentration of aid

Figure 23: Share of agriculture in growth from below, expenditures and USAID in agricultural expenditure



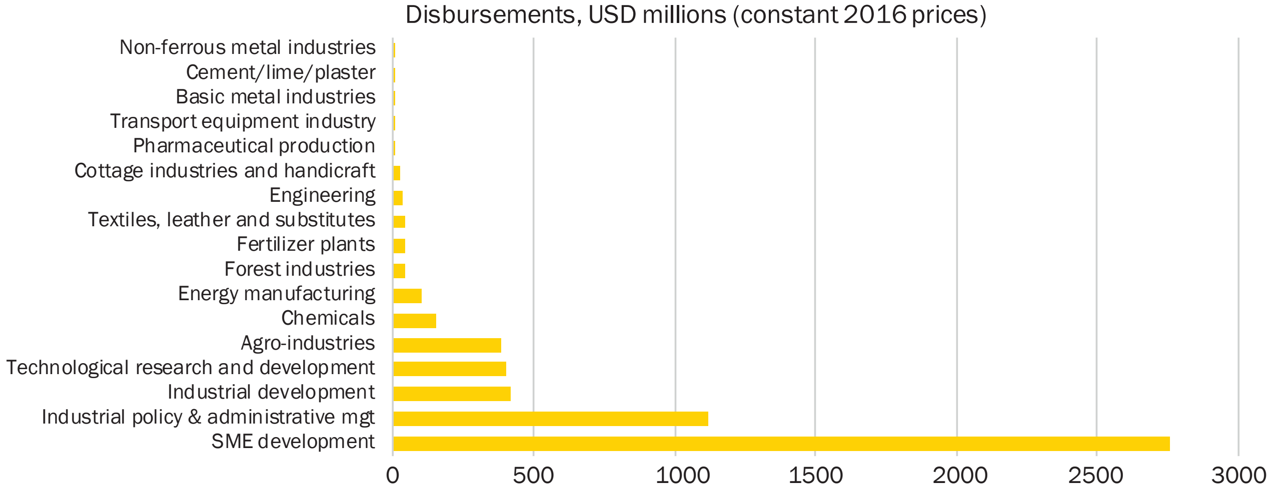
Source: Analysis of OECD DAC database

Figure 24: Support to growth by individual agencies



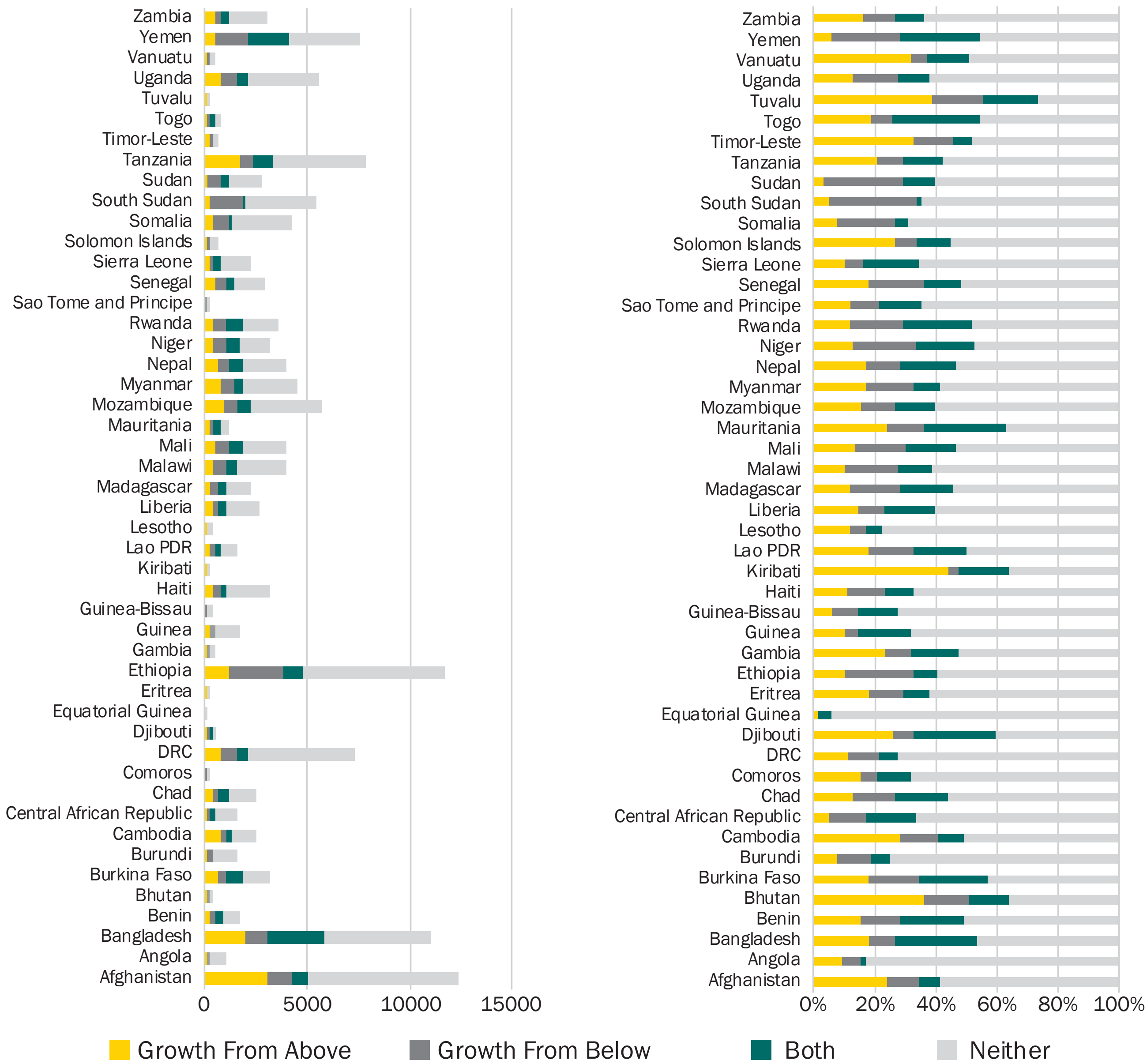
Source: Analysis of OECD DAC database

Figure 25: Aid disbursements to different industries, 2015–2017



Source: Analysis of OECD DAC database

Figure 26: Aid disbursements to LDCs, 2015–2017



Source: Analysis of OECD DAC database

on just three or four countries (Afghanistan, Bangladesh, DRC, Ethiopia); and ii) that growth from below and above seems reasonably equally distributed at least across the LDCs (Figure 26).

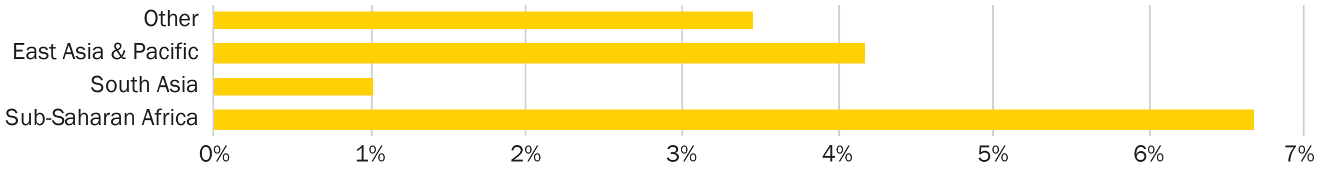
FDI

As is obvious from Figure 29, FDI is an important resource flow into developing countries. The questions here are how much FDI is associated with progress on poverty, and how much FDI goes into promising avenues like agricultural processing, contract farming or labour-intensive manufacturing, compared with mineral development or high-tech services?

When looking at FDI per poor person, a very different picture emerges, with high-poverty regions having very little FDI compared with others (Figure 28).

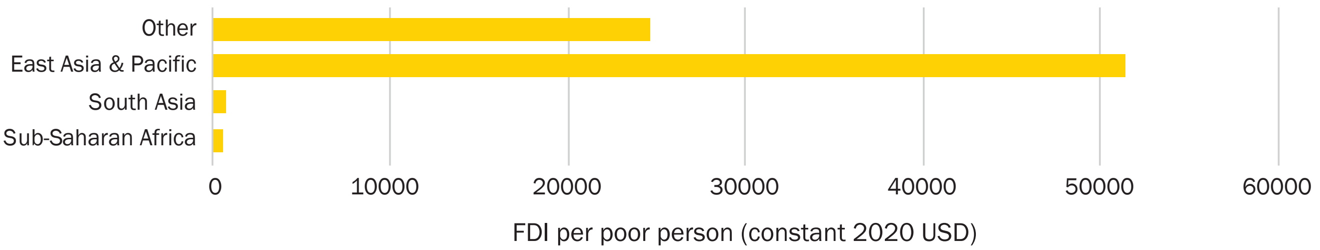
Dividing countries based on their progress per poverty category (so only for countries where this data is available), it is clear that South Asia, where the greatest number of poor people live today, benefits little from FDI. Progress on poverty is very variably associated with FDI. Interestingly, in Africa, where most FDI is in minerals or high-tech services (Figure 29), countries making strong progress in poverty reduction have stronger FDI than those making weaker progress.

Figure 27: FDI as a share of GDP in developing regions



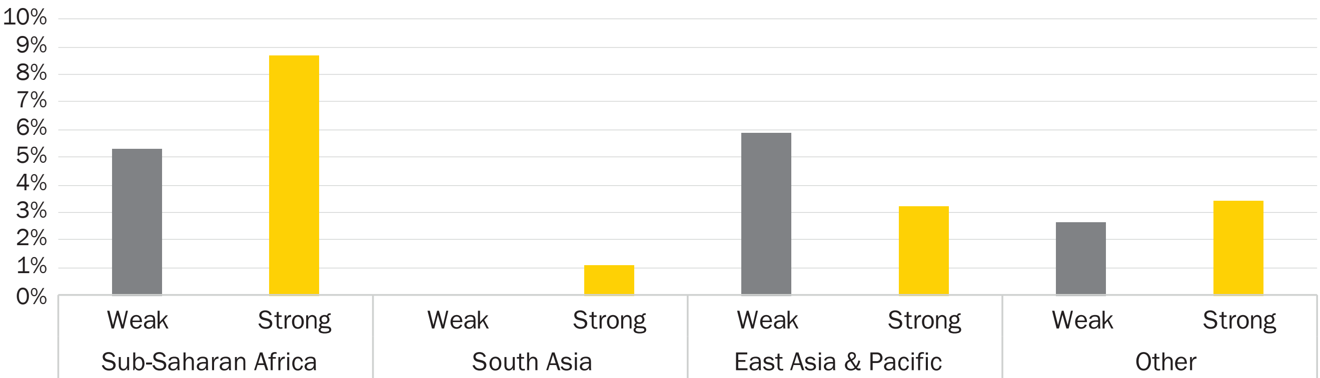
Source: Analysis of WDI and PovcalNet databases

Figure 28: Average of FDI per poor person, 2015 (for countries where poverty data is available)



Source: Analysis of WDI and PovcalNet databases

Figure 29: FDI as a share of GDP in developing regions, by countries making weak or strong progress on poverty



Notes

1 Markets are described as thin where there are few buyers and sellers. Low levels of effective demand may lead retailers to stock only a small number and limited range of goods. Limited numbers of retailers in the market may lead to price volatility and high margins between wholesale and retail prices. Where labour markets are thin, there may be few employers in a limited number of sub-sectors seeking to recruit workers. They may be seeking to fill a limited range of roles. On the other hand, there may be few skilled workers or workers with higher levels of education and training. Markets are described as incomplete where goods and services are not available uniformly over time and space, despite effective demand (i.e. demand combined with the ability to pay). Retailers may not supply a full range of goods owing to seasonal constraints (e.g. poor roads during the rainy season), a lack of working credit, high levels of (uninsured) risk or poor security.

2 Unfreedoms in this context might include being adversely included into social and economic systems and institutions – such as being held in tight asymmetric patron–client relations.

3 This was in response to a 'yes' or 'no' question.

4 Authors' calculations, based on Demographic and Health Surveys for Bangladesh, 2007 and 2014.

5 This section is extracted from Shepherd et al. (2016).

6 Cambodia, Ethiopia, Lao PDR, Mozambique, Rwanda, Viet Nam.

7 Communication from Dirk Willem te Velde.

Part 2: Balancing growth from above with growth from below

LUXOR, Egypt. Egypt Emergency Labor Intensive project aims at creating short term employment opportunities for unemployed unskilled and semi skilled workers and provide access to basic infrastructure services. These construction workers are building stronger river banks along the Nile river to protect it from erosion. Photo © Dominic Chavez/World Bank

3 Employment-rich growth from above

A portrait of Managing Director of Dignity, Salma Salifu, in Accra, Ghana. Photo © Dominic Chavez/World Bank

Key messages

- A pro-poor industrial policy directly supports growth in sectors or (more likely) value chains with the highest growth potential and the highest likelihood of seeing pro-poorest employment growth. Labour-intensive manufacturing has delivered the highest employment potential for poor and near-poor people. However, the future of labour-intensive manufacturing is in doubt as automation spreads, even if slower than expected, and cheaper capital is available.
- The East Asian experience suggests a number of strategies to promote industrial development, but a review of experience in low-income countries suggests these are difficult to implement, and a more eclectic approach to industrial policy is recommended.
- Growth in quality work for the poor can be supported through effective regulation, monitoring and sanctioning. Casual and informal workers – particularly prominent among the poor – need legal status and recognition.
- Labour market tightening (reducing the supply of labour where it is excessive) is needed especially (but not only) where a minimum wage does not exist or cannot be effectively implemented. Labour market tightening measures include provision of accessible family planning services, measures to keep children in school for longer, social protection enabling carers to reduce their involvement in the labour market, measures against child labour and public works programmes.
- Turning a youth bulge, including many of the poorest people, into a demographic dividend involves the traditional 'supply-side' measures to make poor young people job-ready, but also the 'demand-side' measures to support labour-intensive sectors (agriculture, light manufacturing, fishing, artisan mining, construction). Governments will need to provide the hard and soft infrastructure and services these sectors need, as well as to extend decent work arrangements into these sectors, probably in a phased way. Specifically, designing, implementing and evaluating job placement schemes targeted at their age cohort can help young people into labour markets.

'Growth from above' means investment by big or medium-sized companies, including FDI, which governments typically stimulate through improving the business environment (regulation, corruption, bureaucratic procedures, taxation), as well as direct public or public–private investment to attract private capital such as export processing zones and big infrastructure development (airports, road and rail, ports). Growth becomes pro-poorest by creating employment that is accessible by poor people, that indirectly supports them (e.g. through remittances) and/or that creates multiplier effects – ancillary value chains where poor people find employment or self-employment.

Structural economic transformation is a process of moving resources from low-productivity to higher-productivity sectors. This includes diversification of the economy away from dependence on few, often unprocessed, raw materials for export. This is often supported by the development of industrial policy, favouring value chains where there is a comparative or potential competitive advantage. Whereas this was a controversial proposition during the neo-liberal era of the 1980s–2000s, since the financial crisis of 2008 this kind of thinking has become more and more mainstream.

While structural economic transformation with labour-intensive manufacturing has been, and still is in some countries, a first-best long-term strategy for broad-based economic growth, it is not clear that it is a path easily open to all countries, and getting there is competitive. A number of countries have in fact experienced premature de-industrialisation. It is also clear that there can be significant short- and medium-term costs involved in transformation, which may fall heavily on people vulnerable to poverty: land may be compulsorily acquired for urbanisation, industrialisation or mineral development, displacement may occur and compensation is rarely proportionate or adequate.

Structural changes can lead to a growing proportion of the labour force (including poor rural people) gaining waged employment. We might expect this to be initially through working as waged workers on farms and in the non-farm rural sector as domestic servants, cleaners, waiters and construction and transport workers in small district towns, perhaps through migration (Sender et al., 2010: 4). This shift has been found to be associated with reduced vulnerability (ibid.). In other words, moving into more formal types of work is good for poor people.

Reviewing historical trends in poverty reduction, we can see that declining poverty has been associated with larger proportions of people working for wages in technologically dynamic large enterprises and smaller numbers being self-employed or working in small family businesses (Sender et al., 2015: 4). Such shifts are also likely to be accompanied by improved conditions of service. Regulating larger companies is easier and there tend to be 'scale economies of voice', making it more likely that workers will be represented by unions or other organisations (ibid.: 5).

Our focus here is on how best to include the poorest people in formal employment. Priorities are i) building human capabilities (Chapter 5); ii) identifying policies to facilitate job creation; and iii) recommending appropriate regulations for decent work. Limited availability of formal sector jobs, on the other hand, pushes workers into finding less secure and lower-quality employment in the informal sector or self-employment in agriculture or micro-enterprise. Employment in the informal sector is discussed in Chapter 4.

3.1. Pro-poorest industrial policy

An emphasis on the kind of structural changes that will enhance competitiveness and productivity growth can create employment for the poorest people with few formal skills, including women, and increase their incomes more than proportionally (Altenburg, 2011: 37, in CPAN, 2015b: 39). Fewer jobs accessible to people with disabilities have been created. This is the labour-intensive manufacturing route to growth and poverty reduction, with garments as the common example.

However, this route is under threat from the reduced cost of capital and investment in automation. For example, India experienced 9% annual growth in the apparel and leather industries between 2000 and 2015 (Anklesaria Aiyar, 2017). However, the risk is automation, coming all the faster as a result of cheaper capital (Sen, 2018). A recent survey concludes that digitalisation and automation are happening but more slowly than expected.

But countries can also try to follow the example of South Korea, which has moved up the industrial ladder from low-skill, labour-intensive manufacturing to the production of more sophisticated and more capital-intensive goods, as a result of high investment rates over time (Lin, 2012). Can countries still do this? It has been argued that Mauritius has done so. However, technological capabilities need to be developed (see below). Countries like Ethiopia and Rwanda have been trying, but with limited success so far (Martins, 2018).

It has been argued that China and the Asian Tigers benefited from the requirements of international trade markets at a particular historical moment, which has now passed, and that other countries may not be able to take advantage of similar approaches to moving up value chains and into higher-return activities. However, as wage rates rise in East Asia, low-wage countries gain new opportunities, for example in textiles and garments. This may be constrained by further technological upgrading in these industries. Opportunities may also be created through promoting resource-based manufacturing (in resource-rich countries) (CPAN, 2015: 38). However, these are usually capital-intensive.

Experience from East Asia seems to suggest that the risks of failure are lower when a country builds on its current comparative advantage[1] while creating the conditions to advance gradually towards higher-value activities (Altenburg, 2011: 2; Lin, 2012). However, some favour countries investing in and supporting certain sectors in the hope that the right mix of technological capabilities and skills will be acquired, developing comparative advantage in higher-value industries (Chang's position in Lin and Chang, 2012).

Governments should assess the country's endowment structure and comparative advantage. For low-income developing countries, comparative advantage is likely to lie in labour- or resource-intensive sectors including light manufacturing, smallholder agriculture, fishing and mining. As investment increases returns to labour and the potential for capital intensity, government will need to invest in infrastructure to ensure transaction costs are kept low (Lin, 2012). Government will also need to play a facilitating role, providing information (on which industries to invest in), coordinating improvements in hard (e.g. transport) and soft (institutional) infrastructure and providing public goods (Ibid.).

Lin (2012) proposes a six-step process to developing an employment-rich industrial strategy:

1. Identify the list of tradable goods and services that have been produced over the past 20 years in dynamically growing countries with similar endowment structures but twice the per capita income.
2. Prioritise sectors where some domestic private firms have already entered spontaneously, and try to identify the obstacles that are preventing these firms from upgrading the quality of their products or the barriers that limit entry to those industries by other private firms.
3. Adopt measures to encourage entry into industries that are new to domestic firms.
4. Identify private sector innovation and support scaling-up.
5. Where infrastructure is poor and the business environment is unfriendly, invest in industrial parks or export processing zones to attract domestic and/or foreign firms willing to invest in target industries.
6. Provide (limited) incentives to domestic pioneer firms or foreign investors in target industries to compensate for the non-rival, public knowledge created by their investments.

A key element of such a strategy should be to focus on export promotion, identifying niches in global production networks (CPAN, 2015: 38). Rather than being constrained by existing comparative advantage, countries should seek to incrementally upgrade their endowment structure and develop forward and backward linkages from traditional industries (Altenburg, 2011: 3). They can also seek to go beyond their comparative advantage by using their technological capabilities (Chang in Lin and Chang, 2012: 123). Technological capabilities are commonly acquired in an industry-specific manner through actual production experiences.

So, developing countries cannot simply adopt the technologies of developed nations; they need to establish and protect segments of value chains in which they do not (yet) have comparative advantage in order to grow the industry-specific technology and skills (technological capabilities) needed for those high-return industries (Lin and Chang, 2012). For example, Japan protected its car industry for 40 years before it was competitive. Today, under World Trade Organization (WTO) rules, protection is more likely to be for limited periods and activities. However, comparative advantage provides a guide to the costs of protecting infant industries (ibid.). But it is very difficult for a government to know that it is backing a winner or how long the acquisition of technological capabilities will take or how much 'return' it will bring in the end. This suggests that governments need to have a diversified strategy, based on a good understanding of international markets, the frontiers of innovation and their country's potential.

Chang and Lin (2012) suggest ways to enable the structural transformation of an economy to ensure job-rich growth and the generation of jobs that are not relegated to the vulnerable base of global value chains (Santoboni and Karlsson, 2017).

Interventions are also needed to improve the business and regulatory environment to encourage those who have kept their enterprises informal by choice to formalise (Santoboni and Karlsson, 2017). This should be coupled by legal, financial and social support for those who are marginalised (ibid).

In LICs, this approach can lead to problems, however, illustrated by the comparison between the promotion of export floriculture and import-substitute metal and engineering manufacturing in Ethiopia. Ethiopia had a comparative advantage in the former, not in the latter, investment in which could have come at a later stage of industrial development; the former was an activity, the latter a diverse sub-sector.

There may be a more effective approach to industrial policy in LICs aimed at structural economic transformation. This is illustrated in Box 14. Classically, measures are designed to promote two outcomes: structural change (shifting resources from low- to higher-productivity sectors) and increasing productivity within sectors. The former includes generic measures to improve the business or investment climate, so that investment increases; measures to develop the financial sector in support of investment; an emphasis on effective state–business relations; and a role for business associations to address coordination failures and develop strong feedback mechanisms to track what is working well or less well. The specific forms such relations take vary a great deal, from formal, regular and institutionalised processes to more informal, ad hoc arrangements. Then there are targeted measures, which have been more controversial but have also been adopted with some success.

Targeted measures include an export push, especially relevant in LICs, as concluded in the Handbook of Development Economics (Rodrik and Rosenzweig, 2010), which argues that:

- The most productive firms in an economy or a sector are most likely to become exporters.
- While there is selection into exporting, there is also learning through exporting. Productivity in exporting firms rises faster than that in non-exporters, at least in some contexts.
- Learning by exporting is most likely to take place in LICs and among less productive firms.

Beyond general policies to build productivity in exporting sectors through quality education and infrastructure, targeted export push policies include export missions; special economic zones; targeted financial incentives conditional on exporting; standards, certification and value chain development; negotiating foreign market access; and others. Exports can also be promoted by exchange rate undervaluation (Rodrik, 2008), though this has risks of importing inflation and requires high levels of foreign exchange reserves, which may not be an efficient use of savings (IMF, 2014). Export diversification and sophistication is also strongly linked to long-term growth. FDI may be needed where a country does not have an existing track record in a particular sector or value chain, and again when increasing sophistication is sought.

Spatial industrial policies can help achieve 'agglomeration economies', which mean that firms will invest where other firms are already investing to reduce costs. Following China's success with special economic zones, many other countries are trying this approach. Few have succeeded (Farole and Moberg, 2017) but Mauritius is an exception in Africa: from the 1970s, the public and private sectors collaborated to transform the economy from sugar to garments, tourism, financial services and finally an integrated services platform, reinvesting the rents from sugar in these new sectors, reducing protection gradually and building export promotion zones. Training helped people who lost out. Public sector bodies drove the process, working in tandem with private sector associations, and the government has been responsive to the suggestions of these associations, for example in setting budgets. When Mauritius' competitiveness declined in the late 1980s and 1990s as other lower-cost countries went into garments, the government provided institutional support to invest in technological upgrading and also training, leading to a transformation of the garments sector (te Velde et al., 2018).

Targeting specific industries with subsidies or other special measures has also been advocated – the Lin-Monga approach (Lin et al., 2011):

> To identify those activities, they propose a benchmarking of the economy's current industrial structure against the tradable goods and services that have been produced for about 20 years in dynamically growing countries with similar endowment structures. They suggest that, among the industries on that list, the government give priority to those in which some domestic private firms have already entered, and try to identify obstacles that are preventing firms from upgrading quality and/or barriers that limit entry by

Box 14: Supporting economic transformation in LICs – a new approach and key propositions

Anyone concerned with improving the quality of growth in LICs will need to work around four guiding questions and related propositions around economic transformation.

What is happening? Many LICs have experienced severe transformation deficits, indicated by growth without structural change or job creation, lack of productivity change at the firm and sector level and the existence of large productivity differentials across sectors and firms, lack of meaningful diversification (little industrialisation, too many low-productivity services) and lack of resilience and quality growth.

Why is it happening? Many economic constraints to economic transformation are well known and country-specific (e.g. lack of skills, infrastructure and technology, weak business environment). However, economic transformation policy is generally hard to undertake or understand, as there are often deep-rooted (political economy) factors impeding technically optimal measures.

What should be done? It is possible to objectively identify and focus on promising country-specific sectors within manufacturing and services that can promote economic transformation and quality jobs. A review of transformation experiences suggests that i) transformation is associated with good economic fundamentals, openness and exporting; and ii) some level of policy targeting is required as general 'investment climate' support is not sufficient.

How to make it happen? A targeted set of actors (donors, country governments and private actors) can help get a country onto a more transformational path, but achieving this all at once in a complex setting is a tall order. Instead, it is important to target politically feasible projects and demonstration projects. A process with feedback and learning is needed.

Source: McMillan et al. (2017)

other firms. For industries that are wholly new to the economy, propose that governments use strategies to attract foreign direct investment (FDI).

Within sectors there is then a series of measures to support productivity growth. These include management training, promoting exports, diversification and sophistication, and the specific measures needed to raise agricultural productivity in a sustainable way (Lin et al., 2011).

Governments should seek to create an enabling environment for the sectors likely to have the greatest potential to offer employment to large numbers of the poorest people. The state can play a useful role through public investment in infrastructure, human capabilities, creating an effective enabling environment and setting industrial policy, in close collaboration with private sector actors. Part of this process can be to seek to enable entrepreneurship, and policies are needed that remove the barriers to entrepreneurial industrialisation (CPAN, 2015: 38) and nurture entrepreneurship and innovation (Altenburg, 2011: 3). These need to include instruments to help unleash entrepreneurial creativity and encourage experimentation, including business plan competitions and subsidies for non-traditional exports (ibid.). However, this process is not without its pitfalls, and governments need to actively manage trade-offs between creating an investor-friendly business climate and protecting the livelihoods of the poorest (ibid.).

Other important roles for the state include working to build links between firms – between SMEs and larger firms, between firms owned by different ethnicities and between foreign and domestically owned firms (Altenburg, 2011: 3). They also need to take an active role in addressing exclusion, discrimination and adverse inclusion as an integral part of their industrial strategy. This should include attempts to increase female labour participation and absorb large numbers of unemployed youth (World Bank, 2013b). Attempting to address spatial poverty traps through industrial policies alone is rarely successful, but supporting local capabilities to make such areas more attractive to external investors can deliver better results (Altenburg, 2011: 2).

3.2. Employment trends and sectoral growth potential

Pre-2012 trends suggest that Africa will have created 54 million new waged (formal) jobs between 2012 and 2020, increasing the share of 'stable' jobs from 28% to 32% (Fine et al., 2012: 4). A more recent calculation is that sub-Saharan Africa needs to create 18 million new jobs a year through to 2035 to absorb entrants to the labour market (Altenburg et al., 2018). This is an extremely high level of challenge and has become a top policy priority for many countries. The challenge is all the greater since the informal employment that the majority of labour force participants more generally have access to is often precarious and low productivity (see Chapter 4).

Retail and hospitality, agriculture and manufacturing will each account for roughly 15% of these new jobs, and government and social services (education and health) for roughly 30% (Fine et al., 2012). These sectors have the strongest potential for employment growth. Others with the potential to grow strongly (but from a lower base) are construction, transport and communication and financial services.

Employment growth in agriculture, manufacturing and retail and hospitality could be more than 50% faster if barriers to growth were removed, and 14 million new agricultural jobs could be created (rather than 8 million), 15 million manufacturing jobs (instead of 8 million) and 13 million retail and hospitality jobs (instead of 9 million) (Fine et al., 2012: 5). Expansion in agriculture would come from growth in large-scale commercial farming on

Box 15: Examples of strategies to stimulate employment growth

Kenya: The working population will increase by 9 million people between 2015 and 2025. One third of the working population will be young people, aged 15–24. They will want jobs, but the composition and rate of growth will have to improve if the quality of these jobs is to be better than that of those available now. Currently, the poorest third of households rely on the informal sector and have no access to formal sector waged work (World Bank, 2016b: 8).

The government's Vision 2030 tried to address this. It identified focal sectors as part of its medium-term economic growth strategy. For example, IT-enabled services were expected to provide 20,000 jobs in five years. To support this process, Kenya planned a new city at Konza (now much delayed) to serve as an incubator, and there was a parallel plan to provide IT-related training (Agbor et al., 2012: 10). However, this illustrates the scale of the challenge. Nine million new jobs will be needed, and this innovation will create only 20,000 of them. Since then the government had a 'Big 4 agenda' of priorities, one of which is manufacturing. Some manufacturing sectors have experienced considerable growth, including some that are labour-intensive: garments/textiles, leather and furniture (KAM, 2018).

Financial inclusion: Banks are often reluctant to lend to youth because of the lack of information about their credit histories. African governments can help reduce information asymmetry and enable growth by speeding up the development of national identification and registration systems that can support the development of consumer and credit information systems. Extending this information to financial institutions would enable greater financial inclusion and the extension of credit to young entrepreneurs (Agbor et al., 2012: 10).

previously uncultivated land and from small producers moving from low-value grain production to higher-value and more labour-intensive horticulture and biofuel crops. However, the environmental implications of large- or medium-scale farming and potential land and water losses for smallholders and livestock keepers are significant.

Barriers to employment growth in Africa[2] were identified as macroeconomic instability, political instability, poor access to finance, low consumer demand, the threat of inflation and poor infrastructure (including transport and electricity) (Fine et al., 2012: 7). Difficulties in finding workers with the right education or skills represented a much less important barrier to growth (ibid.).

In manufacturing, job growth could come from a division of labour between poor countries with internationally competitive wage and labour productivity levels becoming labour-intensive manufacturing hubs, and countries with large agriculture sectors expanding their agro-processing sectors (food and beverage manufacturing, leather production, wood products). To make the most of these opportunities, African governments need to address the high cost of transport, inputs, duties and bureaucracy (Fine et al., 2012: 6).

The retail sector would grow more rapidly if barriers to formalisation were removed. The hospitality and tourism sector is already growing fast and limited investment is needed to enable it to grow even faster. However, to spread this growth to poorer countries, barriers need to be removed, tackling inadequate and costly air travel and visa requirements, poor surface transport and barriers to land use and development (Fine et al., 2012: 6).

3.3. Improving the quality of work for the poorest people

A cross-government plan would improve policy effectiveness in the attempt to improve the quality and quantity of work for the poorest people (Scott et al., 2013: 7).[3] The role of government is to develop and implement macro and sectoral policies that enable the expansion of employment opportunities for the poorest and ensure good labour standards and a (living) minimum wage. This includes building human capabilities and boosting job opportunities through enhanced government spending in areas such as municipal housing and rural roads, construction being a major source of growth accessible to some of the poorest people (Scott et al., 2013: 17).

In achieving better quality work for the poorest, policy choice will depend on a country's income and policy and implementation capacity. Table 11 suggests relevant factors, dividing countries into the categories introduced in Chapter 1 based on income and performance on poverty.

Policies should incorporate a mix of 'active' and 'passive' labour market policies. 'Active' labour market policies include employment generation schemes (e.g. public works programmes); skills development programmes; promotion of self-employment; job search assistance; and wage subsidies (Scott et al., 2013: 18). The World Bank has found these to have modest or no effects, 'though they can help facilitate job matching, mitigate the negative impacts of economic downturns, and fill the gap when employers or workers underinvest in training' (World Bank, 2013b: 26; McKenzie, 2017). 'Passive' labour market policies offer temporary income security and include unemployment insurance and severance pay, which can be important in MICs with high unemployment rates; and employment protection legislation, including minimum wage legislation, procedural requirements for redundancies and dismissals and employment contracts (Scott et al., 2013: 19).

3.4. Regulation for decent work, and wage labour market tightening

An estimated 45.8 million people around the world are living in conditions of modern-day slavery,[4] with 58% of them in just five countries – India (18.4 million), China (3.4 million), Pakistan, Bangladesh and Uzbekistan – working in a range of occupations, including manufacturing, agriculture and fishery, food production, construction, domestic service, sex work and as child soldiers (Global Slavery Index, 2017).

Such workers are often held in very poor conditions and may be physically abused and not provided with adequate food (DW, 2016). Large numbers of women and girls migrate domestically and internationally for domestic work and are vulnerable to exploitation. This can include starvation, sexual abuse and forced labour, including extortionate recruitment fees, confinement to the place of employment, excessive unpaid overtime, withholding of wages and confiscation of identity documents (Global Slavery Index, 2017).

There is a risk of human trafficking, forced labour and debt bondage in any low-skill industries that are poorly regulated, with recent cases of forced labour within the Malaysian electronics industry, exploitation on Malaysian palm oil plantations, debt bondage in the apparel industries of Bangladesh and Viet Nam and abuse of migrant workers in the Thai fishing industry (Global Slavery Index, 2017).

Extending decent work[5] to the poorest people within the context of job-rich economic growth will necessarily include extending regulation, monitoring and sanctioning into parts of the economy that are currently not reached.

A key area is extending a statutory minimum wage to all workers (Scott et al., 2013). Job security rules and minimum wages have been found to have a small effect on aggregate employment levels, but to benefit those covered at the expense of women, youth and the less skilled (World Bank, 2013b: 26). However, taking minimum wages legislation on its own, evidence shows that it benefits poor

Table 11: Country typology and potential to design and implement pro-poorest employment policy

<table>
<tr><th>Country type</th><th>Develop human capabilities</th><th>Job creation</th><th>Regulation for decent work</th></tr>
<tr><td colspan="4">Group 1: Weakly performing LICs/SCAPS and LIC/SCAPs with data on progress</td></tr>
<tr><td>Afghanistan
Korea, Dem. Rep.
Zimbabwe
DRC
Haiti
Malawi
Madagascar
Mozambique
Mali
Burundi</td><td>• Investment in enrolment and basic education quality, plus skills for the labour market.
• Emphasise girls' education and related health services</td><td>• Weak governments need to be supported in negotiations, particularly with large multinationals (legal accountancy and technical assistance/ policy advice)
• FDI needs to be conditional upon agreements to hire and contract locally (World Bank, 2010a)</td><td>• Minimum wage – unlikely to be able to implement, unless accompanied by public works programmes that raise the floor wage, but other measures that could raise minimum wage rates may be possible
• Where violence is pervasive and the state is weak, there will be few, if any, institutions capable of regulating abusive employment practices or of reflecting the 'voice' of poor wage workers (Sender et al., 2010: 5)</td></tr>
<tr><td colspan="4">Group 2: Higher-progress stronger-performing LICs</td></tr>
<tr><td>Burkina Faso
Ethiopia
Niger
Rwanda
Tanzania
Uganda</td><td>• Assist progress for poor children including girls through 10 years of education
• Develop enhanced apprenticeship systems and labour market-oriented skills in schools
• Health insurance to prevent falling back into poverty, combined with investment in health services</td><td>• Industrial policy balancing growth from above with growth from below, accepting that majority of poverty reduction will be from 'growth from below', and anticipating and avoiding negative effects of large-scale investment wherever possible
• Infrastructure development</td><td>• Public discussion of minimum/ living wage. Implement wage labour market tightening measure
• Social protection to underpin minimum living wage</td></tr>
<tr><td colspan="4">Group 3: Lower-progress L-LMICs and L-LMICs with no data</td></tr>
<tr><td>Cameroon
Côte d'Ivoire
Kenya
Zambia
Myanmar*</td><td>• Free post-primary education with mechanisms to enable poor children to gain 10+ years of education
• Invest in inclusive TVET
• Continued investment in health services</td><td>Create business environment for labour-intensive manufacturing – may require political change, tackling corruption, creating islands of simplified bureaucratic processes</td><td>• Minimum wage legislation supported by wage labour market tightening programmes and policies
• Strengthened social protection systems</td></tr>
<tr><td colspan="4">Group 3: Lower-progress U-LMICs</td></tr>
<tr><td>Nigeria
Philippines</td><td>• Investment in enrolment notable (secondary and now tertiary education free), but not in education quality
• Investment in health but with generally poor coverage and service quality
• Limited early years and skills education</td><td>• Still challenging, no serious attempt at agrarian reform; growth in services sector but low-skilled
• High out-migration – remittances (private consumption) as a key driver of growth</td><td>• Low labour productivity – lack of investments and skills, low technology, large informal sectors
• Expand limited effective coverage of minimum wage and social security schemes sector by sector
• Concerns on health and safety conditions of specific sectors amid increasing informality</td></tr>
<tr><td colspan="4">Group 4: Higher-progress L-LMICs</td></tr>
<tr><td>Bangladesh
India
Pakistan</td><td>• Education linked to labour market demand – curriculum reform, TVET
• Massive investment in pro-poor and gender-equalising human development</td><td>• Learn lessons from China, Viet Nam, Bangladesh and Cambodia on promotion of labour-intensive manufacturing</td><td>• Transitioning to more complex social protection focused on specific groups</td></tr>
</table>

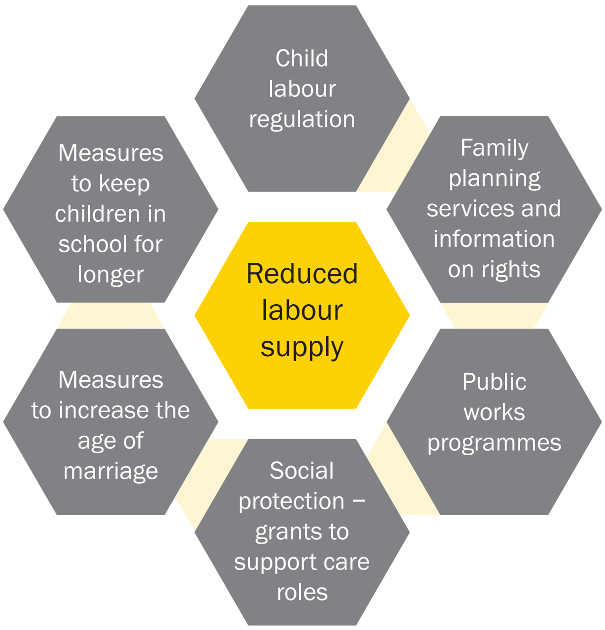
Country type	Develop human capabilities	Job creation	Regulation for decent work
Group 5: Higher-progress U-LMIC			
Indonesia	• Continue to universalise/ extend to poor households access to health insurance, early childhood education • Enhance TVET responsiveness to labour market demand	• Strengthen smallholder access to land and support systems, ending reliance on non-effective subsidies • Develop effective smallholder-friendly land governance system • Tackle high rice prices	• Movement towards universal social protection measures
Group 6: Higher-progress UMICs			
Angola Brazil China South Africa	A very diverse set of countries for which no uniform set of recommendations can be constructed		

Source: Shepherd et al. (2019)

workers covered by the measure as it drives their wages up, reducing poverty with no discernible overall impact on employment (Wolfson and Belman, 2016: 16).

Implementing minimum wage legislation can be difficult for countries where governmental capacity is limited. In these contexts, it may be possible to monitor casual and contract wages using mobile telephony and labour market monitors (Lenhardt et al., 2012: 80). Another alternative in countries with low administrative capacity, or where the politics of minimum wages are difficult, is to introduce labour market tightening policies. These can be an alternative to minimum wages or can support their effective implementation. They are likely to include limiting child labour, reducing fertility rates and keeping children in school for longer, plus providing discrimination-free employment through public works programmes (in low-wage, high-unemployment environments) (ibid.) and providing forms of social protection that take carers out of the labour market (Figure 30).

Figure 30: Wage labour market tightening measures



Notes: Chapter 4 adds a set of economic policy approaches to wage labour market tightening.

In several cases there is a set of measures. For example, keeping children in school for longer requires additional expenditure on physical classrooms and other school spaces, especially adequate toilets and washing facilities; additional teachers and other staff as well as teacher training to motivate poor and discriminated-against children; measures to reduce gender-based violence in school; and cash transfers to support especially girls and also poor children staying on after primary school.

Another key element of a decent work agenda is that workers be offered reasonable conditions of service, covering the hours they are required to work,[6] sick leave, maternity leave, holiday pay, opportunities for promotion and task enhancement, retirement age and job security. Typically, these are worse in the informal sector, in the formal sector outside international value chains and for the poorest and most marginalised workers, who have limited leverage. Unsurprisingly, then, a key element of the decent work agenda is that workers are allowed to 'organise' and join a trade union or other representative body. First, governments need to recognise trade unions and associations, so they can provide greater bargaining power for the poorest; second, they need to legislate to prevent employers from blocking their workers from being an active member of a union.

Another key plank of the decent work agenda is that anti-discrimination legislation is formulated, implemented and effectively monitored. This should help ensure that transparent and meritocratic hiring, promotion and firing policies are put in place, reducing exclusion and adverse inclusion (see Chapter 5).

The poorest people are overrepresented in drudgery-intense and unsafe occupations. Extending effective health and safety regulation and monitoring to cover them is crucial. Accurate and comparable statistics are hard to come by but accidents in sectors ranging from agriculture (e.g. agro-chemical exposure) to construction to the garments sector (repetitive motions in cramped conditions with poor lighting, unsafe buildings) are likely to disproportionately affect poor workers. Many people are affected. Taking the construction industry in India as an example, over 11,600 people are estimated to die each year (Patel and Jha, 2016), and the numbers injured are unknown. Few poor people who are injured at work are able to access compensation, and so face the costs of ill-health or disability without support. Extending health and safety rights to poor workers, particularly those working in undocumented employment, is difficult to achieve. However, consumers of internationally traded brands have pushed for improvements and this has delivered benefits for some sweatshop workers.

Eradicating child labour in dangerous occupations is the final plank of the decent work agenda to be discussed here (Lenhardt et al., 2012; Scott et al., 2013). Child labour is present in most developing countries but rates remain particularly high in sub-Saharan Africa, where the International Labour Organization (ILO) estimates that one in five children works, with one in ten engaged in dangerous work (ILO, n.d.a). The majority work in agriculture, and most as unpaid labour on family farms, but they can also be found in mining, rubbish collection and sorting, domestic work, organised begging and the sex industry. Most countries have legislation in place prohibiting child labour, but monitoring and sanctioning is weak. In a context where children contribute significantly to the incomes of the poorest households, stressing their positive rights to education and realising these may be the most practical way forward, as well as employers' responsibility to employ adults.

Box 16: Lesson from progress – policies to enable employment of the poorest in Cambodia

This is the clearest case of a PP^{2}G episode from the available GICs. Cambodia experienced fast poverty reduction in the 2000s, mostly after 2005 and concentrated around 2007–2009, precisely the years of the financial crisis and likely to have been highly influenced by the substantial increase in the global rice price at that time, as well as the higher wages and remittances people experienced (World Bank, 2013c).

Cambodia's post-1997 period has been characterised by a stronger emphasis on developmental goals and compounded by a mixed growth strategy, underpinned by a concentration of power in the governing party (Kelsall and Heng, 2014) The growth strategy became more effective and pro-poor after 2004–2005, all in the context of a process of concentrated high-level and pervasive low-level rent-seeking.

The stronger emphasis on development goals produced a somewhat improving economic policy environment through the 2000s, focused on creating a competitive garments and tourism sectors, the former with significant employment creation, especially for women, including those with no education. This development, led by FDIs, really reached the poorest – 700,000 jobs were created (highly significant in a population of 10 million), 43% of them taken by migrant women with no education (Dasgupta et al., 2011). Since 2011 the government has progressively increased minimum wages in the garments sector, which will have made the poverty reduction effects even greater than during the GIC period, though now there is a discussion about whether minimum wages are undermining job creation. Both internal and external migration have been major drivers of poverty reduction.

However, the rest of the formal economy has been managed through the predominant political patronage system, with significant costs to the poorest. For example, many large land deals have been developed, with resulting conflicts. In this respect, Cambodia's economic policies resemble those of Lao PDR (see below), and the economic transformation accomplished has been partial.*

In agriculture more generally, there were significant pro-poorest benefits from higher global rice prices and rice exports, and this probably explains much of the poverty reduction achieved around the food price spike of 2008–2009. Cambodia is a rare case where agriculture grew as a proportion of GDP. On the other hand, smallholder agriculture was not much supported by the state till after 2005, when investment in irrigation, fertiliser distribution and seeds began to increase.

Cambodia achieved economic stability in the face of external inflationary pressures. This was partly a result of the high level of FDI, which contributed to extensive unofficial dollarisation. In turn, this effectively overvalued Cambodia's exchange rate within the region, limiting some exports. There was some growth in public revenues but there is limited information about whether expenditure has been pro-poor. In more recent years, there has been an increase in public expenditure, especially after 2014, propelled by electoral competition. Despite reducing health expenditure, many health coverage indicators improved substantially for the poorest 20% over the period 2000–2010, with the poorest in 2010 overtaking the position the wealthiest 20% occupied in 2000. This may have been the effect of the Health Equity Funds and other health programmes promoted by donors, who were welcomed and a powerful force during the 2000s in Cambodia.

So Cambodia is a story of gradual political change, generating a more supportive agricultural and eventually human development policy environment, a major policy-supported investment in a labour-intensive industry, migration to work and fortuitous geography – that is, its location in a rapidly growing region, which acted as a source of investment as well as labour migration opportunities.

Source: Shepherd et al. (2016)

* We are not convinced that Cambodia and Lao PDR have significantly different policy frameworks and both are poor in implementation. One interpretation would be that the reasons PP^{2}G happened in Cambodia and not in Lao PDR are linked to the type of FDI (mostly extractive in Lao PDR, less so in Cambodia); the structure of agriculture, so the benefit of the rice price boom was enjoyed more by farmers in Cambodia than by those in Lao PDR; and the presence of donors, which have more influence in Cambodia, rather than their policy frameworks.

Workers' rights around the decent work agenda can be supported by increasing workers' knowledge of their entitlements, monitoring regularly through inspections or audits and sanctioning effectively (Scott et al., 2013: 7). It can also be supported through the development of private and voluntary codes, with governments working with national and international value chains, consumer groups and private investors to develop private and voluntary codes on labour standards (ibid.: 8). Encouraging the development of standards in the private sector can also be effective, to ensure value chains adhere to 'good enough' standards for the poorest and most vulnerable people in the value chain (ibid.).

Where this cannot be achieved, governments will need to regulate and introduce/strengthen a labour inspectorate (long term), with voluntary standards (including through international value chains) as a stepping-stone. Regulation through a labour inspectorate is often not something governments wish to emphasise as they worry about discouraging investment and job creation of any sort.

3.5. Creating a demographic dividend: turning the youth bulge into a positive

There is a substantial youth bulge in Africa: about 40% of the population is under 15 and nearly 70% under 30 (Lin, 2012). In some fragile states, nearly three quarters of the population is under 30 (ibid.). In Africa as a whole, the youth population is expected to double to over 830 million by 2050 (ILO, 2016a). Around 18 million new high-productivity jobs a year are required to absorb this increase through to 2035 and to generate a substantial demographic dividend, according to IMF modelling. The faster fertility and infant mortality rates can be reduced, the quicker the dividend can be realised. And high-productivity jobs will require a transition from informal to formal sector – currently 90% of jobs are in the informal sector (Medina and Schneider, 2018). This seems like a very tall order. An alternative, explored in Chapter 4, is increasing the productivity of informal sector firms.

Because employment opportunities for this group have stagnated,[7] young people make up 60% of Africa's unemployed, and youth unemployment rates are double adult rates (AfDB et al., 2012). In LICs, only 17% of working youth (7% of all youth) are full-time employees, working for an employer (compared with 36% in LMICs and 52% in UMICs). All the rest are in vulnerable employment, either self-employed, unpaid family workers, part-time employed or underemployed (ibid.: 106). A large proportion of young people in sub-Saharan Africa aged 15–24 are self-employed in the informal or agriculture sectors (Mali 94%, Ethiopia 74%, South Africa 31% in 2008) (Adams, 2008: 9). Countries emerging from conflict are most strongly affected by youth unemployment (Williams, 2012: 31). Youth unemployment has been identified as one of the triggers for unrest across the Middle East and North Africa in the Arab Spring of 2011; some analysts suggest that improved levels of education and increased rural–urban migration across sub-Saharan African may lead to the unmet expectations of this group triggering higher crime and insecurity (Adams, 2008: 10). Poor-quality informal sector employment has also been cited as an important driver of insecurity (Cramer, 2010, in Santoboni and Karlsson, 2017).

A substantial challenge for PP^{2}G is whether these young people can be absorbed productively into labour markets as they reach working age, reducing dependency ratios.[8] This is an issue that matters a great deal when thinking about PP^{2}G because, if there is success, the youth bulge can be turned into a demographic dividend. If not, labour productivity will stagnate, dependency ratios will rise and per capita growth and income levels will stagnate or fall. This will influence poverty rates in general, but, because fertility levels among the poorest women tend to be higher than among the non-poor, a high proportion of the people making up the youth bulge are likely to be very poor and policies that benefit youth are likely to benefit at least some of the poorest people, if care is taken to address exploitative employment practices, discrimination, exclusion and adverse inclusion.

Addressing youth unemployment requires a developmental state with an ideological commitment to economic transformation (see Section 3.1 above). The conventional approach has focused on the supply side, making young people 'job-ready' by creating opportunities through improved basic skills and access to secondary and tertiary education, while building capabilities to enable them to make the right decisions when seizing opportunities and providing 'second chances' for those who have made poor decisions (World Bank, 2007a). Such strategies can include increasing labour productivity by enabling poor people to acquire the technological, institutional and market capabilities that allow them to improve their competitiveness and move into higher-value activities (CPAN, 2015: 46). However, this approach has tended to ignore the demand side, discussed in Section 3.1 – the two policy areas need to operate in tandem (Lin, 2012).

Box 17: Examples of strategies to stimulate youth employment growth

Kenya: The 'Big 4' manufacturing agenda identifies focal industries as part of its medium-term economic growth strategy, with textiles and garments, agro-processing and leather expected to generate the bulk of jobs, including many in SMEs in agro-processing.

Korea and China: Both succeeded in turning a youth bulge into a demographic dividend by shifting young workers from lower-productivity agriculture to higher-return manufacturing (Lin, 2012).

Notes

1 Example 1: oil-producing nations have a comparative advantage in producing petro-chemicals, because the low-cost domestic oil brings down the overall cost of the products. As a result, Saudi Arabia, Kuwait and Mexico are highly competitive on price in comparison with US-based chemical production firms. Example 2: Indian call centres make use of relatively low wages and high education levels to compete with call centres in the US and Europe.

2 1,373 entrepreneurs were interviewed in Egypt, Nigeria, Kenya, Senegal and South Africa and asked to identify the top three barriers to employment growth in their enterprise (Fine et al., 2012: 7).

3 This could include not just the ministry of labour (or other allied institutions) but also the ministries of finance, rural development and education as well as the central bank (Scott et al., 2013: 7).

4 Modern-day slavery includes human trafficking, forced labour, debt bondage, sex trafficking, forced marriage and other such exploitation (DW, 2016).

5 Decent work definition: the ILO states that decent work involves opportunities for work that are productive and deliver a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organise and participate in the decisions that affect their lives, and equality of opportunity and treatment for all women and men (https://www.ilo.org/global/topics/decent-work/lang--en/index.htm).

6 This includes hours per day/week; what breaks they are allowed during the working day; predictability of hours of work; and whether they are effectively on zero hours contracts or not.

7 Between 2000 and 2007, the working-age population of Africa grew by 96 million, while the number of jobs grew by only 63 million (AfDB et al., 2012: 125). Only one third of those were suitable for young people aged 15–24 (Devlin, 2013).

8 By 2035, simple dependency ratios (working-age population versus children and older people) in Africa are predicted to fall from being some of the highest in the world to being on a par with the US and Europe (Fine et al., 2012).

4 'Growth from below' – making it happen

Woman walking with livestock in rural Kenya. Photo: Robert Miller, ODI/CPAN

Key messages

- Governments need to develop and implement **cross-government plans to improve the quality and quantity of work for the poorest people in the informal economy** through increased capacities and informal workers' protections.
- **Women's economic empowerment** is key to growth and poverty reduction. Enabling women to develop education and skills, including for entrepreneurship, to obtain information, to own assets, to equitably access employment and to engage politically is essential to women's engagement in growth, and can drive growth too.
- The complexity and contested nature of improving rights to property ownership (including land) means that other measures to empower poor women need to go in parallel.
- **Financial inclusion** for the chronically poor, especially for women, can be achieved by augmenting access to and use of financial services such as savings and credit groups, mobile money, bank accounts and credit, and by linking accounts to government subsidies that help ensure the efficient allocation of social protection. Creating a financial services 'ladder' from savings and credit societies, through microfinance and cooperatives, to banks, with linkages in between, will help the unbanked both smooth their consumption and make investments.
- Access to savings has particularly positive effects among poor households.
- An integrated approach to the provision of financial services and business development, with combinations of grants, training and mentoring, will be needed to reach the poorest women and men.
- **Support to smallholder farmers,** through sustainable inputs, knowledge-intensive production systems, land reform and policies to address market constraints for poor and marginal farmers, is instrumental to 'growth from below'. 'Modern' no longer means agri-business high-input mono-cropping, but rather 'smart' science-based agriculture married with traditional insights that work (poly-cropping and nutrient-recycling).
- There may now be limited political scope for land redistribution in support of smallholder farming, but even acquiring titles to homesteads and gardens can make a big difference to the welfare and social status of landless women and men.

- The **regulatory environment protecting and enabling farm workers and the rural non-farm economy** is also a key ingredient in growth and poverty reduction in rural areas.
- The regulatory environment is also critical in urban areas, where eviction from business space is a major risk and insecurity of business locations makes investing in equipment and stock risky. A separate piece of work will feature these important issues.
- Economic as well as social policies are needed to **tighten wage labour markets**, to increase the demand for labour as well as reduce the supply. The poorest are often casual wage labourers who have little bargaining power when labour markets are oversupplied with workers who are forced to be price-takers.

4.1 The informal sector

The informal sector is part of the informal economy, which comprises the usually unregistered and unprotected micro or household enterprises; informal employment in the formal sector; and unprotected workers in households – domestic workers and producers of goods and services for household consumption (Charmes, 2019). Much smallholder agriculture is also informal.

Finding ways to ensure a growing informal sector can provide more and better employment is going to be key to reducing under- and unemployment and extending the benefits of economic growth to all. This is particularly true for the poorest people, who may have low levels of skills and education and limited social networks reaching into the formal economy. The challenge is made more pressing by the demographics discussed in Chapter 3. The 'youth bulge' in sub-Saharan Africa and much of Asia increases the urgency of finding ways to generate job-rich growth, in the informal as well as the formal sector.

A question for policy-makers will be how to achieve this. A bundle of policies will be needed that includes building an enabling environment for the informal sector; increasing labour productivity; protecting informal sector workers with weak bargaining power; and addressing group-based exploitation and adverse inclusion; as well as creating a demographic dividend – turning the youth bulge into a constructive opportunity.

There are also cross-cutting ways to enhance the productive absorption of poor people into either the formal or the informal sector, discussed in Chapter 5. This includes generalised growth in demand within a context of macroeconomic stability; aspects of human development, especially skills development and social protection; and anti-discrimination measures.

4.1.1. The scale of the informal sector

As a percentage of non-agricultural employment, the informal economy is very substantial in all developing regions – around three quarters of all non-farm employment in sub-Saharan Africa and South and Southeast Asia, and well over half in Latin America – and this proportion does not seem to have been in decline in much of the developing world. The informal sector of micro-enterprises and self-employment accounts for a very large proportion of this informal economy. In sub-Saharan Africa, women account for over half of the informal economy; in India, the proportion of women working informally is also higher than that of men; elsewhere men dominate. Frequently, informally employed people have more than one job or occupation (Charmes, 2019, Chapter 3).

Over time, the contribution of the informal sector to GDP is reducing, though during the 2010s it has still been high in sub-Saharan Africa and India; even in Latin America and North Africa, around a third of GDP is from the informal sector (Charmes, 2019: 72–76).

The informal sector in sub-Saharan Africa contributes 55% of GDP (UNECA, 2015; see also Charmes, 2019: 72) and provides work for around 80% of workers.[1] The importance of the informal sector varies from region to region and by country. In Senegal, for example, nearly all the value addition in agriculture and forestry comes from the informal sector (Benjamin and Mbaye, 2012), and in West Africa, informal and cross-border retail trade, which is generally run by small, self-employed women traders, is an important source of value addition. Across Africa the proportion of total non-farm employment accounted for by informal enterprises varies from less than 10% to 80% (UNECA, 2015), but this may be more a result of how the figures are collected than a true picture.

In LMICs, poor workers often work more than one job, and in Indonesia, Nicaragua and Pakistan, around 50% of the working poor combine wage labour with informal self-employment (Bulla et al., 2014: 36).

In Africa, labour market entrants vastly exceed the waged jobs available for them.[2] Between 2010 and 2020, the labour pool has been predicted to grow by 122 million people, creating a labour force of over 500 million (Fine et al., 2012: 3). But only 28% of working-age adults are in stable wage employment. Around 9% are recorded as unemployed and the remainder (63%) are in subsistence agricultural self-employment or work in the informal sector (ibid.: 2). This shows the extent to which the informal sector needs to grow if it is to absorb large numbers of new workers. As Chapter 3 discussed, policies need to focus on sectors and value chains with employment growth potential, removing barriers to growth and putting in place the infrastructure, finance, business environment and workforce skills for them to thrive (ibid.: 3). However, this chapter suggests that measures to increase productivity in the informal economy are also vital to reduce poverty.

In the Asia Pacific region, informal employment ranges from 1.8% (Cook Islands, Palau) to 78% of workers (Solomon Islands) and can be seen to fluctuate in importance as political and economic shocks lead to workers losing formal employment and finding subsistence livelihoods (Development Asia, 2014). In India, around 80% of non-agricultural workers are employed in the informal sector and informalisation of work in the formal sector is increasing, particularly for women and girls, owing to out-sourcing production and insecure contracting arrangements (ILO, n.d.b).

4.1.2. Enabling the informal sector

Such widespread processes of informalisation suggest that encouraging the informal sector to formalise, with a mix of incentives and enforcement, is no longer enough (ILO, n.d). Instead, governments need to develop and implement cross-government plans to improve the quality, quantity and security of work for the poorest people (Scott et al., 2013: 7).[3] The informal sector needs to be recognised by economic planners, included in national statistics and in national policy frameworks (CPAN, 2015). Policy-makers need to recognise and measure the informal sector's contribution to the economy and the barriers that informal sector workers and entrepreneurs face. Policy and implementation could focus on improving the conditions of the informal sector (CPAN, 2015: 29), reducing harassment and eviction of informal sector operators and reducing opportunities for corruption that restrain 'growth from below' (ibid.: 8). This would also lay the foundation for workers to benefit from minimum wages, freedom of association and other rights, ideally in ways that do not undermine the growth potential of the sector.

Improved education and skills upgrading (including developing curricula aligned to industrialisation and inclusive sustainable growth) is important for the informal sector (UNECA, 2015). However, on its own this will not improve informal sector workers' productivity and incomes; access to credit, public utilities and ICTs and ensuring the macroeconomic framework is more employment-focused are also important (ibid.).

Box 18: Enabling the informal sector

India: Policy innovations to support informal sector workers in India have included long-standing targeted schemes for promotion of MSMEs and self-employment, and legislative measures such as the Unorganised Workers Social Security Act, the Contract Labour (Abolition and Regulation) Act and Workers' Welfare Boards (ILO, n.d.b)

Kenya: Support to innovation through iLab Africa links universities and entrepreneurship, providing business solutions for informal firms through mobile technology, thus improving their access to ICTs and their overall productivity. This is in turn linked with venture capital firms, which supply finance to create formal employment opportunities for youth (Blohm, 2008, in UNECA, 2015). Also in Kenya, the government made it possible for informal dairy producers and traders to be accepted into the licensed milk trade. Capacity-building for informal traders around milk-borne hazards allowed them to obtain official trading certificates (Benson, 2014, in UNECA, 2015).

4.1.3. Increasing labour productivity

Increasing labour productivity in the informal sector is an important part of the puzzle in achieving PP^{2}G. This includes improved education and health (to increase capabilities) and social protection (to improve nutrition and reduce workers' and entrepreneurs' risk aversion) (see Chapter 5). It also requires investment in appropriate technology, including improved infrastructure (also social amenities), power supply and ICTs, and may include intermediate and appropriate forms of mechanisation and reducing vulnerability to major shocks, such as evictions, fire or flooding. Capital mobility between formal and informal sectors also influences informal sector productivity (Marjit, 2009).

Increasing labour market engagement of women is also important, through reducing gender-based barriers to employment and entrepreneurship by both providing pre-school (see Chapter 5) and child care that is high quality and accessible to the poorest and seeking to shift norms around gender roles and child care. This is further discussed below.

Another way of increasing labour productivity is to improve management capacity and promote entrepreneurship. This can include designing, piloting and rolling out schemes to promote entrepreneurial skills and activities among poor and very poor people through resource transfers, coupled with complementary measures including accessible business development services. For the poorest, these transfers should be grants of cash and/or assets; for less poor people, efforts should be made to improve access to microfinance (see Section 4.3 on financial inclusion, and CPAN, 2015: 7).

4.1.4. Protecting informal sector workers

Providing legal status and protecting the employment rights of informal sector workers with weak bargaining power is an important element of the decent work agenda (ILO, 2013) and has an important role in any attempt to promote employment-rich PP^{2}G. The focus should be on recognising informal workers in national legislation, identifying which labour regulations should be expanded to casual or informal workers and deciding when and how these should be sequenced (Scott et al., 2013: 8).

A key element will be to tighten labour markets (Lenhardt et al., 2012: 80). This will need to balance attempts to stimulate sectors with employment growth potential, such as construction, with setting and enforcing a minimum wage (Scott et al., 2013) and providing discrimination-free employment through public works programmes (in low-wage, high-unemployment environments). These could use labour-based approaches to infrastructure development (ibid.: 59), and, where provided as part of an employment guarantee, cash transfers could be given to people entitled to support who are unable to work. Stellar programmes from which much learning is possible are the Ethiopian PSNP and India's Mahatma Gandhi National Rural Employment Guarantee Scheme (see Section 5.4).

Where there are gender-based labour market rigidities, tightening labour markets for women will also need to include enhanced policies around education, child labour, sexual and reproductive health and social protection.

Minimum wages are difficult to enforce outside the formal sector (and for the casually employed even inside it). Figure 31 indicates the impact of failing to implement the minimum wage in the Philippines.

Extending minimum wages to informal sector workers has been found to reduce poverty (World Bank, 2013b). Such moves would require new regulations to ensure that employers of casual, informal sector and agricultural workers provide decent conditions of employment, including the minimum wage and employment protection (Lenhardt et al., 2012; Scott et al., 2013: 7). These need to be monitored regularly, including in the farm sector, to

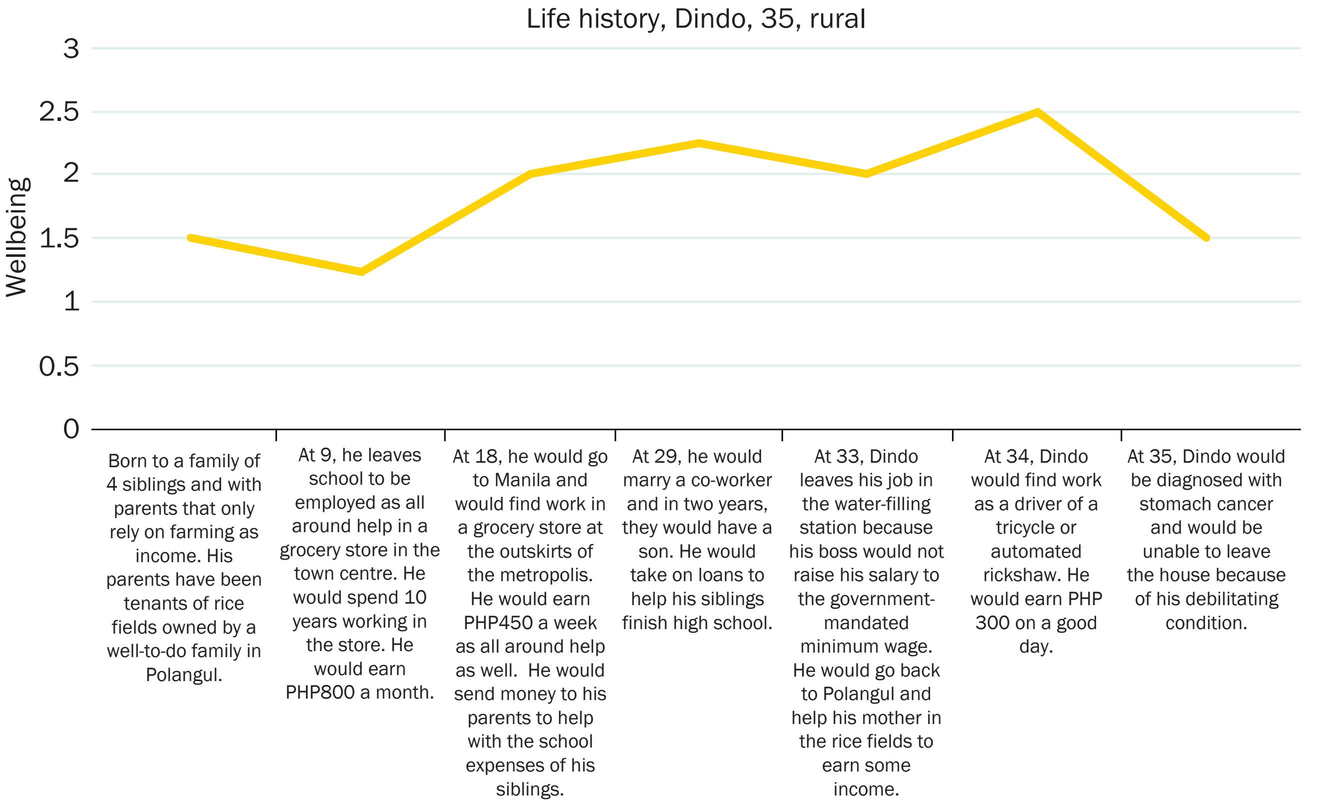
Box 19: Improving labour standards for informal sector workers

Labour standards and conditions of employment tend to be poor for informal sector workers. Voluntary codes and standards may be an important tool to strengthen labour laws and their enforcement (e.g. reduction of child labour in cotton farming in India) and private standards can also play an important role, particularly in improving health and safety (particularly important in construction and agriculture), regularising employment contracts and providing workers with a written contract. However, it is easier to demand higher social standards in international as opposed to national value chains.

Implementation depends on workers knowing what they are entitled to and organising to demand their rights, supported by access to the judicial system to ensure their rights are met. This might be supported by NGOs willing to pursue test cases; external audits can also help ensure standards are enforced.

Source: Scott et al. (2013: 8)

Figure 31: Impact of the failure to extend the minimum wage in the Philippines



Source: CPAN qualitative dataset

ensure legislation is implemented meaningfully. Some commentators claim that minimum wages drive up unemployment, but the World Bank has found that the negative effects on employment levels and productivity growth are insignificant or modest (World Bank, 2013b). The impact will depend partly on the level set for the minimum wage, and its coverage or implementation.

4.2. Women's economic empowerment

Chronic poverty is multidimensional, and the poorest people, who are poor over an extended period of time, often own or control few physical assets (e.g. land, livestock, trees, buildings, tools and equipment or machinery). They also have insecure operating space where occupancy rights are informal, making business stock or equipment vulnerable to theft or eviction, and poor access to services. This has implications for their livelihood options, their ability to withstand shocks and negative trends and their capacity to exit poverty. It also affects their investment behaviour, the returns to their labour and entrepreneurship and individual and household wellbeing. Low levels of asset ownership have proven implications for agricultural productivity and negatively affect both the pace and pattern of economic growth. Some of this is framed by national policies, for example forest and common-land policies and those relating to land ownership or urban property rights.

This is an area where government policy can drive change. For example, national policies on land ownership, land appropriation and sale, inheritance and marital law can influence the distribution of assets. Here the poorest women's asset ownership is presented as a key factor in supporting their economic empowerment. National policy can give security of access to property – guaranteeing freedom from eviction from urban or rural spaces.

The economic empowerment of women is an important element of any pro-poorest growth agenda. There are intrinsic and instrumental arguments for WEE, which is good for poverty reduction, labour productivity and growth. Where women and men have equal access to agricultural inputs, agricultural output would increase by 20% across Africa, and in India GDP could rise by 8% if the female/male ratio of workers went up by 10% (DFID, 2010). Globally, if there were gender parity, global economic performance (GDP) would receive a $12–28 trillion boost between now and 2025 (Woetzel et al., 2015). So WEE, which reduces poverty and chronic poverty if poor women can be empowered too, can also drive economic growth. Children benefit as women spend earnings on their schooling, nutrition and health. Early marriage and fertility rates decline, resulting in improved maternal and infant mortality and morbidity.

Reform to laws, rules and norms may be necessary, including those to counter discrimination, in the many situations where discrimination against women in general or particular categories of women affects their chances of escaping poverty. Gender-responsive public financial management may be necessary, as it can help ensure public finance is monitored so the public sector provides a level playing field and public services reach out to chronically poor women and girls. It is likely that regulatory and legal reform will be necessary to improve business registration and ensure fair contracts and improved processes for the settlement of disputes. Specific anti-discrimination legislation may also be needed. Constitutional reform to allow for gender equity is often a first step, as illustrated by the experience of Ethiopia (Woldehanna et al., 2018) and Rwanda (Da Corta et al., 2019).

4.2.1. Asset ownership and control

Education, skills and access to information are crucial intangible assets in the economic empowerment of chronically poor women and girls. This is dealt with in Section 5.3.

Access to and control over productive, tangible assets is also a critical element of economic empowerment. This is particularly true for rural and self-employed women, and even more so when they are chronically poor. Chronically poor women may be excluded from access to or control of collective or private and household assets.

Savings: When women have savings over which they have autonomous control, gender-based asymmetries in power within the household may be less acute, as their ability to express their choices and preferences increases.

Productive assets: Livestock, for example, is an important store of value for rural households and can be sold to meet contingencies. Breeding flocks gain value and animals play a substantial role in rural livelihoods, and are often not dependent on owning land, which may be a more complex issue. Very poor women and girls can save and build wealth by starting low on the 'livestock ladder', keeping a small number of chickens or ducks and moving up through sheep, goats or pigs to cattle. Increasing women's ownership of livestock can be supported by targeted interventions, such as goat-lending schemes or programmes to counter patriarchal norms around livestock ownership and livestock markets. Microfinance and social protection interventions can both seek to build women's asset holdings.

In urban areas, the norms around women's enterprise may be more permissive, but women-owned businesses can still be more subject to theft of business assets or stocks.

Increasing women's ownership and control of land: Change to the institutions around land ownership, including markets, inheritance, marital settlements and titling, is highly contested, as it goes straight to the heart of patriarchal norms and customary settlements. As a result, progressive change tends to be incremental and needs high-level political support, engagement from grassroots social movements and buy-in from 'street-level bureaucrats' (front-line public sector workers) and the judiciary. Where progressive change has occurred, there has been a long timeline, often spanning decades and including constitutional change, legislative reform and changes in both local and national gendered norms and institutions around land, inheritance and marriage. A study of chronically poor women's land rights (Bird, 2011) identifies that:

- Where individualised tenure already exists, it is important to ensure that women have rights in law and practice to buy, rent and inherit land (including through inter vivos gifts) and that any interventions support the co-titling of land.
- Interventions should support efforts to ensure that it is legally and socially acceptable for women to purchase, sell, rent in or rent out land in their own right.
- Where communal land management systems exist, both customary law and practice can be modified to support gender equity. This should include enabling women to inherit land, receive a share of property following separation or divorce and receive inter vivos gifts of land and other assets.
- Under both statutory and communal land management systems, reforms to marital and divorce laws should ensure that women obtain equitable control over land and other assets during marriage and that they retain rights following widowhood, separation and divorce (Cooper, 2010).

Reforms to increase chronically poor women's access to land may well require constitutional reform (to embed gender equity and the primacy of legal over customary systems), reforms to marital and inheritance laws, joint registration of land (by both spouses), marriage registration, reform to customary law and extensive institutional reform. The complexity and long duration of such an exercise means that enabling chronically poor women to build other assets (including human capital assets, other productive and consumption assets) must take place in parallel.

Given the deeply embedded social norms and interests around access to land, quick change requires a strong push from top political leadership and government systems. Rwanda has been attempting to make sure women have their rights acknowledged and has thrown the considerable weight of its governmental system behind this, as Box 20 illustrates.

Box 20: The impact of implementing new inheritance laws and changing social norms (Rwanda)

Francine (Bugesera, Rwanda) has escaped poverty. She was the child of a first wife who died, and the land inheritance of the father went to his second wife. In 2017, with the help of a village leader, Francine got her inheritance of 0.2 ha. She sold it for RWF 2,000,000 and bought another plot of land (0.4 ha) for RWF 1,900,000 in a different locality, where she hoped there was fertile land. This land inheritance moved her out of poverty.

Source: Da Corta et al. (2019)

Box 21: A non-farm sustained escape facilitated by gaining courage to leave a forced marriage (rural Tanzania)

Famisa was forced at the age 15 by her uncle into marriage to a poor man she did not know, and her uncle took the bride wealth. Famisa later tried to divorce the man several times; only after her fourth child did she succeed in getting a court divorce. From then on, she flourished by moving in with her sister and then into a rented room with her children. At her sister's place, she started growing onions on an acre of land with her brother, selling them for cash. She used the accumulated income to open a small grocery shop in collaboration with a female friend, where they sold soda, beer and water. With this income, she can now afford both the children's meals and the tuition fees necessary to help her children in government schools pass exams. Her wellbeing improved to level 3+. She then built a three-bedroom house and decided to rent it out rather than living there because her child had not passed his Standard 7 exam and she had to send him for private schooling. They continued to live in the one-room rented flat and collected rental income instead.

On the basis of her rental house and shop, she was able to take loans to further invest in her grocery shop, such as in inputs. She then sold fertilisers to farmers on credit to be paid when they harvested and sold their produce. She charged an interest rate from 30% to 50% depending on the duration of loan repayment. She profited from this business. Her wellbeing depends on the grocery shop, the money-lending business, onion production (she shares a 4 acre farm with her sister and brother) and the rent bills she collects from her tenants, who are renting three rooms at rate of TZS 17,000 per room. She has managed to house a family of eight including her children, her mother and her sister, who has two daughters. During this period, she said she had borrowed from several financial institutions – IDYDC, FINCA and Mucoba Bank – and put her savings in a bank (National Microfinance Bank).

Source: Life history interview, Tanzania, 2017

Where rights are not recognised, leaving a marriage may be the start of significant income growth (Box 21).

4.2.2. Employment

The absence of gender equity leaves women more likely to work in poorly paid and insecure employment, to own fewer assets than their male counterparts, to have less autonomy and to be blocked from taking an equal role in decision-making. This inequity penetrates both the private and the public domains, constraining the agency of women and girls in social, political and economic realms. The inequity facing chronically poor women and girls is particularly acute, and reversing this situation is crucial in ensuring no one is left behind in meeting the SDGs. It is also critical to maximising the growth potential at the bottom of the income distribution. In many countries, a substantial proportion of the poorest households are women-headed, and, where they escape poverty, they may find it more difficult to avoid falling back into it (see Section 1.2).

Women continue to make up the largest share of workers in informal employment. Their work is typically precarious, poorly paid and lacking in basic social protections. This group includes unpaid family workers, subsistence farmers, homeworkers and domestic workers (ILO, 2016b). In the agriculture sector, women face barriers to accessing resources, education, markets and financial services, which limits their equal participation (Bird, 2018). These constraints are particularly severe for chronically poor women, as they tend to live in spatial poverty traps and/or lack the education and leverage to gain access to the goods and services they need. Together, these challenges make women disproportionately vulnerable to poverty and tend to make their economic contributions invisible (OECD, 2016).

Improving the quality of livelihoods could ensure women both earn a decent wage and have access to benefits such as maternity leave, sick pay and other forms of social protection. To achieve this, governments need to support implementation of the decent work principles and improve labour regulation and inspection, including for informal sector and domestic workers.

The informal sector, a major employer of poor women, should be enabled rather than penalised. This might include strengthening associations of poor women workers, improved security of place of work, extending financial services to the poorest and providing business development services and basic infrastructure to enable micro-enterprise development and self-employment for poor women in both rural and urban areas. Social protection, such as the PSNP in Ethiopia, can help reduce gender inequalities in the household, in the labour market and at community level. Finally, reducing exploitative child labour and helping families keep their children in school through the provision of conditional cash transfers will have the dual benefit of building the capabilities of poor girls and keeping them out of what is often drudgery-intensive and dangerous work. There is also a school of thought that allowing children to work in safe environments, while also enabling them to go to school, provides employment training for the future (Morrow and Boyden, 2018).

4.2.3. Entrepreneurship

In the world of business and enterprise, gender differences in entrepreneurial behaviour are remarkably stable across countries (Minniti and Naudé, 2010). Research shows that rates of return to capital injections into women-owned micro-enterprises in Sri Lanka are lower than those for their male counterparts (De Mel, 2015). Elsewhere, it has been found that women's businesses tend to be smaller and to grow less than those owned by men. They also tend to be less profitable and to generate lower sales turnover, even in same-industry comparisons (Minniti and Naudé, 2010).

Research in advanced economies shows that women entrepreneurs' failure rates are not significantly different from those of men (once factors such as size of the business and sectoral distribution have been corrected for). However, women own fewer businesses because fewer women-owned businesses are started (Minniti and Naudé, 2010). This can be explained by discrimination and barriers to entry, including the very limited access women have to investment and working capital – other than through own and family savings (Scott et al., 2016). Social norms are important, possibly overpowering some efforts to help women become entrepreneurs, through technical assistance or training. Women may not so easily gain access to the right connections, as they face pressures from family and from the wider environment to prioritise and do other things.

In developing country contexts, there is a higher rate of women entrepreneurship, possibly explained by women facing barriers to entry in the formal labour market and thus using entrepreneurship as a way out of unemployment and poverty (Minniti and Naudé, 2010). However, women's enterprises face constraints: for example, only 13% of women entrepreneurs in Latin America and the Caribbean expected their enterprise to grow over the following five years (ibid.). Women-owned businesses can be constrained by 'patterned interference from third parties', with women being forced to hand over their earnings from employment or enterprise to husbands or other family members. It cannot be assumed that earnings will flow without obstruction towards paying for school fees or reinvestment in the business (Scott et al., 2016). Also, as women's businesses grow, they may attract external investors, who will commonly be men. Inevitably, women lose sole control of the business and they cannot be recognised as 'women-owned and controlled'. This distorts results by underestimating the success of women's enterprises (ibid.).

Autonomous access to financial services is crucial if women are to be able to operate as independent economic actors. Building savings is particularly important for chronically poor and marginalised women and girls, as it provides them with a flexible asset, buffering them from their extraordinarily high-risk burden. Most chronically poor women are still excluded from formal banking services, but extending savings opportunities to the previously unbanked is possible through savings and loans groups, rotational savings and credit associations (ROSCAs), accumulating savings and credit associations (ASCAs) and extending 'mobile banking' using ICTs.

Interventions providing entrepreneurship training or grants alone do not increase the success of poor women entrepreneurs. Combinations of grants and training with follow-up tailored technical assistance are more successful, but models that provide women with limited short-term credit, on-the-job training and membership of a group providing mentoring, encouragement and advocacy to support pro-poor regulation (e.g. Avon South Africa) have been found to be highly successful in terms of income growth and increased agency.

4.2.4. Collective action and social movements

Women's political activism is necessary to challenge exploitative relations that hold back WEE and to drive equalising change in policy and practice. External support can assist this collective action. However, social movements can ignore the needs of the poorest and most marginalised women. This can be countered. The Self-Employed Women's Association (SEWA) India[4] has worked to improve the employment conditions of women piece-workers, through collective action and negotiation. Women in Informal Employment: Globalizing and Organizing (WIEGO),[5] a global policy advocacy network, has worked effectively to improve the status of poor working women. Change driven by such movements can be supported by political and policy interventions to address intersecting inequalities (Paz Arauco et al., 2014).

The bundle of interventions laid out here identifies some of the practical measures that will build WEE. Tailoring them for local context and working with local people, national women's movements and national leaders are needed to correctly identify what the priorities are for both legal reform and how best to improve what actually happens on the ground.

4.3. Financial inclusion

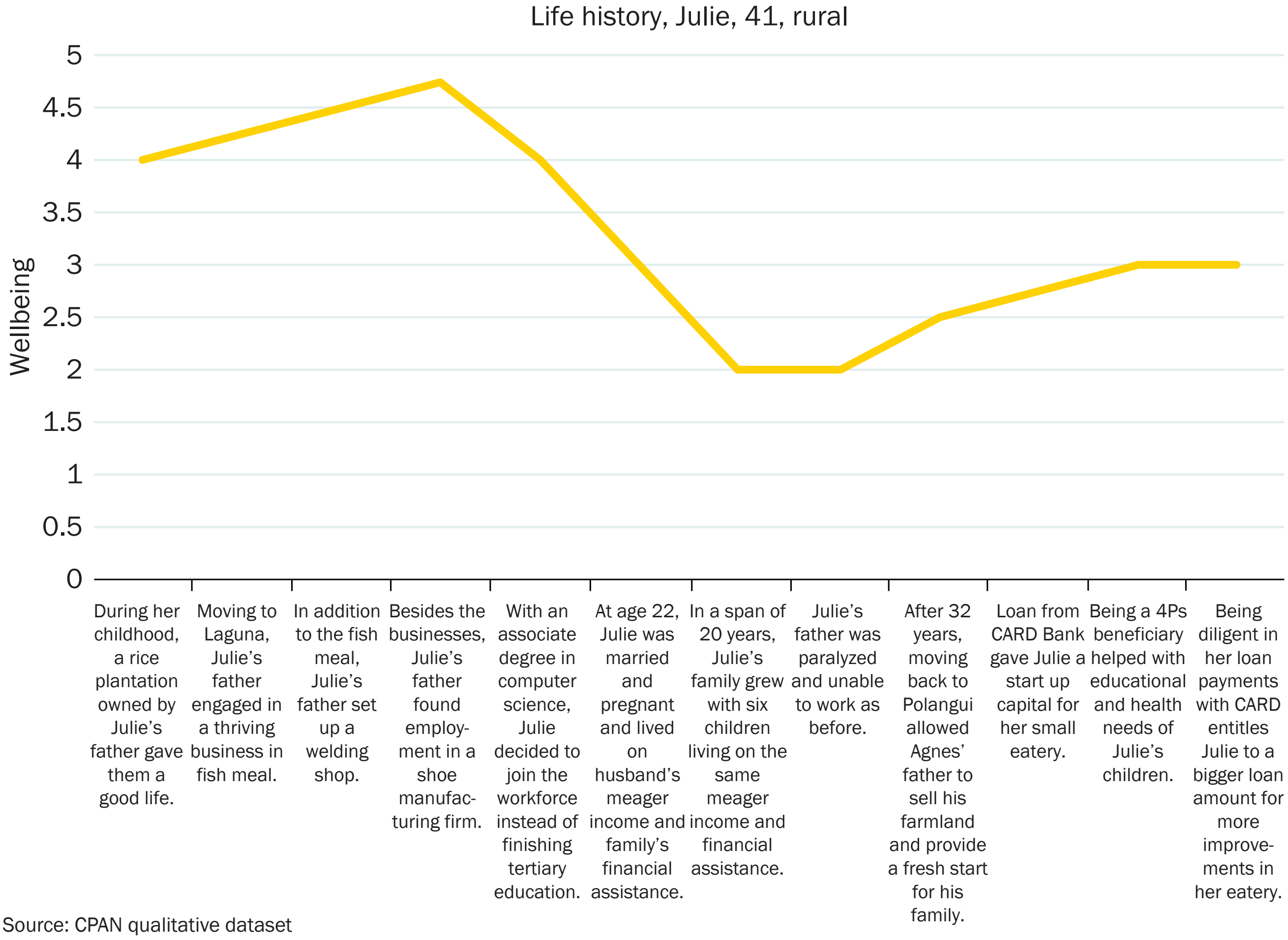
The poorest people tend to be unbanked, with poor access to financial services. This makes it difficult – or costly – for them to save cash, obtain insurance or access investment or working capital, limiting the sectors and enterprises they can launch and grow businesses in. The cost of capital is a major constraint. Because poor people are rarely able to access formal financial services, they pay a great deal more for credit than other entrepreneurs. This severely limits the types of business they can invest in, alters time horizons and means they are unable to compete with businesses with cheaper access to capital. This financial exclusion stifles growth potential and helps explain why the poorest entrepreneurs are concentrated in certain sub-sectors.

Poor access to financial services frequently appears in the top three constraints faced by micro-entrepreneurs, and policy-makers wishing to enable PP^2G can usefully look at lessons from countries that have worked to extend financial services to the poorest.

Financial development in emerging markets and developing countries (EMDCs) is a part of a private sector development strategy to stimulate economic growth and reduce poverty. The effect of financial sector development in terms of financial widening and deepening is well established, documenting faster growth (e.g. Levine, 1997, 2005) as well as reduced income equality (Clarke et al., 2006; Beck et al., 2007; Demirgüç-Kunt and Levine, 2009).[6] However, a recent IMF cross-country study, which tests the effect of financial deepening as proxied by the ratio of private credit to GDP, finds that financial deepening is indeed associated with lower inequality in advanced economies but with rising inequality (in terms of markets and net income) in EMDCs, where the level of financial inclusion is often vastly lower.[7] This suggests greater scope for policies that promote financial inclusion to ensure that financial development is disseminated throughout the entire population, granting efficient and sustainable provision of financial services to households and enterprises (Dabla-Norris et al., 2015; Sahay et al., 2015a; Beck, 2016).[8] Figure 32 illustrates the power of financial inclusion to raise living standards, in this case for a family that had seen better times in the Philippines, and that was 'getting its economic life back together'. The advent of mobile phone technology has huge potential for making payments and inclusion in financial services.

Further highlighting this point, a forthcoming IMF study finds that, when defining inequality as the ratio of the income share of the bottom 40% to that of the middle 40%, augmenting households' access to credit lowers inequality in EMDCs. However, this effect no longer holds when merely considering bank loans, thus highlighting the role of informal sources of finance, such as family and friends, and employers (Plotnikov et al., 2017).[9] Lastly, another IMF study finds that financial inclusion comes with growth benefits that are separate from those achieved by the overall depth of the financial sector. Financial inclusion is beneficial to growth where it enables firms to access credit markets and finance a greater share of investment with bank credit, where it increases the number of households with bank accounts and credit cards and where it enables the use of such accounts to receive government transfers

Figure 32: The role of financial inclusion in getting a life back together (Philippines)



Source: CPAN qualitative dataset

and wages. The results also hold for women and for the lowest income quartile, which are normally the most financial excluded people (Sahay et al., 2015b). We break down some of these points over the next sections.

4.3.1. How to achieve financial inclusion for the chronically poor

While measurements of financial inclusion may vary, many analyses start with access to bank accounts (Beck, 2016). Survey data from the year 2014 shows that access to an account is near universal in advanced economies such as the UK (99%) but varies widely in LICs, L-LMICs and U-LMICs such as Malawi (18%), Zambia (36%) and Nigeria (44%), respectively (Demirgüç-Kunt et al., 2015).[10]

4.3.2. Alternative access to financial services for the chronically poor

Where bricks-and-mortar bank branches are sparse, CPAN's Financial Inclusion Guide (Smith et al., 2015a) suggests 'harvesting the digital revolution for the poorest'. Potentially, this raises the possibility to access a wider range of services, including insurance and credit. While mobile money first took off in Kenya, several other African countries, such as Tanzania and Uganda, have since followed suit. Figure 33 indicates that the use of mobile money in these countries is still lower among the bottom income quintile, but higher than access to bank accounts among the same.

Increasingly, studies also evidence the positive effect of mobile money for the poorest. For instance, using recent household panel data, Suri and Jack (2016) find that, in Kenya, mobile money lifted 2% of total households out of poverty, with impacts being more pronounced for women-headed households. Earlier studies also point to the positive effects of mobile money on savings in Kenya. Demombynes and Thegeya (2012) find that the use of M-PESA as a repository for funds is extensive, including among those who are otherwise unlikely to have any savings. Holding other characteristics constant, they report that those who are registered for M-PESA are 32% more likely to report having some savings. However, in their study, a mere 10% of the poorest quintile uses M-PESA relative to 30% of the richest 20%. Furthermore, Jack and Suri (2011) find that M-PESA users with a bank account are much more likely to save on M-PESA than M-PESA users without a bank account. Figure 33 indicates that, in 2016, nearly 60% of people in the poorest quintile in Kenya used mobile money, while only 10% of them had a bank account.

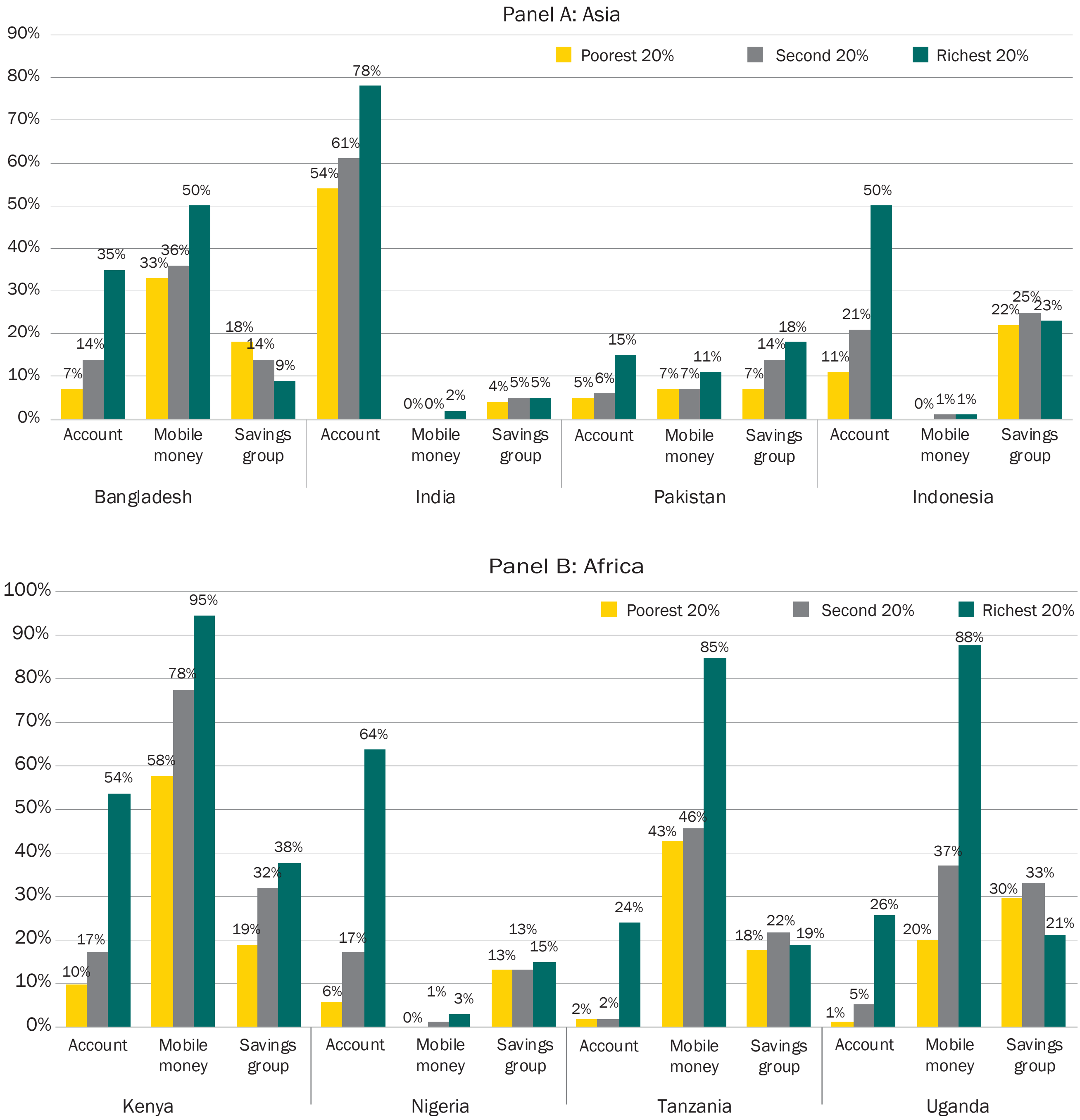
While mobile money thus offers a viable means of savings where brick-and-mortar bank branches are scarce, greater inclusion of the poorest is still needed.

CPAN’s Financial Inclusion Guide also suggests alternative approaches, such as ‘linking formal and informal financial services’. Informal savings and lending groups can often be the first contact for the poor with financial services. Figure 33 shows that informal groups are more prevalent where access to bank accounts among the poorest is very low. They can also play a role in helping individuals transition to formal bank accounts. In India, for instance, informal bank agents, which can include savings and lending groups (self-help groups), and microfinance institutions played a significant role in the opening of accounts under the Pradhan Mantri Jan Dhan Yojana (PMJDY) financial inclusion scheme (Günther, 2017).

4.3.3. Savings vehicles

Increasing evidence shows that the poor are willing and able to save (Karlan et al., 2014; Prina, 2015). This is confirmed in Figure 34, which shows that, while the likelihood of saving money is higher in the wealthier

Figure 33: Financial inclusion in selected countries



Source: InterMedia, 2015/2016, author’s computation income quintile, even the poorest save or set aside money. Box 22 illustrates the power of savings vehicles.

Numerous studies have stressed the positive effects of access to savings accounts among poor households, such as increased investments in preventive health, lower vulnerability to health shocks (Dupas and Robinson, 2013), greater investments in education among women household heads (Prina, 2015), greater business expenditure among (women) market vendors (Dupas and Robinson, 2013) and increased agricultural output for farmers (Brune et al., 2016). A healthier and more educated labour force, as well as increased investment and agricultural productivity, can have direct impacts on growth. Larger aggregate savings can be used for productive investments. Additionally, a larger deposit base for banks can lead to more resilience in times of financial crises (Han and Melecky, 2013), and so lower the volatility of growth. While financial crises often affect the middle-income class, depending on the depth of the macroeconomic shock, they can also adversely affect the poorest (Habib et al., 2010).[11]

Figure 34 depicts the population-weighted share of respondents (aged 15 years plus) that have savings or set aside money, by income quintile.[12] This suggests that a substantial proportion of the poorest do not save. Assuming that some of this is because there are no appropriate savings vehicles available, there is likely to be considerable scope for expanding their savings.

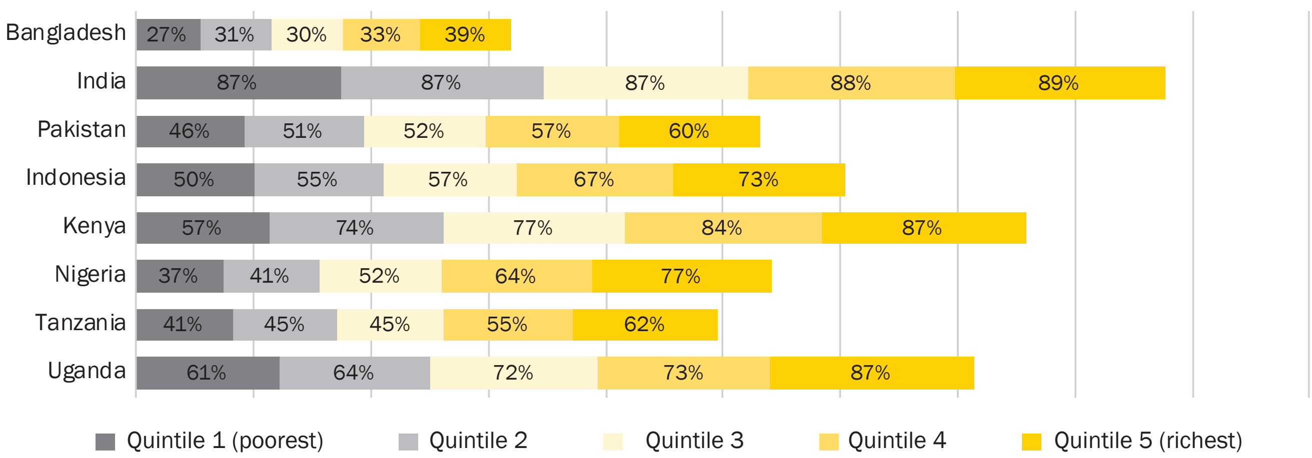
4.3.4. Financial inclusion and social protection

CPAN's Financial Inclusion Guide further points to 'linking social protection with financial services' – a means to include the chronically poor that can result in higher growth. While many countries offer some form of government subsidy grants or cash transfers to the poor (here referred to as G2P, or 'government to people'), funds allocated are not always sufficient and do not meet their target. India, for example, has set up a wide-ranging subsidy scheme of US$72 billion annually (Smith et al., 2015a). Digitisation of such payments can play a vital role, improving allocation and reducing administrative

Box 22: Access to savings through an NGO helps sustain an escape from poverty (rural Tanzania)

Nebichu is 34 and was the child of small-farmer parents who did not have enough food. At 14, she worked as a house-girl in Dar es Salaam, where her workload was heavy, so she came home and moved in with her uncle, who supported her through primary school. She got married and had two children. In early 2005, her husband got seriously sick and she became a widow. Things turned around for her in 2005 when she started taking loans from an NGO – the Mama Bahati Foundation (MBF) – and opened a small restaurant/ food vending. NGOs like MBF (based in Iringa) target the poorest women and provide business training, microloans and savings plan. Nebichu then used another loan from MBF to make bricks for her house. Her life improved to close to the poverty line.
From 2006 to 2008, she continued taking loans, investing in the food vending business and in farming, and began selling crops to earn an income. This enabled her then to open a National Microfinance Bank account and deposit her savings. She then built a house for rent as well as her own house and a small house for her mother. She accumulated savings up to TZS 3 million and used this to buy land. Her standard of living rose above the poverty line. However, MBF left the area in 2015, compounding the money circulation problem.

Figure 34: Savings among the poorest



Source: InterMedia, 2015/2016, author's computation costs, which frees government revenues for productive investments. For instance, digitisation of social security transfers in India caused demands for bribes to drop by 47%, and led to beneficiaries receiving higher payments (Muralidharan et al., 2014). In Niger, the dispersion of social transfers by mobile phone cut government administrative costs by 20% compared with manual cash distribution. Also, on the micro level, dispersing social transfers by mobile phone has a positive impact, reducing people's travel and wait time substantially. These time savings amount to the equivalent of agricultural wages that could feed a family of five for one day (Aker et al., 2014).

Lastly, linking savings and G2P can also enhance access to and use of bank accounts. In India again, savings and G2P have been a large driver of account openings (Günther, 2017). These G2P accounts under PMJDY significantly accumulate savings, and Chopra et al. (2017) also show that that G2P aids usage.

In summary, financial inclusion can play a key role in achieving and augmenting inclusive growth that benefits the chronically poor, by making financial sector development work. This can be achieved by augmenting access to and use of financial services, such as savings vehicles, mobile money, bank accounts and credit, and by linking accounts to government subsidies that help ensure the efficient allocation of social protection. However, as financial inclusion is embedded in wider financial development, prudential (credit) regulation is vital to maintain financial stability.

4.4. Agriculture and the rural non-farm economy

A focus on agriculture enables the advancement of a model of 'growth from below', a form of 'demand-led growth', with the poor and middle-class rural populations driving demand for local products and employment. Strengthening national markets for agricultural products is further argued to be an important insurance option in the context of recent forecasts of unstable international demand (IMF, 2016, 2017; Patnaik, 2016; A. McKay personal correspondence).

Earlier state interventions in agriculture suffered some challenges. In many areas, the high use of water, chemical inputs and treble-cropping had environmental consequences. Furthermore, state-run institutions presented opportunities for corruption, favouring the wealthy and connected. Given the social, environmental and institutional challenges of the earlier attempts to promote agricultural productivity through industrialised agriculture, a shift from the mainstream agricultural paradigm towards a focus on a pro-poorest 'green' agricultural paradigm for agriculture and rural development is needed (Lenhardt et al., 2012; Scott, 2012; Mdee et al., 2016;).

4.4.1. Smallholders and pro-poorest growth

A healthy smallholder farm economy is essential to pro-poorest growth, and state support to smallholder farmers is an important input. Small farms account for large shares of the rural poor and are the most populous farm-size group; when scaled up, small farm development can have a big impact on agricultural growth and national food security. Small and medium farmers are also found to have a higher demand for labour (both own and hired) per hectare than large landowners, enabling agriculture to be more labour-absorbing and thus extreme poverty-reducing than when the inequality of land ownership is high (Booth and Sundrum, 1984; Lipton, 2009). Small farms are also more efficient than large farms, as evidenced by the body of empirical studies showing an inverse relationship between farm size and land productivity across Asia and Africa (Binswanger-Mkhize and McCalla, 2010; Eastwood et al., 2010; Larson et al., 2014).

Sceptics argue that this may be less relevant as recent changes may have eroded some of their advantages. With continued population growth, small farms have shrunk in size, making it harder to support a family from farming alone. Globalisation and market liberalisation policies have also led to more consumer-driven food systems dominated by large-scale players, which place a greater emphasis on quality and safety attributes. Many small farms have difficulty connecting to such markets. However, as reported in Chapter 1 for Rwanda, even tiny food-producing farms can play a role in people escaping and then staying out of poverty, though this is usually combined with other income sources.

Yet, rather than disappearing, small farms (defined as holdings less than 2 ha in size) are multiplying, and in some countries are becoming even more dominant in the land distribution. Census data for individual developing countries recorded the following changes (Lipton, 2009). The number of holdings increased by between 12% (Uruguay) and 77% (Ethiopia). The number of smallholdings increased in all countries except Turkey, where the number of holdings and total area declined by about 20% between the two censuses. In India, the number of small farms increased from 92.8 million in 1995–1996 to 107.6 million in 2005–2006, while their share in total farms increased to 83.3% (World Bank, 2007b).

For the moment then, PP^2G must include small farmers. However, there is a diversity in types of small farms: commercially oriented small farms that are well linked to value chains[13] compared with a larger number of subsistence or non-farm-oriented farms; small farms in favourable areas with good market connectivity compared with poorly connected and often marginal areas (lagging regions). Already in much of South Asia, rural poverty has become concentrated in lagging regions (Ghani, 2010).

This increasing diversity will be a challenge for future assistance programmes for small farms, and interventions will need to be more carefully targeted. Several small farm typologies have been proposed in the literature to help guide such strategies, which have been summarised into three classes of small farms: commercially oriented, in transition, and subsistence (Dorward et al., 2009; Hazell and Rahman, 2014). Each type of small farm needs different types of support.

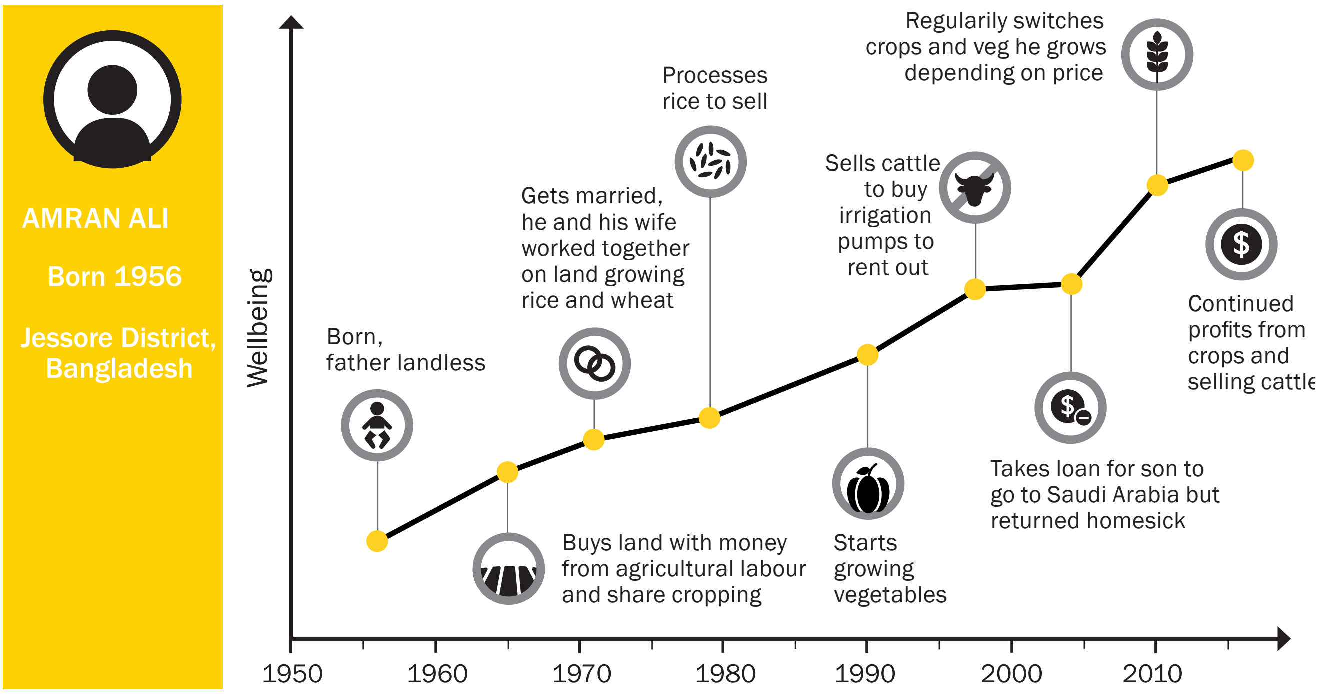
- Commercially oriented small farmers, who are already successfully linked to value chains or who could link with support. These need access to improved technologies and natural resource management (NRM) practices, modern inputs, financial services and markets, and secure access to land and water. This includes managing market and climate risk and access to insurance and safety nets. The case for supporting commercially oriented small farms has recently been made eloquently (Mellor, 2018 and Box 23).
- Small farmers in transition who have favourable off-farm opportunities and are at various stages of exiting farming as a serious business. These farmers need help developing appropriate skills and assets to succeed in the non-farm economy, including developing small businesses. Since many transition farmers seem likely to continue to remain as part-time farmers, they can also benefit from improved technologies and NRM practices that improve their farm productivity. They can also benefit from crop and enterprise diversification on-farm (Figure 35).
- Subsistence-oriented small farms – often in remote areas with limited agricultural potential, or farmed by the elderly or the infirm. These are predominantly poor and will mostly need some form of social protection, often in the form of safety nets, food subsidies or cash transfers. Interventions that help improve the productivity of their farms (e.g. better technologies and NRM practices) can make important contributions to their own food security, could perhaps provide some cash income and, in many cases, may prove more cost-effective than some forms of social protection. Subsistence farmers have limited ability to pay for modern inputs or credit, however, so intermediate technologies that require few purchased inputs may be needed, or inputs will need to be heavily subsidised. Subsistence farmers are typically the most exposed and vulnerable to climate risks and, in addition to safety nets, they need help developing resilient farming systems.

Box 23: Mellor's case for supporting commercial small farms

A recent book by the renowned agricultural economist John Mellor reiterates the case for state support to commercial small farms as part of an economic transformation strategy. The case he makes is that commercial small-farm income increases create demand for the products and services of the growing rural non-farm economy as well as for products and services in the formal economy. While an intensified agriculture can generate some additional employment, it is the rural non-farm economy that creates most employment that is accessible to the rural poor.

Source: Mellor (2018)

Figure 35: Escaping poverty through smallholder farming



Source: CPAN qualitative dataset

Agriculture-focused programmes, such as that of BRAC, aiming to enable the extreme poor to escape poverty, illustrate that raising the productivity of their marginal physical assets – small gardens, marginal farms and small livestock – can be critical to the ability to feed their families specifically with vegetables and protein, which raise their immunity to disease and improve their capability to do manual labour. Such agricultural programmes also enable parents to afford to keep their children in school. Agricultural policy supporting improved vegetable and small livestock can be part of larger government policy to support small and medium farmers.

In some contexts, the best opportunities for poor farmers may lie in high-value commodities for export markets, with small-scale farms unviable owing to international competition and the growing complexity of supply chains for both domestic and foreign markets (Reardon et al., 2003). Rural populations should then focus on diversifying incomes away from agriculture (Ashley and Maxwell, 2001) and migrating to urban areas (Ellis and Harris, 2004). However, where diversification is driven by stagnant agricultural growth, or if migration is the result of growth in low-productivity urban activities (Lipton, 2004; Mdee et al., 2016), diversifying is not positive.

For the poorest countries, a key debate concerns the relative importance of staple food (staple crops and livestock) and export crops (traditional and non-traditional crops) in agricultural growth and poverty reduction. Agricultural exports have grown rapidly in recent years in many African countries, and have greater growth potential, but growth in high-value export crops may reach only a small group of farmers with better urban and export market access. Agricultural exports typically benefit peri-urban areas and do not necessarily benefit the poor in more remote rural areas. The greatest market potential for most African farmers lies in domestic and regional markets for staples/food crops (Diao and Hazell, 2004; Rosegrant et al., 2001). With increasing commercialisation and urbanisation, future demand for these commodities will translate into market transactions and not just on-farm consumption.

Staple-led growth will have to accelerate if there is to be significant growth with poverty reduction in Africa. Food crops compose 65% of agriculture in Ethiopia, and most of the poor depend heavily on cultivating these crops. This is equally true in Rwanda, where the share of staple crops and livestock in total agricultural output is as high as 90%. The share of staples and livestock is lower in the other case study countries, but is still 70% of total agricultural output in Ghana, 54% in Uganda and Kenya and 65% in Zambia (Diao et al., 2010). They find numerous cases where there is both potential for greater intensification in staples production and evidence to support key interventions. Their findings therefore indicate that, while Africa faces many challenges that Asian countries did not encounter, there is little evidence to suggest these countries can bypass a broad-based agricultural revolution.

Markets can be a source of productivity and growth of incomes for smallholders if they function well, but also can lead to further impoverishment. Guiding market development is therefore essential. Lenhardt et al. (2012) argue that, in a situation where corporate actors control resources and are shaping markets as never before, the prime role of public agricultural agencies will be to redress power imbalances. Specifically, they can:

- encourage more responsible corporate governance through a mix of incentives and pressure;
- create an enabling environment for farmers' organisations to make them more effective, and strengthen their role to ensure greater accountability to the farming community; and
- support efforts to increase representation of the poor and women within farmers' organisations.

4.4.2. Farm workers and demand-side wage labour market tightening

The poorest have been losing farm land over time through a rise in population, partition of family land among children together with land sales or evictions from land, and a fall in the fertility of land – all three have resulted in a rising rural population dependent on farm labour for

Box 24: Women as farmers for the house (Kenya)

Christine Mutuku was born into a family of farmers with no education background. Having been unable to afford education, she worked as a farmer and at a factory in an export processing zone, before getting married. As a second wife, she looked after her husband's baby after the demise of the first wife and had five children of her own.

The family's income-generating activities include casual labour, farming, livestock-rearing and support from a village savings and loans association (VSLA), which helps pay for the children's education. While the husband is primarily engaged as a casual labourer selling water, Christine is involved in livestock-rearing and farming 2 ha of land. Both activities have proved enormously profitable for the family's finances but have their own share of risks, such as price fluctuations, lack of market and droughts.

Despite a wide and varied portfolio of livelihood activities, which sees participation from all members of the family, the family continues to live on a meagre income, evident from their inability to pay for the National Hospital Insurance Fund card. Nonetheless, the family has no outstanding debts.

Source: Scott and Diwakar (2018)

Box 25: Staple food production in sub-Saharan Africa

While Africa's staple sector may be critical in reducing poverty, past growth in this sector has typically arisen from area expansion. Until the 1970s, many African countries were considered self-sufficient in food crop production and there seemed little need to pay attention to the food sector or change established methods of production. However, this situation has changed dramatically over the past three decades. Expansion of arable land has stagnated in recent years, indicating that land frontiers may have been reached.

The result is mounting population pressure and declining farm sizes. The land constraint is particularly serious in countries like Ethiopia and Rwanda, where land distribution and farm sizes are worse than in many Asian countries at the time of the Green Revolution. However, while land expansion has dominated past growth, there is an extensive literature identifying the potential for intensifying food crop production in Africa. For example, Djurfeldt et al. (2005) conducted surveys of 3,000 small-scale farmers in 8 African countries (including Ethiopia, Ghana, Kenya, Uganda and Zambia) and found evidence of farms or regions achieving crop yields far above the national average. Other studies also support the finding that intensification has occurred in particular African regions and among certain categories of farmers (Turner et al., 1993; Gabre-Madhin and Haggblade, 2001; Haggblade et al., 2002). Therefore, while Africa has not achieved its Green Revolution, there are abundant examples of where the intensification of food crop production has been successful.

Transforming individual success stories into broader agricultural development remains a challenge.

- There is a need for innovations in science and technology relevant to diversified agro-ecological conditions in order to counter erratic rainfall and declining soil fertility.
- Supply chains around small-scale farmers need to be developed, such as the presence of input markets, seasonal finance and marketing systems.
- Lack of profitable opportunities may deter private sector engagement, so public investments are needed in agricultural research and in market and institutional development to reduce costs and mitigate risks. Studies confirm that increased investment in agricultural research is required to revitalise agricultural development (Alston et al., 1998; Fan et al., 2004).
- Rural infrastructure is needed to increase consumer demand and farmers' access to input and output markets, to stimulate the rural non-farm economy and rural towns and to more fully integrate the poorest regions into their countries' economies.

While substantial investment is needed throughout much of Africa, Fan et al. (2004) have shown in Uganda that rural investments do not have to be excessive to have sizeable impacts. Therefore, there is evidence both suggesting that broad-based agricultural growth is possible in Africa and identifying key interventions to achieve this growth.

Source: Diao et al. (2010)

most of their income. Land owned by individuals or held by their families is severely diminishing across the poor and median income groups but particularly among the poorest. Data available from five countries shows that, in all but one, the ownership of land assets fell dramatically between the 1990s and the 2000s, and this decline is most apparent among the poorest wealth quintile (Lenhardt and Shepherd, 2012: 3).

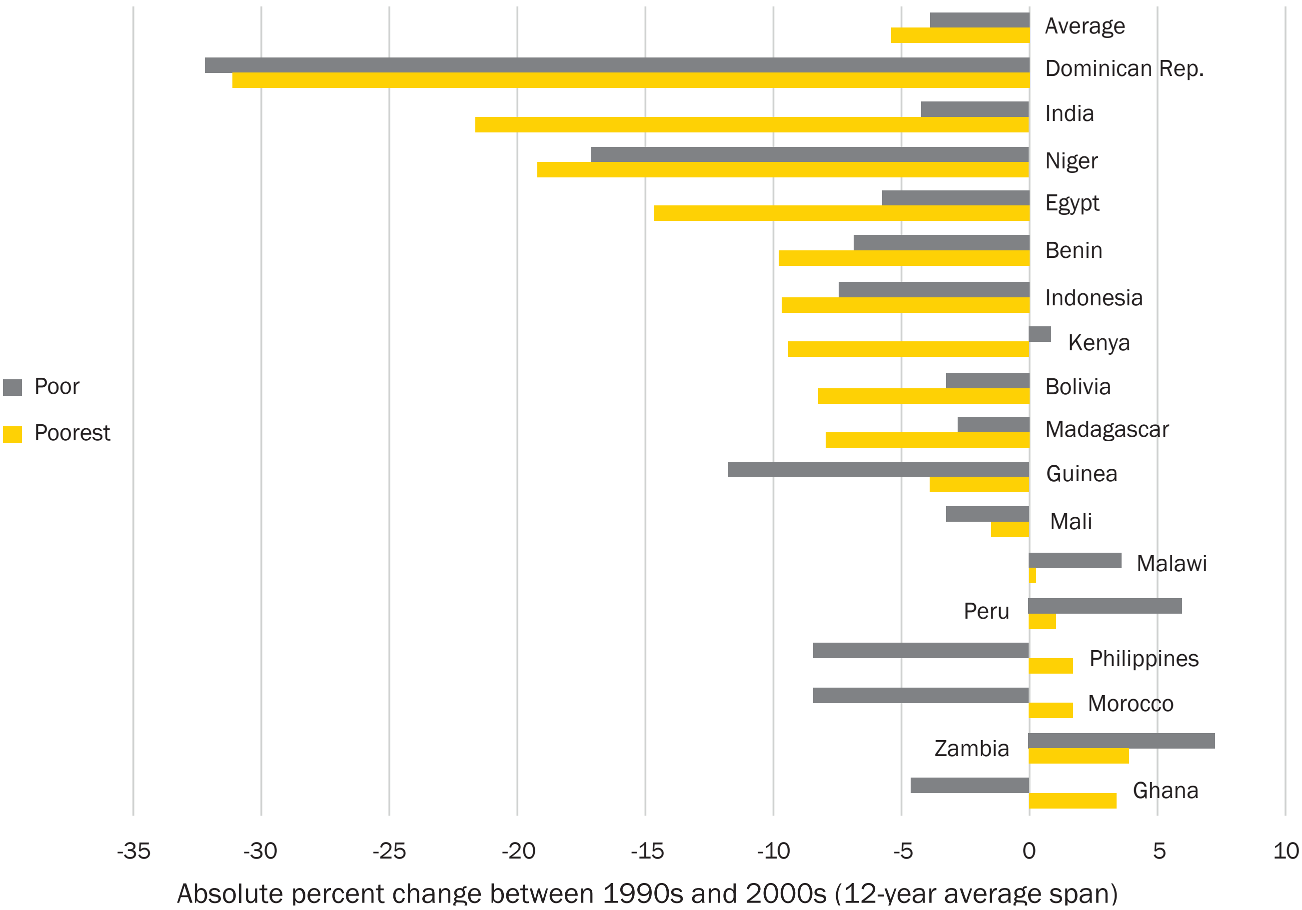
Figure 36 compares the absolute changes in land-owning households among the poorest, poor and median wealth quintiles. On average, these countries saw a 13% decline in land ownership among the poorest households over just 12 years. India experienced the most significant decline, with 25.6% fewer of the poorest households owning land (compared with a 7.3% decline for the median wealth quintile). The exceptions to the rule could be accounted for by measurement error. These declines in land ownership do not appear to have been met by increases in land rentals, but rather by increases in agricultural labour. Data shows that, in India, the percentage change in households owning their own land has been met by a near equivalent increase in the proportion of those working on someone else's land (Lenhardt and Shepherd, 2012).

There are several ways to improve conditions for farm workers, including improving access to land through land redistribution and land rental (discussed below), improving employment in farm work and the rural non-farm economy and tightening rural labour markets through social policy – but also economic policy in support of 'growth from below'. Bangladesh is a country experiencing a moderate increase in land ownership among the poorest households, an outcome that may be attributable to the Chars land resettlement programme, which has provided land grants to severely poor household over this period (Conroy et al., 2010).

Wages in parts of rural Asia have been on the rise in real terms, though they have not always kept pace with high rates of economic growth. Rural wages have caught up with urban wages, but there is still a big gap between men's and women's wages. The consequence is a rapid reduction in extreme poverty, but also rising food costs and costs of labour in manufacturing, and the relocation of some manufacturing from China, in particular to lower-cost countries. The causes include a declining rural population, steadily reducing fertility, and rising employment in labour-intensive manufacturing. Leading Asian economies have also consistently supported smallholder agriculture (Wiggins and Keats, 2014).

By comparison, real wages (as proxied by labour productivity) have been relatively stagnant in most of sub-Saharan Africa after a period of decline in the 1990s. Labour markets can be saturated. 'If I refuse to dig ¼

Figure 36: Decreases in land assets owned among the poor and poorest



Source: Authors' calculations based on Demographic and Household Survey data

an acre for TZS 12,000, other fellows take it and I find that I have nothing at home; what will the children eat? Under these circumstances, I have no power to bargain with the rich; I have to agree with their prices' (life history interview, Mvumi village, Kilosa district, Tanzania). This means that casual workers are often price-takers – forced to accept whatever the employer offers (Box 26).

This report has already mentioned the social policies that can tighten rural labour markets by reducing the supply of labour (Chapter 3). These can be complemented by policies enhancing demand for rural labour, including smallholder agricultural and livestock productivity enhancements (irrigation, seeds, leading to more growing seasons and increased intensification) on all farms including very small farms; employment on rural infrastructural projects – irrigation structures, roads, houses; rural 'industrial' processing of farm outputs; and the development of a vibrant rural non-farm economy (see Figure 37).

4.4.3. Land reform and land rental

A key way to improve the livelihoods of farm workers is through land reforms that grant land to the landless. However, since liberalisation and the promotion of market-led development, there has been much more focus on land consolidation for large agro-industrial farming or mining rather than enabling the landless to gain land. The problem is that these forms of agriculture can displace the rural poorest and drive immiserising growth if not carefully guided.

In some countries, land reform is still active, but it has become a 'trickle', even though there is still land available or that could become available for redistribution. For instance, the Indian land ceiling legislation, which distributed land to tenants and the landless (via reservations to SCs and STs) was achieved largely through the distribution of land over the ceiling (roughly 20 ha) or the gifting of unused or waste land in or around villages. A rough calculation based on the assumption of a uniform ceiling on ownership holdings of 20 acres showed that 'there is about 15 million acres of ceiling surplus land in India… more than three times the total amount of land that has ever been redistributed under land reform programmes in all states' (Vikas Rawal, in Corbridge et al., 2013), suggesting some scope for some further land reform.

Redistribution of land to create smallholdings can also

Box 26: The poorest as price-takers in the labour market

Those who are price-takers are the extreme poor who have no land or little land, and so they labour daily to eat and/or to meet costs of living and may have rental costs to pay. Desperation and hunger, often limiting their health, drive their powerlessness in bargaining with employers.

The extreme chronically poor also may be forced to let their children (young teens) work for food (despite lower wages). Also, there is the problem of neglect of one's own productive assets to labour to meet immediate food needs. The problem of meeting immediate food needs and prioritising today's casual labour or desperation activities that are bad for the environment (charcoal production and firewood collection) over livelihoods that would give greater returns comes up again and again in life histories in Rwanda – the role of hunger in keeping people very poor.

Berencilla and her husband Innocent did not have the savings or food stocks necessary to pay for the food needs of her three children, especially amid high and rising costs. 'In public works, we only get paid after 15 days, yet need to work daily to "to eat" and we can't wait that long – everyday must eat. Through public works we could get 50,000 (3,333.33 a day), which is much more than we get making charcoal. Even if we make 7,500 over three days (max), that's only 2,500 a day for 2 people (1,250 each). So, we sold our place on the public works scheme to someone else for 3,000 (total)' (Bugesera).

Source: CPAN/IPAR (2019)

Figure 37: Economic as well as social policies to tighten wage labour markets

be more productive per hectare given certain conditions, and greater security of rights over land encourage farmers to access savings and invest. Redistributive land reform can also 'jump-start' economies and promote PP²G dynamics by creating the initial conditions for pro-poor growth, which can lead to dynamic and productive owner-farmed smallholdings (Ravallion, 2016: 447.). Asia's economic miracles were based on prior land reform and secure land rights for land for rural people, which created a countryside of small owner-operators rather than agricultural labourers and tenant farmers (Landesa, 2017). The state focused on institutional support (finance, extension, infrastructure) for family farmers who created the surpluses necessary for a nourished and literate workforce necessary for manufacturing growth (Wade, 1990; Studwell, 2013; Ravallion, 2016).

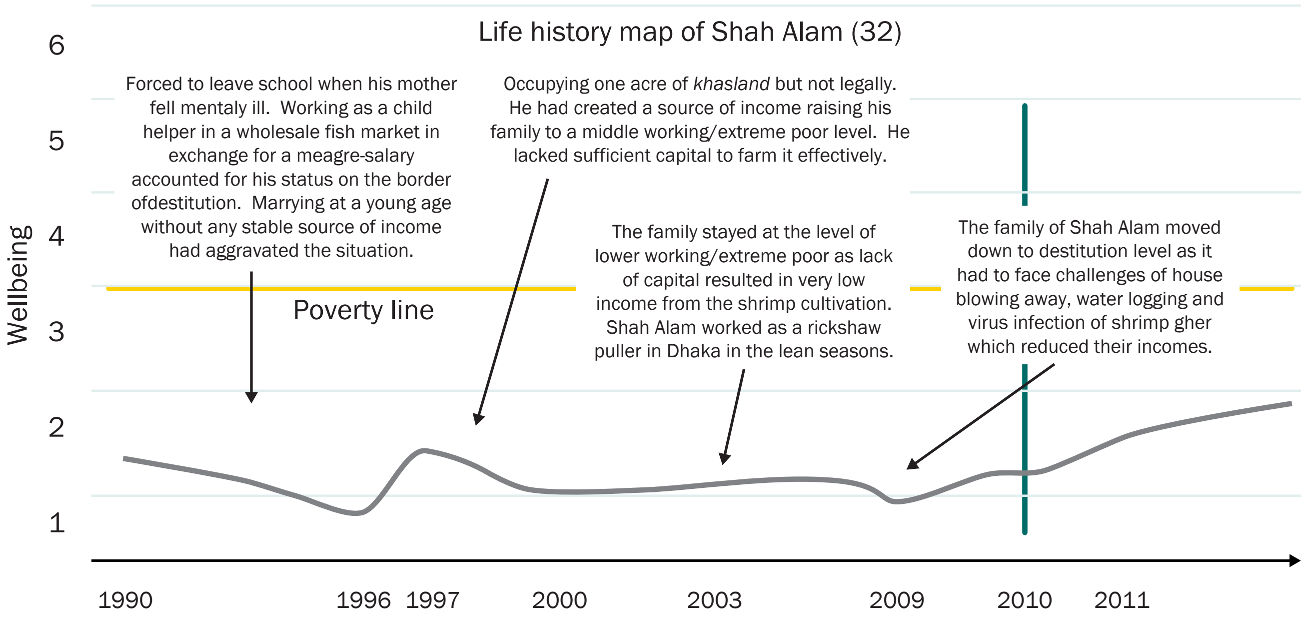
The political scope for land redistribution is more limited, however. Large-scale redistribution has historically required a significant political opportunity such as independence or a post-war political settlement.

Even where land remains short, there is capacity for distribution of garden and marginal landholdings, which can have a powerful impact on the lives of the poorest, as argued above. Land titles to even tiny plots have great economic, social and political meaning beyond their readily visible productive value for the poorest people: they confer rights of residence and the right build a home, rights to cultivate crops or fish, rights to finance and some standing in communities – all of which are valuable to extreme poor families that are socially and often politically excluded, particularly those from marginalised/indigenous groups. Women's right to land upon separation can also prevent impoverishment and provide security within marriage.

In Bangladesh, extreme poverty programmes such as that of Uttaran, a local NGO, encourage the poorest to apply for *khasland*, which is unoccupied government land that the government has committed to distributing to the landless poor to support their income generation and survival. Much of this *khasland* remains undistributed and uncultivated. Uttaran mobilises this distribution to the extreme poor by encouraging them to apply for *khasland*, including 'water bodies', and local government to distribute the land under its control. Ownership rights together with training and asset support (seeds, livestock, etc.) can enable even the extreme poor to escape poverty. This is not without exposure to the shocks extreme poor people are regularly exposed to, but the case of Shah Alam in Figure 38 is illustrative of the many who have been able to escape extreme poverty traps and remain out of poverty sustainably over the longer term.

Fewer women than men own land (ranging from 11% in Senegal to 54% in Rwanda and Burundi, compared

Figure 38: The role of land in the upward trajectory of Shah Alam, Bangladesh



Source: CPAN qualitative dataset

with male ownership at 28% in Senegal, 55% in Rwanda and 64% in Burundi). In most Latin American countries, women constitute less than a quarter of landowners (Deere and León, 2003). The gender gap is larger when only individually rather than jointly owned land is included (Doss, 2014). Unfortunately, few of these statistics are differentiated by both gender and poverty, so we do not know how much more important the issue is for the poorest women.

Women, who are particularly vulnerable to asset loss on divorce, separation or widowhood, also need secure access to assets and household resources. This can enable them to innovate where land and homesteads are passed through the male inheritance line. Thus, many women are farmers/cultivators with insufficient power to enhance production. Ownership further encourages extension, finance and marketing institutions to direct institutional support to them as tillers. Profits are more likely to be used then to maximise production and to balance this with home consumption and schooling of children.

Land rental legislation and support to small renters can have a transformative impact on the lives of farm workers and has the potential to transform agricultural productivity. The rise in the number of farm workers combined with the shortage of affordable land has led millions to rent in land – even if informally. This is likely to grow, especially in expanding economies, as individuals better able to migrate to cities rent out their land. For instance, it is estimated that more than 200 million rural Indians will migrate to urban areas in the next 10 years.

Key barriers to land rental in many countries include finding the finance for production and the informality in both land rights and tenancy contracts. As a consequence, landowners are often reluctant to let out their land, as they fear their tenants will overstay or even permanently occupy the land in their absence. Even migrant family members may fear that another family member might occupy the land back home. Even when landowners do rent out their land, they are likely to do so for only short periods to ensure tenants do not stay on. These short-term, informal rentals mean the tenant has little or no incentive to make long-term, productivity-enhancing improvements to the land. Box 27 illustrates these issues in the case of India.

Farm workers around the world face economic and political constraints to leasing in land. For female workers, these constraints are multiplied. The majority of poor women are experienced in farming. Bina Agrarwal reviews two state-level group farming experiments in India, in Telangana and Kerala, which focus on group farming in an effort to enhancing women's livelihoods within agriculture itself. The initiatives encouraged rural women to collectively lease in land, pool their labour and capital and cultivate jointly on a voluntary basis. The principle behind the programme was to economically enable women to improve their incomes in the context of land shortages and the inability of any one poor woman on her own to afford to lease in land.

4.4.4. Supporting sustainable agriculture through science

Green Revolution agriculture based on chemical fertilisers, pesticides, improved hybrid varieties of seeds and heavy water use has raised the land productivity of many smallholder farms and had important multiplier effects

Box 27: Land leasing by groups of poor women in India

Group farming was designed to enable women constrained in their access to land by social norms and land shortages to access land as well as other agricultural inputs. Acting as a group could potentially overcome their limited bargaining power with state institutions and markets.

Both Telangana and Kerala launched women's group farming for livelihood enhancement and social empowerment around the same time. In both states, women improved land quality by making it cultivable, and put the land – a scarce resource – to better use. Women in both regions are better off in economic terms than if they had not formed groups, and they are socially and economically empowered. The endeavour has also improved their exposure to, and ability to access, a wide range of state institutions, from banks to government agricultural departments, as well as private markets for land, inputs and products. It has also led many to seek political positions.

However, the productivity performance of the groups compared with the individual farmers of their own regions varies notably between Telangana and Kerala. Key policy lessons include:

- Smaller groups can facilitate cooperation by reducing problems of coordination, and provide a higher return per capita. Groups of five to ten women work better, with each village having several group farms, federated horizontally within the village and vertically to the district level or higher.
- Groups that are more diverse in terms of women's caste and class can expand the social capital and networks women can draw on, especially for accessing land. While extreme heterogeneity may be counterproductive, the Telangana model suggests that high homogeneity, where everyone is disadvantaged, could also prove to be a liability.
- Formal registration can give the groups an identity for accessing financial (credit, subsidies, etc.) and technical support. Some groups that are commercially oriented and successful could even become producer companies over time.
- Groups that have autonomy in deciding the crops they grow, the technologies they experiment with and the markets they explore, as in Kerala, are likely to perform better than those that are mandated to produce, say, food crops and are restricted from choosing the best options suited to local ecology and market opportunities, as in Telangana.
- State commitment and support is the most striking feature of the Kerala model compared with the Telangana one. The commitment of the Kerala government helped the groups alleviate, if not entirely overcome, their production constraints.

Sources: Agarwal (2014); FAO (2011)

Box 28: Land leasing as a means to reduce poverty – Nepal leasehold forestry and forage

The government of Nepal launched the Hills Leasehold Forestry and Forage Development Project in 1989 with the goal of reducing poverty and restoring degraded environments in the Middle Hills, by leasing small blocks of public forest land to groups of rural poor people who would use, regenerate, protect and manage them.

The programme specifically targeted households below the poverty line with less than 0.5 ha of land. Positive discrimination was urged towards landless groups, disadvantaged tribal groups and women-headed households. A range of other interventions complemented access to land, including infrastructure grants, introduction of imported fodder, tree species and grasses, training on sustainable livestock holdings and credit facilities.

Leasehold forestry has been very successful but the project was costly, at an average of approximately US$800 per household or US$1,400 per ha of degraded land. Significant resources were required to negotiate between community members and for monitoring to ensure services and land leases targeted the poorest. According to an International Fund for Agricultural Development (IFAD) mid-term evaluation, mobilisation could have been effected more cheaply and rapidly, the formation of inter-groups and cooperatives facilitated and conflict minimised (Shepherd et al., 2013).

on the non-farm economy. However, the longer-term ecological consequences have been heavy with serious impacts also on the rural poorest, now living with eroded land, depleted water resources and soil damage. In India, this has included wasteful and inefficient use of irrigation water partly through neglect of the maintenance of irrigation structures and limitations of their design, together with excessive use of chemical fertilisers and pesticides, alongside mono-cropping, which can lead to the degradation of soils (Friedrich et al., 2012; Corbridge et al., 2013: 91).

Thus, a key reason this mode of production can no longer be sustained is that it often pauperises rural poor through its ecological damage on their farms and consequent loss of livelihoods (Harriss-White, 2002). Agricultural practice therefore must be based on the intensification of production using methods that do not damage the ecosystem on which many of the poorest people rely. Pro-poor agricultural transformation must also be environmentally transformative in relation to carbon emissions and other natural resource extraction, such as in the production of inorganic fertilisers (Mdee et al., 2016).

A key feature of this approach is that it is heavy on knowledge rather than costly inputs – practices that increase people's resilience to climate change by replenishing local resources such as soil fertility, water tables, species biodiversity and carbon capture. A 'triple win' solution is possible: raise agricultural productivity, preserve the environment and reduce poverty. A growing body of research shows that climate-smart, low external input agriculture can contribute to increased food production and work within environmental limits, through sustainable intensification (Mdee et al., 2016).

Traditional and indigenous poly-cropping systems demonstrate how integrated and sustainable agricultural systems might operate (Holt-Giménez et al., 2012). Small-scale poly-cropping agriculture is more productive per unit of land than commercial mono-cropping (Riesgo et al., 2016). Even on a larger scale, sustainable (environmentally beneficial) agricultural methods can increase productivity and be more profitable than high-input agriculture for farmers, and therefore also more accessible for poor farmers (Pretty et al., 2014). Thus modern, is no longer agri-business high-input mono-cropping, but 'smart' modern science married with traditional insights that work (poly-cropping, low-input and nutrient-recycling).

Table 12 summarises four ways of modelling sustainable agricultural transformation. These transformations will require support and investment as, while they promote low-input systems, they are labour- and knowledge-intensive (Mdee et al., 2016).

New agricultural technologies are low-input and high-knowledge – and backed by the Digital Revolution. In India, the government wants to promote a return to Green Revolution-era surpluses via a new approach termed 'precision agriculture', which enables farmers to make the most efficient use of vital but scarce inputs such as water and fertiliser, through applying them in precise amounts (Singh, 2015). This prevents farmers wasting valuable inputs, and also reduces agriculture's impact on the environment. A new mobile phone application called MITRA©, for example, is being developed in Tamil Nadu, which will give site-specific recommendations to farmers on the correct fertiliser dose, based on data from the local Department of Agriculture. It is able to operate offline for farmers in remote areas who do not have internet access.

Mobile-based applications for farmers will form an important part of the data-driven precision agriculture approach. Research carried out by the International Maize and Wheat Improvement Center, Mexico, found that these applications needed to be interactive; the farmer must have a way of asking questions and giving feedback, through a helpline. Governments and NGOs can intervene

Table 12: Achieving improved energy access by country category

Approach	Definition	Production methods
Sustainable intensification (Firbank, 2012; Dillon et al., 2016)	Increasing production while reducing environmental pressure, increasing contributions to natural capital	• Sustainable intensification through resource efficiency • Emphasis on risk management, information flows and local institutional adaptation (Campbell et al., 2014) • Alternatively, adoption of genetically modified organisms selected to reduce water/pesticide demand
Climate-smart agriculture (World Bank, 2015a)	Agricultural practices that sustainably increase productivity and system resilience while reducing greenhouse gas emissions	• Environmentally sustainable production: integrated farming systems such as agroforestry (FAO) and zero-tillage • Can incorporate sustainable intensification but is more about diversified and adapted farming systems plus shifting consumption and waste patterns (Campbell et al., 2014) • Rainwater harvesting, new irrigation technologies such as drip irrigation (van Koppen et al., 2012)
Agro-ecology (Altieri and Toledo, 2011; Silici, 2014)	Application of ecological concepts and principles to the design and management of sustainable agro-ecosystems	• Integrated poly-cropping systems • Zero-tillage, resource recycling • Integrates both modern and traditional knowledge • Agro-ecology better supports food production priorities of women (Shiva, 2016) • Tracking 40 agro-ecology projects in 2002: by 2010 average yields rose on average by 2.13 times (Pretty et al., 2014) • Rainwater harvesting (van Koppen et al., 2012)
Food sovereignty (Holt-Giménez et al., 2012)	Focuses on local food producers in local food systems, rejects corporate control, builds knowledge and skills and works with nature – food production as part of social justice	• Rights to food (Ramanujam and Chow, 2012) • Adoption of agro-ecological systems • Food production for local markets and social justice Well-known example of Via Campesina movement Land occupation

Sources: Holt-Giménez and Patel (2009); Pretty et al. (2011); Campbell et al. (2014); Silici (2014)

Box 29: Deterring pests and increasing productivity without inputs in Tanzania

In Tanzania, farmers are learning that planting a diversity of crops is one of the best ways to deter pests. Tanzania now has the fourth largest number of certified organic farmers in the world. Perhaps the most life-altering result of organic farming has been the liberation from debt. Even with government subsidies, it costs TZS 500,000 (more than US$300) to buy enough fertiliser and pesticide to treat a single acre – a crippling expense in a country where the annual per capita income is less than US$1,600. 'Before, when we had to buy fertiliser, we had no money left over to send our children to school,' says Kibwana. Her oldest daughter has now finished high school. And the farms are more productive too. 'Most of the food in our markets is from small farmers,' says Maro. 'They feed our nation.'

Source: Folger (2014)

Box 30: Management and monitoring of community water use, Niger

Oxfam's experience in Banibangou, Niger, has demonstrated how community-led M&E can help produce a long-term local strategy for water use and conservation. This programme focused on the participation of vulnerable groups, including a women's gardening committee that had suffered from water shortages. It found that, while local terms of use can be set through the framework of community-based water resource management, there is a need to further develop partnerships between community-based groups and local government to ensure these groups are supported sufficiently by the collection of water use data (for monitoring), maintenance and contingency planning.

and offer this kind of detailed advice on an ongoing basis. It will also be key to ensure that applications are affordable and accessible.

4.4.5. Water

Very closely linked to access to productive land is the complementary need for the establishment of effective water rights institutions and the development of sustainable use strategies that moderate between the demands of large agri-business and those of the poorest farmers. Water has historically been treated as an open-use common resource, but many countries are currently piloting new alternatives such as integrated water resource management. Through this they aim to be able to distribute water use equitably in a sustainable manner, while also establishing local ownership and management responsibilities.

Another major challenge is the evidence that groundwater stocks are rapidly depleting. Groundwater sustains around 60% of agriculture in India, while 80% of people living in rural areas use it for their domestic needs. Laser levelling is a technology that can grade an agricultural field to a flat surface by using a laser-guided scraper. It has been shown to improve crop yields, reduce labour time spent weeding and, in particular, reduce water use for irrigation by up to 20–25% (Singh, 2015).

Water rights conflicts are becoming more prevalent, particularly in severely water-deprived areas of sub-Saharan Africa that depend on limited water sources for subsistence agricultural purposes. Farmer-managed irrigation has expanded much more rapidly than official statistics capture, and much more rapidly than large-scale irrigation, which has proved difficult to finance, reflecting often deep-seated management problems. A three-stage policy process can support farmer-managed irrigation development.

Stage 1 involves 'pump priming' or laying the foundations for expansion: building roads, extending power, training farmers. Stage 2 involves facilitating water management and productivity and monitoring for excessive use of irrigation, given water scarcity. Stage 3, once considerable farmer irrigation is developed, is about regulating and mediating among water right holders; providing services to boost productivity; rewarding and penalising efficient and inefficient water use; and matching institutions, licences and infrastructure to regulate demand and consumption (Wiggins and Lankford, 2019).

Oxfam and WaterAid, among others, have been facilitating community-based water resource management systems as a response to these conflicts. These systems involve a number of incremental steps, including household- and community-level water use surveys, community-led risk assessments and ongoing monitoring and evaluation (M&E).

4.4.6. Developing the rural non-farm economy

There has been rapid growth of employment in the rural non-farm economy of many developing countries since 2000, mostly in the informal sector. There are poor households with non-farm businesses and others where the non-farm business has played a critical role in growing prosperity. It would be a mistake to think that supporting all non-farm enterprises in the same way would be a good idea. Approximately 25% of MSMEs have higher labour productivity than average, and account for a large proportion of the output of the MSME sector as a whole – this is the 'in-between sector' (Diao et al., 2018). For these more dynamic firms, which have the potential to generate employment and increase productivity, it is worth considering what sort of support exists and what would be relevant. For example, skills training and business development services can be helpful. In addition, savings from employment or inheritance would provide the start-up capital for most businesses and would continue to improve small business access to financial services, for example in Tanzania (Katega and Lifuliro, 2014).

What are the policy interventions that can support enhancing the productivity of the rural non-farm economy? To benefit from rural non-farm economy growth, poor people need education, relevant skills training, connectivity (transport, communications, energy), finance and legal rights. Many of the above programmes to support the informal sector, to empower women and to broaden financial inclusion can work for the rural non-farm economy too, together with infrastructure investments, especially in electricity but also transport and communications.

Historically, the most effective programme has been China's Township and Village Enterprise programme, which generated hundreds of thousands of non-farm jobs by releasing the energies of local government-owned businesses to compete in the market. Latin American territorial development initiatives have also had some successes.

The best recent source on what works on this issue is an evaluation by the World Bank's Independent Evaluation Group of the Bank's own lending portfolio in this area (Independent Evaluation Group, 2016). This found that growth-oriented programmes, which are mainly focused on value chain development, do not generate significant direct benefits for the poor, and that poverty-focused initiatives address vulnerability but do not generate enough income to lift people out of poverty. Sometimes, M&E does not trace the impacts on the poor of value chain development work. For example, many value chain programmes include a skills component but the impacts of this are not assessed. This suggests that joining up growth and poverty reduction-focused work in this area is critical. This is likely also to be the case in many national programmes.

4.5. A word about structural change

Underlying the analysis in this chapter are questions about whether structural transformations – either those that are going on very widely, as in the case of changing access to land, or those that are desired, such as the shift to non-farm economic activities – are the right transformations from a poverty eradication point of view. Is it all right if people stay on in informal agriculture if there are better opportunities for women and better access to finance?

The shrinking land base available to many households could be amended through massive investment in irrigation in Africa (Malabo Montpellier Panel, 2018), as happened across much of Asia in the 20th century; it could be arrested by radical inheritance reforms towards primogeniture, or it could be accepted as providing people, not all of whom can easily find viable alternatives, with a safety net. The demographic and educational challenges would indeed seem so great that farming will remain a safety net until such time as countries are rich enough (or enough people are becoming relatively poorer) to make a public welfare-based safety net politically imperative. If that is the case, making it easier for the safety net function to operate – so that it can act as a springboard to other things like participation in the rural non-farm economy, or skill acquisition and migration – would be constructive.

An overall theme of this report is that the concept of structural transformation needs to be broadened. It has been thought about at a macro level and focused on the formal economy. This report hopefully makes it clear that, if growth is to continue to contribute to poverty reduction, the transformations going on in the informal economy are just as important – in the urban informal sector,[14] in the rural non-farm economy and in the farm economy, and in occupational change and migration between them. The informal sector is massive in terms of employment and is poorly understood. A good first step would be to greatly enhance the context-specific understanding of what is going on in these parts of the economy, where the binding constraints to growth and productivity increases exist, and where the opportunities are for more employment and greater returns to labour.

Notes

1 The figures vary by region. South Asia averages 82% (range: 62% in Sri Lanka to 84% in India); sub-Saharan Africa 66% (range: 33% in South Africa to 82% in Mali); East and Southeast Asia 65% (range: 42% in Thailand to 73% in Indonesia; and Latin America 51% (range: 40% in Uruguay to 75% in Bolivia) (informal employment as a percentage of non-agricultural employment (2004–2010) (http://www.wiego.org/informal-economy/statistical-picture).

2 Over the past decade, an estimated 91 million new people entered the labour market in Africa but only 37 million waged jobs were created, of which only 28% were in wage-paying formal employment (Fine et al., 2012:3).

3 This could include not just the ministry of labour (or other allied institutions) but also ministries of finance, rural development and education as well as the central bank (Scott et al., 2013: 7).

4 See www.sewa.org.

5 See www.wiego.org.

6 Financial development refers to both financial widening and financial deepening. Financial widening entails the expansion of financial services and the growth of financial institutions. Financial deepening, on the other hand, refers to an increase in the per capita amount of financial services and institutions or in the ratio of financial assets to income (Ahmed and Ansari, 1998).

7 This possibly reflects the substantial amounts of credit that are often concentrated among larger firms and wealthier households (Dabla-Norris et al., 2015).

8 Financial inclusion denotes the ability of the entire population to access and use affordable formal financial services (such as savings accounts, payments services, loans and insurance) (e.g. Bhaskar, 2013).

9 Greater access to (bank) loans can also come with a trade-off, as a general increase in bank credit or setting up goals for rapid credit growth may undermine macro financial stability.

10 This includes a bank account as well as a mobile money account.

11 Habib et al. (2010) use a 'microsimulation' approach that superimposes macroeconomic projections on behavioural models built on pre-crisis household data for Mexico, Bangladesh and the Philippines and show that, where the global financial crises led to a GDP growth contraction, such as in Mexico, a significant negative impact is also likely for the bottom of the income distribution. More precisely, they predict that the poorest 20% of Mexican households suffer an average per capita income loss of about 8%, compared with 5% for the entire population – even after existing safety net transfers that benefit many of the extreme poor are taken into account.

12 Income is proxied by the Grameen Progress out of Poverty Index, which is made up of 10 questions on household size, assets, education and cooking sources, and can take a score of 0 to 100. We use the Financial Inclusion Insights Surveys (2016), except for India (2015). The survey uses a three-stage random nationally representative sample, corresponding to 6,000 respondents in Bangladesh, 45,036 in India, 6,060 in Indonesia, 3,000 in Kenya, 6,352 in Nigeria, 6,000 in Pakistan, 3,029 in Tanzania and 3,000 in Uganda.

13 Christen and Anderson (2013) estimate that only about 35 million of the world's small farms (or about 8%) participate in tight value chains, implying that most small farms are being left behind.

14 This has been less well covered in this report than other aspects of growth from below, and deserves separate treatment.

5 Enabling growth to reduce poverty faster, more effectively

The Windhoek Vocational Training Centre in Khomasdal is a training centre for artisans. Photo: John Hogg / World Bank

Key messages

- Enabling measures include infrastructure investment, human development, anti-discrimination measures and macroeconomic policy.
- Affordable **infrastructure** may require financial support or other complementary measures to make it accessible for the poorest people. The example of energy suggests that current subsidies are often regressive but that tariff structures can be used to target subsidies to the poorest consumers, and to reduce their upfront investment costs.
- **Human development** is faster in countries with pro-poorest growth – the virtuous circle persists. Yet, to reach the poorest people, universal measures need to be complemented by carefully targeted measures, where targeting errors can be kept under control. The risks of non-investment in human development for the poor include protracted violent conflict.
- On education, the poorest people need not just numeracy and literacy, but also transferrable skills and technical and vocational skills. Improvements to education quality need to be accompanied by measures to keep poor children in school. In turn, links between education and the labour market need to be strengthened, for example through curriculum development in mainstream schools, as well as greatly enhanced investment in technical and vocational training and education and apprenticeships with private sector involvement (small as well as medium/large enterprises).
- **Social protection** is now widely recognised as an essential support to inclusive or pro-poor growth. At a macro level, the evidence suggests social protection is more important for poverty reduction than growth, but at a micro level there is strong evidence of it contributing to income growth. The contribution depends on coverage, transfer size and programme implementation quality.
- Combining social protection instruments is best – programmes that integrate new components, integrated programmes with sequenced forms of support and programmes with links to other programmes can all achieve more impact than single-focus programmes.

- **Anti-discrimination measures** focused on labour markets, education and political representation lay a foundation for reducing the exploitation or exclusion of groups of people who are otherwise unlikely to participate well in economic growth: poor women; ethnic, religious and racial minorities; people with disabilities; and poorer older or younger people.
- Macroeconomic policy aims to maintain the stability of economic activity and prices (inflation), both in turn important for sustained GDP growth and thus most policy objectives laid out in this report. The poor are largely absent from macroeconomic policy debate, because they contribute little in value terms to macroeconomic variables – most of their economic activity is informal and outside 'the market'. In addition, their political voice in most countries is muted.
- Notwithstanding the structural constraints, macroeconomic policy choices are possible, and these may be more or less pro-poor. There may be choices on the composition of public expenditure or the time horizon of adjustment (how quickly fiscal deficits or inflation should be lowered).

This chapter covers a wide range of topics that enable the poorest people to participate in growth. These are both at the macro level – macroeconomic and anti-discrimination policy – and at the sector level – education, health and infrastructure development. Macroeconomic policy has proved a very difficult set of issues to explore, as poverty reduction features so little in the discourse on managing inflation, money supply and exchange rates, though it does feature more in fiscal policy. Anti-discrimination measures are critical especially in contexts where discrimination is widespread or intense. However, the evidence base on their role in poverty reduction is not as strong as it should be, so guidance for policy-makers here too is not easy to come by.

Human development and infrastructure are two policy areas commonly discussed with respect to poverty reduction. While it is not possible to elaborate all aspects of these in the confines of this report, energy, education and social protection are picked out as vital areas to explore with respect to growth, while not in any way denying the huge importance of health, water and sanitation, roads and telecommunications.

5.1. Infrastructure: the example of energy[1]

Poor infrastructure limits market engagement, increasing costs and journey times and reducing the scope of business activities, contributing to markets being thin and fragmented over time and space. So, for example, markets for some goods may cease to function in the wet season when roads become impassable. When this is compounded by inadequate access to power (either to the national grid or locally generated) and limited ICTs, people in areas made remote by poor infrastructure are likely to have more limited access to information, lower labour productivity and lower returns to investment.

ICTs are of increasing importance and poor connectivity to mobile and internet networks can leave people at a substantial disadvantage. Their negotiating position may be weaker because of their limited access to information and because of the costs other market actors must face in interacting with them. They may also be less able to access key markets (including financial services).

Infrastructure provision is critical for growth as well as poverty reduction. Roads have seen the strongest emphasis in anti-poverty work, with a special focus on the local (or feeder) roads that improve the local markets into which most of the poorest people sell as producers and from which they buy as consumers. Recently, mobile phones have also gained attention (see Section 4.3 on financial inclusion). Here, the focus is on energy, which has had much less attention and deserves a lot more, as it is so vital for employment generation in the non-farm economy as well as critical with respect to CO_2 emissions.

Providing energy for all is a major global challenge for the next two decades. Research and policy evaluation tells us that access to electricity, together with the assets that enable its use in a transformational way, improved cooking technologies and mechanical power can all help people escape persistent poverty. Three policies will help achieve this: i) expanding electricity coverage and distributing clean-combusting fuels and equipment to populations not yet served; ii) improving the ability of the poorest people to afford these when they are available; and iii) enhancing the reliability (total duration of interruptions during the scheduled hours of supply) and availability (the actual hours of supply received in a given day for a given season) of energy services. This is important if energy is to contribute in a transformational way to escaping poverty. A minimalist approach will not do – poor households need energy for productive uses as well as domestic and community needs.

Inadequate access to energy contributes to poor people remaining poor across several dimensions. Energy poverty is correlated strongly with income poverty and is most acute for the poorest households in rural areas. An analysis of poverty dynamics shows that chronically poor households are less likely to have electricity than households that have escaped or fallen into poverty; households that stay out of poverty are more likely to have access to electricity. Lack of access to electricity among the chronically poor owes to both the unavailability of a supply and its unaffordability.

Affordable modern energy services for the poorest requires some form of financial support for the poorest people. Energy subsidies are often regressive and need to be better targeted. Tariff structures can be used to target subsidies for poor electricity consumers. Finance to lower investment costs for the poorest consumers is as essential as price or tariff support on electricity and fuels. Subsidy reform or removal needs to contain measures to protect or compensate the poorest people for any negative impacts. Alternatives to subsidies, such as cash transfers, can also be considered to enable chronically poor people to access modern energy services.

A transition to cleaner-combusting fuels and/or stoves is as important as access to electricity for reducing energy poverty. Solid biomass remains the dominant cooking fuel for chronically poor households. For the poorest, improved or advanced biomass stoves are a feasible first step in a transition to cleaner cooking, and these can have very large economic and social returns. However, there are several factors in the low success rates of interventions, including the gendered nature of cooking, low incomes, irregular cash earnings, liquidity constraints and access to biomass sources. A lack of understanding regarding the severe health consequences of inhaling the smoke emitted while burning biomass and a failure to tackle gender inequalities have also contributed to a slow transition away from these.

Small-scale or pilot interventions have often succeeded but have not been followed by effective scaling-up. This requires multiple actions at different levels: dedicated national commitment and vision; engaging users and local actors; arranging financing to make access and use possible for the poorest; developing regulatory and financial frameworks that encourage enterprises to cross-subsidise the poorest regions and people; regular M&E; local capacity-building for maintenance; marketing to the poorest customers; and guaranteeing the supply of clean fuels. The continued dependence on traditional cooking practices contributes to climate change, and climate funds can be used to improve access to clean-combusting cooking fuels and equipment.

Lack of electricity is a constraint on production, enterprise growth and employment. At the same time, electricity alone is not enough to stimulate business investment – business development support services need to accompany electrification and focus on enterprises that will generate additional, decent jobs for relatively unskilled workers. Special measures are needed to improve the distributional impact, especially on financing.

Remote rural regions, where many chronically poor people are concentrated, lack energy infrastructure, are weakly connected to markets for commercial fuels and energy equipment and may have limited energy demand because of low income levels. The cost of extending access to electricity through a centralised grid can be greater than decentralised alternatives. The least-cost decentralised option depends on the local context and the demand for electricity, as well as local energy supply options. Most of the additional power required in remote rural regions is likely to be supplied by mini-grids or stand-alone systems, at least for now. Stand-alone systems provide a limited amount of power but can be appropriate for isolated off-grid households, businesses and public services. Access to such systems for the poorest households requires subsidies and end-user financing. Decentralisation of responsibility for the promotion and regulation of electricity to capable local bodies should enable uptake of decentralised energy systems for rural areas.

To achieve a transformational result from energy development that contributes to raising the incomes of chronically poor households, complementary interventions are necessary. Coordination and inter-sectoral collaboration are required to ensure the expansion of energy services contributes to poverty reduction – for example between energy agencies (ministries or public agencies) and business development agencies, energy agencies and local government, and energy agencies and health ministries.

The appropriate policies and priorities for addressing energy poverty will vary depending on country context (see Table 13), including socioeconomic circumstances and energy mix. LICs and MICs can be divided into five categories for this purpose, as in Table 13. Policy lessons can be learnt, especially from countries that have made rapid progress in increasing modern energy access for the lowest wealth quintile, which include Egypt, Nepal and Viet Nam.

5.2. Human development

5.2.1. Human development and economic growth

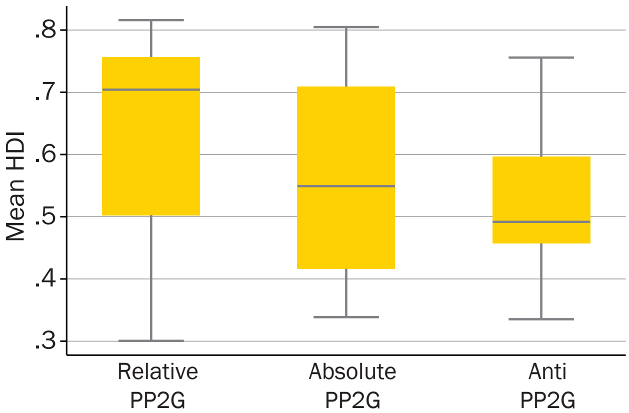
The link between economic growth and human development is mutually reinforcing: economic growth can advance human development, and achievements in human development themselves can concurrently contribute to improved economic growth while helping tackle chronic poverty, prevent impoverishment and sustain escapes. In fact, average Human Development Index (HDI) scores are higher for countries with relative PP^2G and lowest in cases of anti-poorest growth over the periods analysed (Figure 39).

PP^2G can lead to broad-based human development through various channels. On a household level, increased incomes for the poorest would enable them to spend relatively

Table 13: Sustainable agriculture models

Country category		Recommendations on electricity access for the poorest	Recommendations on improved cooking for the poorest
1	Extremely limited electrification and use of clean-combusting fuels (under 20% for each)	• Focus on extension of electricity (grid and off-grid) to population without access • Establish financial mechanisms (e.g. credit and savings) to enable poor to access electricity, including for productive uses	• Develop and implement strategy to deliver improved cooking technologies and cleaner-combusting fuels to poor • Public awareness and social marketing actions on harmful effects of traditional cooking practices, to promote demand
2	20–65% electrification rates but less than 20% of population use clean-combusting fuels	• Extension of electricity (grid and off-grid) to population without access • Establish financial mechanisms (e.g. consumer credit) to enable poor to access electricity, including for productive uses • Use subsidy or social protection measures to reach poorest quintiles	• Develop and implement strategy to deliver improved cooking technologies and cleaner-combusting fuels to poor • Public awareness and social marketing actions on harmful effects of traditional cooking practices, to promote demand • Establish financial mechanisms (credit and savings) to enable poor to acquire improved cookstoves
3	Electrification rates of 50–80% but under half of population uses clean-combusting fuel	• Focus on extension of electricity off-grid to reach rural and remote populations • Establish financial mechanisms (e.g. consumer credit) to enable poor to access electricity, including for productive uses and for domestic appliances • Use subsidy or social protection measures to reach poorest quintiles	• Public awareness and social marketing actions on harmful effects of traditional cooking practices, to promote demand • Establish financial mechanisms (credit and savings) to enable poor to acquire improved cookstoves
4	LMICs and UMICs with over 65% electrification and over 50% clean-combusting fuel use	• Focus on extension of electricity off-grid to reach rural and remote populations • Establish financial mechanisms (e.g. consumer credit) to enable poor to access electricity, including for productive uses and for domestic appliances • Use subsidy or social protection measures to reach poorest quintiles	• Establish financial mechanisms (credit and savings) to enable poor to acquire improved cookstoves • Support establishment of market chains for cleaner-combusting fuels and cooking appliances
5	MICs with almost 100% electrification and over 80% clean-combusting fuel use	• Deploy financial mechanisms (e.g. consumer credit) to enable poor to access electricity, including for productive uses and for domestic appliances • Link electricity supply to business development and technical advice services • Ensure quality of electricity supply • Use subsidy or social protection measures to reach poorest quintiles	• Establish financial mechanisms (credit and savings) to enable poor to acquire improved cookstoves • Support establishment of market chains for cleaner-combusting fuels and cooking appliances • Use subsidy or social protection measures to reach poorest quintiles

Figure 39: HDI scores per PP²G distribution



Source: Analysis of WDI and PovcalNet databases

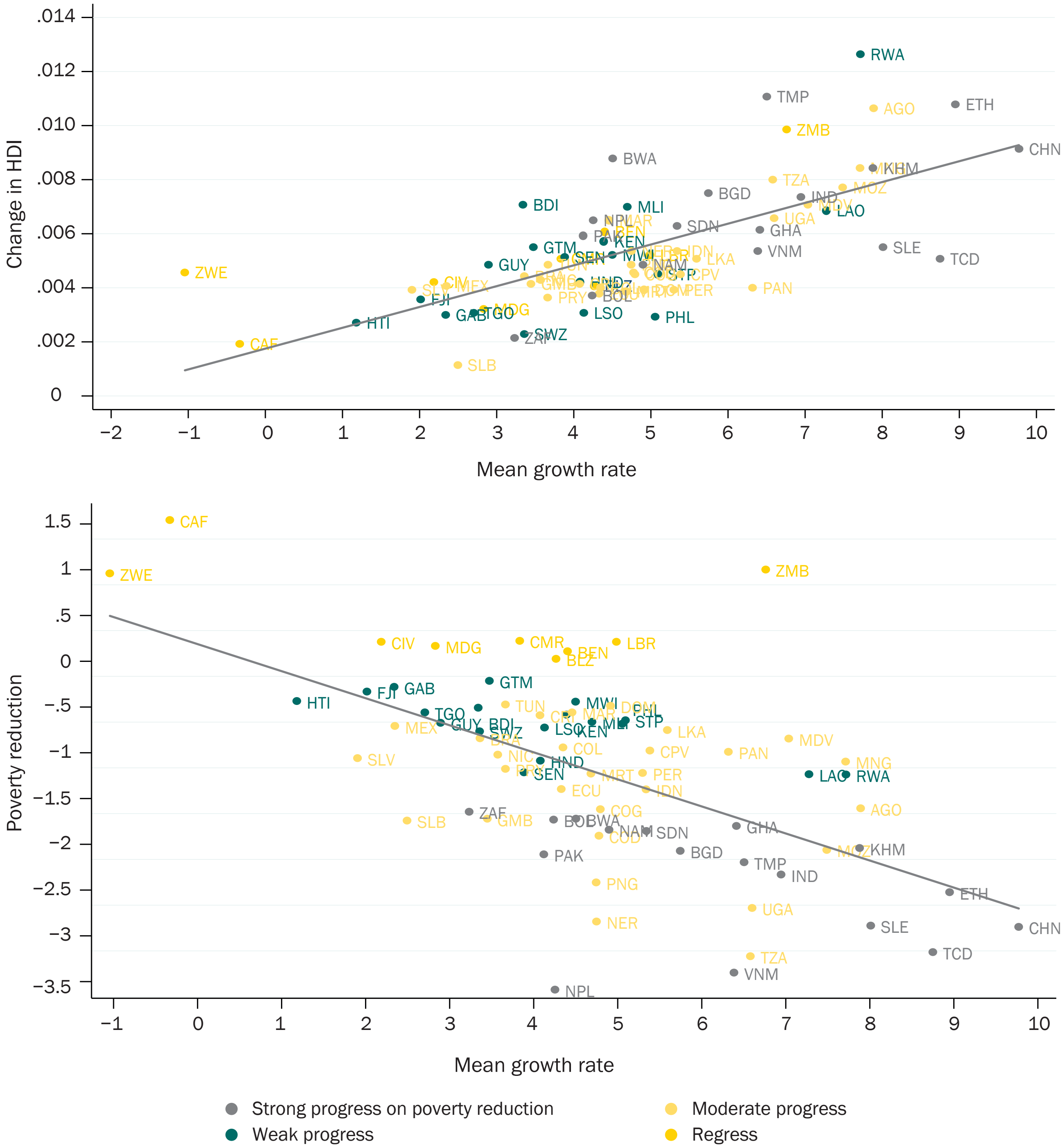
or absolutely more on health, education and better-quality food, which could all translate into improved nutrition and other aspects of human development (Wilkinson and Pickett, 2008; Aguila et al., 2015).

PP²G could also contribute to human development through public spending channels. Bangladesh, for example, has seen a steady increase in public social policy and organised NGO interventions, leading to improvements in health service delivery and outcomes, including a 75% decline in maternal mortality since 1980 (Sen and Ali, 2015). Its improvements in human development measures exceed countries with similar levels of income per capita (Asadullah et al., 2014). More generally in developing countries, a rise in the share of public expenditures in education has been associated with improvements in secondary enrolment rates overall between 1970 and 2014 and even more so for girls (controlling for initial levels). Similarly, higher public health expenditures in health over the same period were associated with larger reductions in infant mortality (Stewart et al., 2018).

Increases in a country's economic growth rate can also be sustained if human development levels are high to begin with, or if there is improvement over time (Figure 40). Both initial levels of and improvements in various human development indicators (infant mortality, life expectancy, secondary enrolment, female secondary enrolment) have been found to be associated with higher GDP per capita over the 1970–2014 period (Stewart et al., 2018). The gains from human development are more pronounced in Asia than in Africa and Latin America, suggesting that Asian countries have been more efficient in translating human development into economic growth (ibid.). Investing in human capabilities could therefore contribute to economic growth.

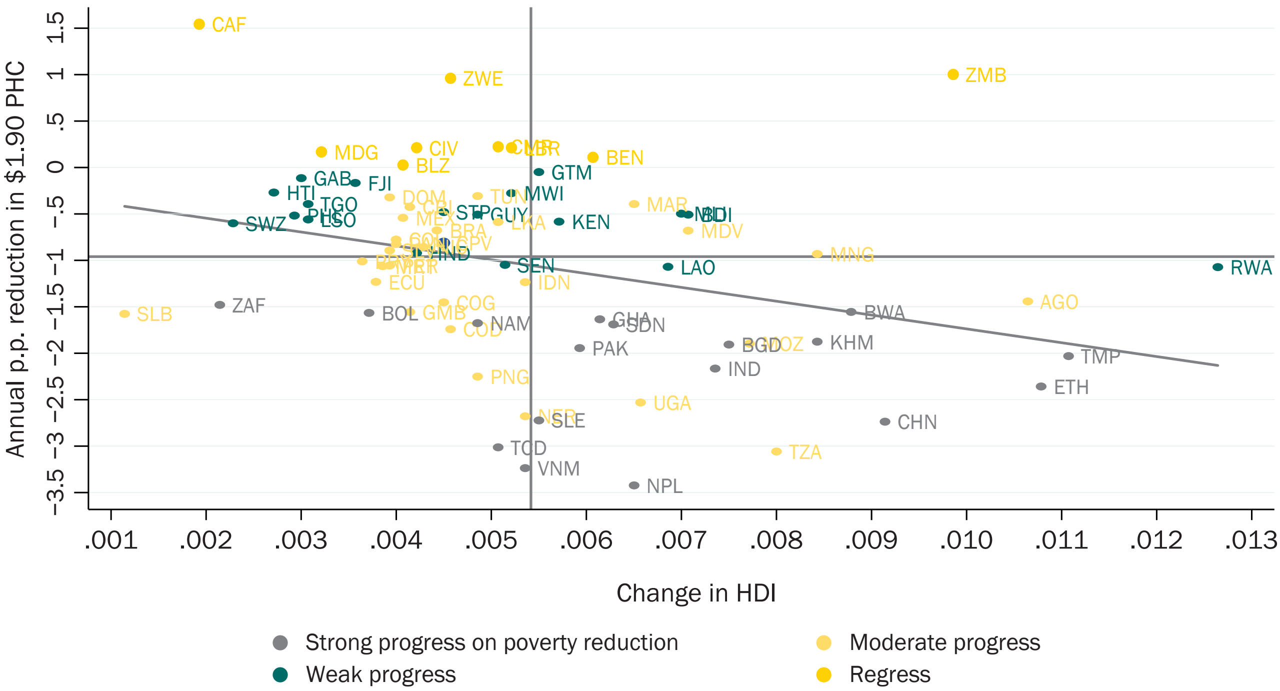
Poverty interacts with these causal chains to slow

Figure 40: Human development, poverty reduction and economic growth



Source: Analysis of WDI database

Figure 41: HDI performance by poverty progress group



Source: Analysis of WDI database

down the rate of economic progress.[2] Poverty is also itself reduced by economic growth (Figure 41), though the strength of this channel depends on various factors, including the distribution of income and the rate and pattern of economic growth (Bourgignon, 2003).

Relatedly, over 70% of developing countries with strong poverty reduction between 2000 and 2014[3] also had higher-than-average improvements in human development, compared with a third or less of countries in other poverty progress groups. Of countries with strong poverty reduction between 2000 and 2014 and that displayed relative PP^{2}G over a subset of the period for which distributional data was available, Bangladesh, Cambodia, Nepal, Pakistan and Sierra Leone also had higher than average HDI progress.[4] It is worth mentioning that, for the latter three, strong progress in absolute terms stems in part from a very low base, with Nepal, Pakistan and Sierra Leone still recording low HDI scores (<0.55) in 2014.

5.2.2. Universal provision and inclusion of the poorest through targeting

Key services for human development that can help reduce poverty and promote PP^{2}G include those around education, nutrition and health, labour markets and social protection (Shepherd et al., 2018b). The issue here is not how to provide social services, but rather how to get the poorest to benefit. To this end, targeted interventions are necessary to supplement the universal provision most societies seek to achieve, if this does not reach the poorest – which it usually doesn't. Targeting can maximise social returns, ensure optimal impact and considerably reduce public expenditures on programmes. However, targeting can also have unintended costs and consequences in cases of poor design or targeting mechanism. For example, targeting could result in unintended population movements, creating pressures on service delivery. Or, in cases of poor targeting, it could prompt the sale of targeted goods and create disincentives for local production or private sector investment (FAO, 2001).

So, the targeting versus universalism debate continues to rage. While it may be morally and practically right in the abstract to move as close to universal approaches as possible, ministries of finance, especially in LICs and L-LMICs, are very wary of taking on such long-term financial commitments, so we are stuck with targeting until they are convinced otherwise. In UMICs, on the other hand, more universal approaches should be more politically and financially possible. Where poorer states can also develop universal approaches that include an element of targeting (e.g. of subsidies or exemptions, or graded cash transfers), this may be a good solution.

Effective design of targeted interventions with appropriate targeting mechanisms is key. It can help ensure the poorest benefit from these services and so translate into quick gains in both poverty reduction and human development. Thailand, for example, saw health improvements for the poorest people in the decade leading up to 2000, when poverty fell from 18% to 2%. The period was marked by pro-poor health interventions, including improved health insurance coverage and scaling up primary healthcare infrastructure and coverage to ensure a more equitable distribution (Vapattanawong et al., 2007). Increased access to healthcare through the 30-Baht scheme alone led to a reduction in infant mortality, and reducing catastrophic healthcare expenditures also reduced the number of impoverished households in the country (Chowdhury, 2012; Gruber et al., 2012). In fact, the countries that have reduced non-income health inequalities are generally those that have seen stronger improvements in poverty reduction (UNDP, 2013).

In terms of labour markets, pro-poorest interventions should have a strong focus on employment generation and decent work. Education of the poorest needs to match the needs of this employment generation. Vocational training for the poor can help reduce some of these mismatches, while simultaneously improving human development outcomes and translating this progress into economic growth. For example, evidence from China's evaluation of a retraining programme for workers laid off in state-owned enterprises revealed positive effects on employment and real wages that varied depending on programme design and the business environment more generally (Bidani, 2009). Moreover, China's poverty reduction over the past four decades has been driven by growth in the agriculture sector, which in turn was buttressed by supportive rural investments. These investments included human development in areas such as science and technology research, development of village and small town enterprise and investments in education and farmer extension services (OECD, 2010).

5.2.3. Risks of non-investment

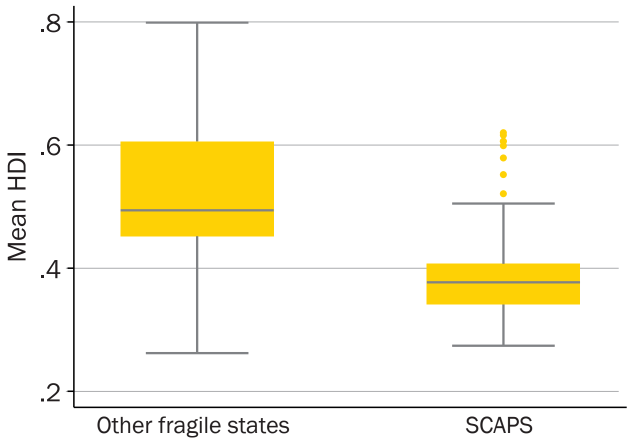
Just as there are various benefits of human development for inclusive growth, there are also significant societal risks of non-investment for the poor, or of inadequate investments. An obvious risk is of exacerbating conflict, which in turn is associated with lower economic growth and more poverty (Roesch, 2014). A study by Collier (1999) spanning 92 countries between 1960 and 1989 found that national incomes following a seven year civil war were 15% lower compared with situations of no war.

A heightened risk of conflict could stem from underinvestment in development for certain marginalised groups fuelling socioeconomic grievances. In 2013, of countries with HDI scores below the mean of all developing countries, three in five were FCAS (own analysis). Low human development is thus a serious concern to be addressed in these countries. However, this is not to say that all FCAS lag far behind in human development outcomes. For example, in 2013, Timor-Leste, despite being a severely conflict-affected and poor state, had an HDI of 0.62, which was higher than the mean across developing countries. However, in spite of such exceptions, HDI scores over the 2000–2014 period were lower on average among the group of SCAPS compared with other fragile states (Figure 42).

To overcome such risks, there should be steps in place to promote human development of marginalised and poor groups. There could be efforts towards ensuring balanced representation in key institutions like the army, civil service and judiciary (Shepherd et al., 2019). To this end, Nepal provides a noteworthy model. Quotas and reservations were a feature of its post-conflict 2007 Interim Constitution, which 'provided a legal basis for minority rights and made positive discrimination possible… abolished the caste system and criminalised untouchability… and provided a jobs quota for marginalised groups in the civil service, police and army posts, with 45% of posts being reserved' (Shepherd et al., 2019). The Constitution also explicitly sought to raise the HDI of the poorest groups, such as the Dalits, Janajatis, Madhesis and Muslims. These measures promoted balanced representation to help ensure the poorest had power and voice to articulate their human development needs and promote poverty reduction, while contributing to the growth process.

More generally, universal progress on human development also offers a unique opportunity. The many countries where the rate of progress on human development outpaces that of monetary poverty reduction can leverage these to work towards more effective monetary poverty reduction (Shepherd et al., 2019). Part of this involves institutional change. In fact, Kenny (2011: 3) notes that poverty reduction requires 'a long term and context specific path of improvement'. At the same time, this institutional approach to an extent disregards the quick targeted wins that certain countries have experienced in poverty reduction, which have been possible through

Figure 42: Average HDI scores among SCAPS (right) and other fragile states (left), 2000–2014



Source: Analysis of WDI and PovcalNet databases improving the links between human development inputs and outcomes. Examples of quick wins include the exogenous technologies that spurred the decline in under-five mortality rates, or increases in female education that have translated into improved infant survival and nutrition (Pradhan et al., 2016). Conditions for countries to improve human development–economic development links include better information on existing technologies and combinations of inputs, changing social norms and improving incentives while reducing the opportunity costs of health and education (Stewart et al., 2018). There is an opportunity for countries with low human development and slower reduction on poverty to learn from these success stories and foster enabling conditions for a virtuous cycle of human development and PP^{2}G.

5.3. Education and skills

Translating education into income growth is a critical link in the human development–economic growth chain. Education is a portable asset and provides individuals with a foundation for enhanced capabilities, which in turn can directly drive economic growth and poverty reduction. A more educated population can also have indirect political effects conducive to inclusive growth. There is a body of research that finds that *higher levels of primary and secondary education are linked to more democratic political behaviours, including voting and tolerance towards ethnic minorities* (Shafiq, 2013). This in turn can make it harder for elites to dominate or have an anti-poor political settlement or an enclave-dominated economy, as the case of Botswana illustrates (Box 31).

5.3.1. What do the poorest children need

The poorest children need more than simple numeracy and literacy if they are to engage in economic growth on good terms as adults. They need foundational, transferrable and technical or vocational skills (Devlin, 2013):

- *Foundation skills*. These basic literacy and numeracy skills are developed as part of primary education. They enable people to get jobs that pay enough to meet daily needs and are a prerequisite to further training and skill development, which are, in turn, necessary for getting better-quality work or participating in entrepreneurial activities.
- *Transferrable skills* can be adapted to different environments and include skills such as analysis, communication, problem-solving, creativity and leadership. Staying in school helps develop these skills, as do internships or work-based programmes.
- *Technical and vocation skills* can be gained through work placement programmes or apprenticeships and include skills such as agriculture, computers or carpentry – but only once the first two skill sets described above have been built.

To reach the poorest and most marginalised people, including those in excluded groups and spatial poverty traps, universal measures need to be complemented by closely targeted interventions. Improving the 'general health' of the sector is necessary in many contexts if more specific and targeted interventions are to succeed. The context will determine the mix of universal measures and targeted interventions and the sequencing and priority given to specific measures. Universal measures include universal free primary and secondary education; measures to drive up education quality; measures to close the gender gap in enrolment, retention[5] and education outcomes; and improved TVET and business training programmes.

Tackling exclusion: early childhood education

Absolute poverty and early childhood stunting are closely associated with poor cognitive and educational performance in children. Globally, 200 million children

Box 31: Diamonds and democracy, the experience of Botswana

Inclusive economic and political institutions create solid conditions for economic growth by encouraging investment, strengthening markets and generating broad-based participation (Acemoglu and Robinson, 2013). Through inclusive institutions, countries may even be able to avoid the resource curse. For example, in Botswana, diamonds have been well managed because of a degree of inclusive institutions through its democratic governance. The parliamentary democracy allows 'free and fair' elections that reflect respect for the rule of law. Etched in the Tswana tribal model of consultation, the government's *kgotlas*, or consultative entities, further help promote transparency and gain the trust of the population (Lewin, 2011).

The role of human development in this process cannot be ignored. The increased government revenue accompanying the discovery of diamonds has helped advance education provision in the country. Expenditures in education rose from 4% of GDP in 1971 to over double that, at 10% by 2008. This took place alongside rising secondary school enrolment, from 7% to 81% over the same period (WDI, 2017). More recently, in 2015, the country's HDI was above the average for countries in the medium human development group, and also above the average of countries in sub-Saharan Africa (UNDP, 2016).

Though the Botswana model is far from perfect – for example, the country has effectively one-party rule in parliament (although opposition parties exist and have controlled the capital city) and limited participation and representation of women – it is one that reaffirms that **the resource curse is not inevitable.** Through a democratic form of governance, the country has been able to be more responsive to development needs and to respect the rule of law in a way that may have been less likely through dictatorial regimes of neighbouring mineral-rich states (Lewin, 2011).

under the age of five are not fulfilling their potential as a result (Grantham-McGregor et al., 2007, in Hossain, 2012). Consistent evidence from a cross-country study of Cambodia, Ecuador, Guatemala, Madagascar, Mozambique and Nicaragua, which explored differences in cognitive development by socioeconomic status, found that the poorest children already had serious delays in their development by the age of five. Adult men in Guatemala who had been enrolled in an early childhood nutrition programme earned 46% higher wages than they were otherwise likely to have done (Hoddinott et al., 2008, in Hossain, 2012). This suggests that expanding the pre-primary sector in order to target the poorest children is likely to be an important element of any education strategy that seeks to contribute to a PP²G agenda. Coupled with nutritional supplements during pregnancy and the first two years of life, they can be even more effective (Hossain et al., 2012).

Interventions focusing on early childhood care and development (ECCD) – nutrition, care, and cognitive development or learning in the pre-school period of childhood, including nutrition during pregnancy – are smart interventions to interrupt chronic poverty, as they cut the link with disadvantaged backgrounds, help address inequality and create positive impacts that are amplified by later educational attainment and life-long earnings, thereby helping interrupting the intergenerational transmission of poverty (Hossain, 2012). Evidence from both developed and developing countries suggests that an additional US$1 invested in quality pre-schools will deliver a return of anywhere between US$6 and US$17 (World Bank, 2015b). A 20-year follow-up study of children in Jamaica showed that combining health and education interventions in early childhood increased future earnings by 25% (ibid.).

Policy instruments should seek to rapidly expand quality provision, access and uptake and seek to avoid capture by the middle classes. Interventions might include voucher schemes for parents; state involvement in infrastructure provision (especially where private sector provision is thin); and policy development, for example on maximum distance to the nearest pre-school, teacher quality and screening, staff–student ratios and curriculum.[6]

Tackling exclusion: cash transfers and second chance education

Other measures to address economic exclusion from education include school feeding programmes (which can be relatively easy to implement, especially if the World Food Programme is present in the country); scholarships; free uniforms and equipment; and free textbooks and other study materials (both of which may need targeting).

Two measures that have had some success are cash transfers and second chance programmes. Providing regular – and fairly small – cash payments conditional on children being enrolled in school has a strong effect on enrolment. Some schemes have been found to be particularly effective in supporting transitions from primary to secondary school:

- Mexico's Oportunidades led to more rural children making the transition from primary into secondary.
- Jamaica's Programme of Advancement through Health and Education (PATH) saw children attending school half a day more per month (erratic attendance is linked to dropout and low attainments).
- Cambodia's Japan Fund for Poverty Reduction (JFPR) found that 31% more girls transitioned from primary into lower secondary school; the follow-up Cambodia Education Sector Support Project (CESSP), which was also available to boys, saw the rate of transitions increase by 21% (Fizsbein and Schady, 2009, in Hossain et al., 2012).

Timing of disbursements matters. An experiment with the Subsidios Condicionados a la Asistencia Escolar conditional cash transfer in Colombia tried postponing cash transfers to just before re-enrolment, when school fees were due, and to graduation, making them partly conditional on tertiary enrolment. This had a significant impact, increasing enrolment and attendance at both secondary and tertiary levels. Students who received the large sum just before school fees were due were 4.5% more likely to enrol than those who did not, and 3% more likely than those who received the regular transfers. Students who received a large award on graduation were 49% more likely to enrol in higher education than other students. And postponing payments was most effective for the poorest students and those most at risk of dropping out (Hossain et al., 2012).

Effective programmes to catch dropouts and early school-leavers and enable them to return to schooling include:

- *Reintroducing people to the world of work, education or training:* the Open Secondary School system in Mexico offers 33 subjects to secondary school dropouts, with no entrance or time limit restrictions or schedules. Students can use the qualifications they gain to re-enter formal education.
- *Offering access to qualifications*: the Califica programme in Chile places targeted young people in academic and vocational institutions that offer qualifications.
- *Targeting low-skilled youth for training, often in 'new' skills*: the Entra 21 programme trains unemployed youth in ICT, among other skills.
- *Including advisors and mentors to provide role models and practical support* with developing the basic life skills and social support networks needed for work and adult life.
- *Enabling income-earning while in the programme or soon after*: the best programmes show results in terms of higher levels of employment, self-employment or

incomes; for youth from poorer households, internships – or the possibility of earning while learning – are more practical than training-only programmes.

- *Helping instil self-respect and optimism in participants*, making social integration a possibility (Hossain et al., 2012).

5.3.2. Education quality

In many countries, the rapid expansion of primary provision has exceeded both funding and institutional capacity and education outcomes have dropped. The next challenge, therefore, is to substantially improve education quality. Measures include early childhood interventions; school feeding programmes; improving staff–student ratios by training more teachers; building more classrooms; improving teacher quality; pedagogical interventions; improving teacher attendance; improving school inspectorates and/or accountability to the local community; and supporting teaching quality through improved teaching materials.

Interventions are more likely to improve children's performance when they consider both social norms and the choices people make. So, supply-side interventions to improve capabilities through better physical and human resources and learning materials should be complemented by community participation and/or measures that provide incentives to shift preferences and behaviours (Masino and Niño-Zarazúa, 2016). Three groups of policies aimed at improving education quality were reviewed. They aimed to:

1. improve the supply side of education systems by, for example, providing computers or extra teachers;
2. influence the preferences and behaviours of individuals through i) supply-side incentives (e.g. bonus schemes for teachers), ii) demand-side incentives (e.g. merit-based scholarship programmes), and iii) supply-side plus demand-side incentives (e.g. school voucher programmes and conditional cash transfers); and
3. improve school management through participatory and community based institutional development.

Indonesia has seen striking improvements in education outcomes (Tobias et al., 2014). It was one of only eight countries that saw a significant improvement in reading results (8.4%) measured by the Programme for International Student Assessment (PISA) for 2000–2009. Indonesia also managed to narrow the gap between the highest- and lowest-performing students over the same period (ibid.). Completion rates for lower secondary rose from 63% to 76% between 2002 and 2012, with strong gender equity and gains across urban/rural, regional and socioeconomic groups (ibid.).

Education funding and teacher quality have been driven up. Reforms led to an improvement in teacher quality and between 2006 and 2010, the proportion of primary teachers with a degree increased from 17% to 27% and at junior secondary the share went from 62% to 76% (Tobias et al., 2014). An impressive commitment to allocate 20% of the national budget to education has nearly tripled funding in real terms since 2001, with spending of IDR 310.8 trillion (US$35.3 billion) in 2012 (ibid.).

Mongolia has seen striking progress in education since the 1990s. In 1994, a child entering education there would complete, on average, 7.7 years of schooling (Engel at al., 2014). By 2010, that had almost doubled to 14.3 years (ibid.). Urban/rural inequality in access to secondary education has almost disappeared in the past decade. In 2000, the secondary net enrolment ratio (NER) for rural areas was 76% compared with 89% for urban areas. By 2011, this inequality had vanished, with the NER at 90% for both rural and urban areas (ibid.). Household income still remains the most important determinant of school enrolment but marginalised groups are now more likely to enrol and complete schooling beyond the basic level than they were in the early 1990s, and the establishment of nomadic schools means that children from the 30–40% of the population who still live as nomads are able to access education.

There was a six-fold increase in university students between 1993 and 2010, and almost three out of five Mongolian youths now enrol in university – a rate comparable with the average for high-income countries (Engel at al., 2014).

How was this made possible? First, there is strong demand for education and it has a high value, both culturally and economically. Educated people have high status and teachers are paid more than doctors. Each additional year of schooling has been found to have a rate of return of 7.2% and added around 9% to the wages of those under the age of 35 (Engel at al., 2014). Higher educational attainment resulted in higher wages and a university education had a rate of return of 9.5% (ibid.).

Second, government funding to education has increased, made possible by increased tax take and the expansion of the minerals sector. It has been higher as a proportion of GDP than the East Asia and Pacific regional average (3.8% in 2008 in the East Pacific region; 4.9% in Mongolia on average between 2005 and 2009) (Engel et al., 2014). New schools have been built and others refurbished, and numbers of teachers expanded.

Third, boarding schools and dormitories are now free in rural areas, improving access for children from poor and nomadic households. Interventions focusing on disadvantaged children promote retention and transition to higher levels of education and into employment (Engel et al., 2014).

Challenges remain and education quality in Mongolia is still patchy. Although positive changes have been made in the curriculum, the education sector needs to link more strongly with employers to adjust the curriculum further so young people leave school 'job-ready'.

5.3.3. Skills development

At the post-primary level, there is a need to make students 'job-ready' by i) driving up education quality; ii) increasing awareness among educators of the gap between curriculum and education outcomes and the needs of employers in local and national labour markets; and iii) providing students with transferable skills of interest to employers.

Strategy, policy formulation and funding for skills development are often poor and represent a major area for policy development in most countries. Examples of more successful programmes are in Box 32.

TVET tends to be supply-driven, insufficiently tailored to the opportunities and constraints in local and national markets, and inadequately prepares students for entrepreneurship. A further problem is that the poorest youths are often excluded from apprenticeships and other relevant vocational training opportunities (Hossain et al., 2012) because of their limited capabilities, constrained social capital (or social networks willing to provide support) and low levels of agency.

Effective training has been found to be that which is tailor-made and substantial (i.e. at least one day a week for a year) and addresses specific knowledge gaps (Grimm and Paffhausen, 2014: 4). Private sector providers tend to be more effective, as they are 'closer' to the needs of the market (Brixiova et al., 2014). Quality tends to be better where institutional development occurs that links employers, including women and informal sector employers, to TVET providers and where training is diversified and quality improved, tailoring provision to local markets.

So, there is scope for improved links between employers (including women and informal sector employers) and TVET providers, diversifying training in skills for self-employment and improving the quality of skills transfer to ensure the training people receive is relevant to local markets (Shepherd et al., 2019).

Box 32: Successful examples of TVET

Latin America: The Jóvenes programmes in **Argentina, Chile, Peru and Uruguay** combines training with internships, life skills training and other support services. It involves a strong partnership with private sector employers, who help guide the content of the training programme. A total of 60% of participants are from low-income families and training is linked with work experience in firms.

Schemes where students gain work experience at the same time as having school-based training have been found to be effective. Modelled on the German system, where students gain skills useful for the employer but also the wider economy, an Egyptian programme in the 1990s was targeted at poor families. Students were given two days of classroom learning per week and work experience on the factory floor for four days a week. This contrasted with conventional technical training, where students were given six days of classroom theory and practice. The evaluation found that 85% of participants who completed the programme were offered jobs, and earnings were higher than for graduates of the regular training programme. The cost of training was lower and employers mobilised additional funds in support of the programme.

Source: Danida (2009); UNESCO (2009); Adams (2011); Hossain (2012)

Box 33: Lessons from private sector engagement in skills provision – Avon, South Africa

Avon in South Africa provides on-the-job training in sales to women who are mostly from very poor communities. These women are negatively affected by the racism and sexism that is still prevalent in South Africa. Black women have higher unemployment rates, lower incomes, lower education levels, higher involvement in the informal economy and lower use of financial products than black men. Black women are the subgroup most likely to be self-employed, making up about a third of all those self-employed in South Africa and outnumbering white males by nearly five to one. Most of these women (94%) work in tiny informal businesses (four workers or fewer), selling agricultural produce or traditional handicrafts. Efforts to equalise access to training and capital, and to enable women to move into higher-return activities, have been unsuccessful because interventions have tended to be aimed at men due to gender prejudice and an overreliance on asset-based lending.

Avon has responded to this environment by using a group model to provide new sales staff with capitalisation, training and mentoring, social network development and motivation.

Avon provides working capital to new 'reps' on the basis of inventory, liquidates the credit each month and does not charge interest. When a new rep starts with Avon, the company undertakes a complete credit check. If the woman cannot pass the credit check, Avon will sell her products, which she can then sell on, allowing her to prove herself creditworthy over a few months.

New recruits join an existing supervised team that provides training and motivation alongside products and marketing materials. The Avon network provides new recruits with role models and a mentor to teach them the business, build confidence and give encouragement. This social web is used to provide both formal and informal training in administrative and financial skills, such as managing accounts and inventory, goal-setting and planning.

Training was highly valued. Two thirds of reps said it enabled them to perform more effectively and 90% said it gave them skills transferrable to other work or entrepreneurial ventures.

Source: Scott et al. (2012)

Expanding, upgrading and providing accreditation of existing informal apprenticeship systems can also usefully complement TVET schemes (Scott et al., 2013: 84), as this is where most of training in the informal sector currently takes place. For example, in Senegal, 400,000 young people are apprenticed each year, while there are only 7,000 graduates from formal vocational training centres. Apprenticeships account for up to 80% of skill development in Ghana and 90% in urban informal sectors in West Africa (Hossain et al., 2012).

5.4. Social protection

The rise of social protection policies and programmes in LICs and MICs since the turn of the century is argued to constitute a 'new paradigm shifting antipoverty policy thinking in the global South' (Barrientos and Niño-Zarazúa, 2011: 1). This section investigates how two forms of social protection – social assistance (non-contributory measures to provide regular support to groups of poor and vulnerable households) and social insurance (state-led contributory programmes that protect people from certain risks and catastrophic expenses) – can support pro-poorest economic growth. Box 34 gives more details of the specific social protection instruments in these categories.

Social assistance is the form of social protection which is argued to represent the most significant change in anti-poverty policy thinking (Barrientos and Niño-Zarazúa, 2011). In Africa, 40 countries (out of 48 in the region) now have unconditional cash transfers, a doubling since 2010. Meanwhile, conditional cash transfers are now implemented in 64 countries, a dramatic increase from 2 in 1997 and 27 in 2008. Public works aimed at income transfers have been implemented in 94 countries, many of them FCAS (World Bank, 2015c). GDP growth, with an increasing tax base, can be used to finance social protection, and there is increasing evidence that this works (ibid.).

5.4.1. Evidence on social protection and growth at the micro level

Social assistance can contribute to bottom-up economic growth, with 'overwhelming evidence' of 'the positive impacts of social protection on household productivity and labour market participation in developing countries' (Mathers and Slater, 2014; 3). In relation to cash transfers, specifically, 'studies consistently show decreases in [monetary] poverty' (Bastagli et al., 2016: 7). At the very least, cash transfers can combine with other strategies to improve the consumption of the poorest (Box 35).

At the individual or household level, evidence points to the following pathways through which social assistance can contribute to growth from below (Mathers and Slater, 2014):

- accumulating productive assets;
- preventing loss of productive capital;
- increasing innovation and risk-taking;
- labour market participation; and
- increasing investments in human capital.

In relation to the first pathway, a systematic review into the impacts of cash transfer programmes reveals that they increase savings and investments in livestock and,

Box 34: Social protection instruments

Social assistance comprises non-contributory, means-tested or categorically targeted programmes for vulnerable groups. This includes cash and in-kind transfers and social (non-contributory) pensions, as well as direct employment generation (e.g. public works, employment guarantee schemes). Other approaches include 'cash-plus' initiatives, which combine a cash transfer with another form of support (e.g. preferential access to education and health services or livelihoods support or training) and integrated poverty reduction and social protection programmes that provide an intensive, sequenced package of support.

Social insurance involves the government taking the lead in directly providing forms of insurance or indirectly organising and regulating the voluntary sector (Connolly and Munro, 1999). This section thus makes the distinction between social insurance as a form of social protection, where the government plays a key role in the regulation and/or use of public funds, and the growing range of private insurance policies provided by either the private sector or NGOs (Bastagli et al., 2016). Common types of risk covered by social insurance include unemployment, old age, disability, maternity and ill-health; less common are state-supported schemes for crop and livestock losses.

Box 35: Inclusion in Ethiopia's PSNP improves household consumption

Sisay is 35 years old and has eight children. Her husband owns 0.125 ha of land, which is not enough to feed all of the family. To make ends meet, he goes out in search of daily labour. Sisay cannot look for work because she must take care of the children and because she has not been feeling well. Because of their difficult economic situation, they had to send two of their children, a boy and a girl, to live with other families. These families give them food and accommodation and send them to school, in exchange for some domestic services. Sisay is very sad that she had to send her children away, but this has helped a little with their condition. Another recent improvement has come from the fact that last year she became a PSNP beneficiary for the first time. There are four eligible members in her family, and so far she has collected the money from the cash transfer three times.

Source: Mariotti and Diwakar (2016)

to a lesser extent, in agricultural assets (Bastagli et al., 2016). Specific evidence includes that from the Social Cash Transfer Programme in Malawi, where beneficiary households increased their ownership of agricultural tools, including hoes, axles and sickles (Covarrubias et al., 2012). Meanwhile, beneficiary ownership of livestock assets as a result of cash transfer programmes in both Uganda (Social Assistance Grants for Empowerment) and Zambia (Child Grant Programme) has increased (AIR, 2014; Merttens et al., 2015). Linked to both the first and the second pathways, an evaluation of Ethiopia's PSNP, an integrated social protection programme that combines public works or cash transfers with livelihood interventions, shows that beneficiaries increased their assets over time and also saw reduced incidence of distress sales of assets between 2006 and 2010, despite experiencing large increases in input prices, widespread drought and other weather-related shocks during that period (Berhane et al., 2011). Meanwhile, analysis of national statistics finds positive effects on health expenditure of Mexico's voluntary social health insurance programme, Seguro Popular. The scheme reduced catastrophic health expenditure by 23%, with the highest overall effect in poorer households (King et al., 2009, in Holmes and Jones, 2013).

In relation to the third pathway, evidence is also increasing that social protection enables households to invest in higher-return, potentially riskier, livelihoods strategies if it provides beneficiaries with some form of security against catastrophic outcomes (Mathers and Slater, 2014). In Mali, research into the ex-ante impacts of index-based agricultural insurance found that households that were insured, and felt insured, increased the area under which they farmed cotton by 60% (Elabed and Carter, 2014).

Indirectly, social protection can contribute to growth from below through increasing investments in human capital, with the expectation that individuals with higher levels of education and nutrition and better health will ultimately be more productive. In relation to cash transfers, there is evidence that they increase the use of health facilities and school attendance (Bastagli et al., 2016). However, there are less clear patterns of impact for learning outcomes and nutrition, in part reflecting the limitations of what demand-side interventions on their own can achieve without corresponding investments to improve service quality (ibid.).

5.4.2. Evidence on social protection and growth at the meso level

At the meso level, in theory, social protection can affect growth through multiplier effects from increased local consumption and production; alternations to the functioning of local labour markets; and accumulation of productive community assets (Alderman and Yemstov, 2012; Mathers and Slater, 2014). Local economic multiplier effects are found mainly for social protection programmes targeted at poor households in small, self-contained communities or local economies (more typical of LICs and MICs) that tend to spend locally and on locally produced products (Barrientos and Scott, 2008; Arnold et al., 2011). Evidence on local economic multipliers is found in Brazil, India, Malawi and Lesotho (Alderman and Yemstov, 2012). Meanwhile, there is also evidence of public works programmes increasing local wages (ibid.) and increasing the wage rate for non-participants. For instance, India's Mahatma Gandhi National Rural Employment Guarantee Scheme has increased the real daily agricultural wage rate by 4.3% (Berg et al., 2017). Evidence on the community-wide economic effects of the infrastructure constructed through public works programmes is more limited, because of both limited collection of evidence to assess this outcome and the frequent poor quality of assets constructed (McCord, 2008; Beazley et al., 2016).

5.4.3. Evidence on social protection and growth at the macro level

Evidence at macro level is scarce for LICs and MICs. Potential channels through which social protection can directly affect GDP include increasing household productivity and employment; stimulating aggregate demand; altering labour force participation; and the effects of savings and taxation on capital, investment and resource allocation (Mathers and Slater, 2014). Studies of individual programmes suggest the potential for small but positive impacts on aggregate growth from programmes with productivity and poverty alleviation objectives. Along with micro-level evidence, this suggests that, in the short term, social protection supports growth mainly through enhancing productivity and labour market participation. In the long term, it does so by enabling protection of and investment in human capital (ibid.). Overall, the macro evidence suggests the growth argument in favour of social protection is secondary to the poverty reduction argument (Alderman and Yemstov, 2012). But there is strong meso- and micro-level evidence.

5.4.4. How can social protection better contribute to growth from the bottom up?

A range of social protection instruments is needed to incorporate the working poor into social protection systems. Cash, on its own, is not enough for productive inclusion. Cash support needs to be combined, and linked, with other investments, including for human and economic capital development.

Social protection, though, does not automatically promote growth at the local level. What lessons from designing and implementing social protection can increase the likelihood of it contributing to pro-poorest economic growth? Regardless of the instrument adopted, *social* *protection coverage needs to expand, particularly in LICs*, in order for micro-level impacts to be translated to the meso and macro levels. Despite the expansion of social protection in the past decade, less than 30% of the world's population has adequate coverage (ILO, 2017). Coverage is particularly low in developing countries and varies by region. Recent World Bank analysis indicates that effective coverage may be as low as 1% of the population in sub-Saharan Africa (Rizbein et al., 2013, in Samson and Taylor, 2015). One of the key determinants, for instance, of whether there are meso-level community multiplier effects or changes in labour market functioning is the number of recipients in the locality, in addition to the existence and level of integration into local markets (Mathers and Slater, 2014).

Another important consideration for social protection to be able to better contribute to economic growth at all levels is the size of the transfer. There are possibilities of disincentive effects in terms of labour market engagement if the transfer level is large and it is in place for an extended period of time. However, in most LICs, the size of cash transfers is only 10% of poor people's consumption – compared with 21% in LMICs, and 37% in UMICs (World Bank, 2015c). On average, the transfers are adequate to lift a poor person out of poverty only in UMICs (ibid.). While there is evidence that cash transfers of all sizes can have positive effects, the multipliers will be larger when the size is sufficient to enable households to make productive investments rather than simply meet basic needs.

Another important element is the quality of implementation and particularly that the *support received is regular and predictable*. This better enables households to plan their expenditure and to take risks in the knowledge that they will be receiving a certain amount of support within a particular time period (Berhane et al., 2011; Daidone et al., 2015).

The type of social protection instrument used will depend on the poverty and labour profile of households in addition to other important considerations, including affordability, feasibility to implement and political acceptability (Mathers and Slater, 2014). To date, particularly in LICs, *the predominant social protection instrument used for the working poor is public works programmes, with cash transfers being the instrument of choice for labour-constrained households* or those that, because of their age, cannot work to support themselves (old-age pensions and child grants). The assumption, therefore, is that households with labour capacity are able to engage productively in the economy (McCord, 2009). This is despite limited evidence that short-term employment on public works programmes provides the experience and skills needed to promote labour market engagement (McCord and Slater, 2015).

There is therefore a need to investigate further how social protection can be better designed and implemented to support the working poor and to enable them better to engage in labour markets. This is the case both for social assistance and for social insurance, with the latter frequently being designed for workers in the formal economy, while the majority of the working poor are engaged in the informal economy. A key priority should be to *extend social insurance to workers in the informal economy*. This has implications for programme design and implementation, to enable informal workers to overcome barriers to access, including low contributory capacities, constrained awareness and understanding of insurance products and limited time to undertake the administrative procedures frequently required to enrol (Holmes and Scott, 2016; Ulrichs, 2016).

There is increasing *acknowledgement of the limitations of using one particular social protection instrument, and particularly cash on its own, can achieve*. Over time, programmes can, and have, evolved to reflect this. Argentina's Programa Jefes de Hogar, for instance, initially started in 2002 as a short-term workfare programme in response to economic and social crisis in the country (Scott and Diwakar, 2015). Now, however, it provides more comprehensive support.

For households to be productively included in the economy, there is a need for cash plus other appropriate interventions. This can be operationalised through i) adding additional components to existing social protection programmes; ii) implementing stand-alone integrated programmes – such as the 'graduation model' approach pioneered by BRAC in Bangladesh – whereby one programme provides intensive, sequenced forms of support; and iii) linking social protection beneficiaries with other existing programmes or forms of support. This may be either while they are beneficiaries or following their involvement. These linkages can be with other forms of social protection (such as beneficiaries of Ghana's Livelihoods Empowerment Against Poverty cash transfer and Kenya's elderly persons grant being enrolled onto the respective national health insurance scheme); with health and education services (as many of the Latin American cash transfers); or with livelihoods inputs or training. The third approach is the most likely as it is most affordable.

This is so far quite a technical discussion. What type of social protection to provide, how and to whom are highly political questions. Elites in LICs and LMICs can be loath to finance social protection because they think it creates dependency, or because they do not feel the poor are legitimate targets for public expenditure. These attitudes change as countries become wealthier, but even then there can be massive political and technical disagreements. An example of this was the debates that preceded the development of India's employment guarantee (McAuslan, 2008). The elites of poorer countries can promote substantial social protection, however, usually as part of a broader economic development and modernisation programme.

Ethiopia and Rwanda are LIC examples, Ghana an LMIC example and South Africa a UMIC example.

5.5. Anti-discrimination measures

Discrimination on the basis of gender, race, ethnicity, religion, age, disability, migration status or other social identities often prevent certain groups from benefiting from economic growth or lead to their adverse inclusion through exploitative activities that may accompany growth. Socially excluded groups are also more likely to be chronically poor, owing to their systematic exclusion from political, economic and social institutions (Hickey and du Toit, 2013). The intersection of group identities can also lead to some of the most extreme forms of exclusion, resulting in even greater barriers to the benefits of development progress achieved through growth for those individuals who face overlapping forms of discrimination. For growth to contribute to reductions in chronic poverty for these socially excluded groups, legal and policy instruments as well as increased political voice among these groups are necessary to ensure the meaningful inclusion of all in growth.

When the benefits of economic growth are unevenly distributed as a result of the systematic exclusion of certain groups and regions within countries, inequality is likely to rise. Policies to address the uneven distribution of benefits from growth among socially excluded groups are important to prevent the deeper entrenchment of exclusion as well as to prevent future barriers to growth incurred by widening inequalities and any resulting social conflict.[7]

5.5.1. Gender

Gender gaps in economic participation have been shown to lead to significant economic losses. For example, Teigner and Cuberes (2015) estimate that gender gaps in occupational choices led to short-run per capita income losses of 35% in the Middle East and North Africa, 23% in South Asia, 16% in Latin America, 15% in East Asia and the Pacific and 11% in sub-Saharan Africa.

Women's exclusion from the economy often begins early in life, with girls facing barriers and risks in education. Interventions then need to focus on the factors keeping girls, and particularly the poorest girls, out of school in a particular context. In order to close the gender gap in enrolment, retention and education outcomes, governments need to provide direct material support through girls' scholarships, stipends and cash transfer schemes (Hossain et al., 2012). This is because reducing the costs of schooling is particularly important in enabling poor households to choose not to discriminate against their daughters in favour of sons (ibid.). Non-formal NGO schools in Bangladesh helped achieve gender parity in primary education by 2000 by getting thousands of very poor girls into school, and the model is now being replicated in Afghanistan, Haiti, Pakistan, South Sudan and northern Uganda (ibid.).

Attempts to challenge and change discriminatory social norms will often need to include large-scale mass media campaigns and the community-based mobilisation of volunteers and professionals (e.g. health workers) to target parents of out of school girls (Marcus and Page, 2016). Gender mainstreaming in schools can also be used to promote more gender-sensitive attitudes and practices among teachers (ibid.). These measures need to be coupled with efforts to address deficits in existing curriculum and teaching materials, which often contain implicit gender norming messages that limit girls' aspirations and progress. Patriarchal attitudes among teaching staff also need to be addressed.

Cultural norms in and around schools can create an environment in which gender discrimination and sexual and gender-based violence is tolerated and contributes to girls dropping out. One study found that a third of men who raped girls aged under the age of 15 in South Africa were teachers; nearly half of women in Uganda and more than half in Tanzania reported physical abuse by a male teacher; and teachers were the perpetrators in 15–30% of cases of women who had been physically assaulted in Bangladesh, Namibia and Samoa (Levine et al., 2009, in Hossain et al., 2012). Such toxic environments can be countered through girls' and boys' clubs that discuss gender issues and sexual and gender-based violence and through gender mainstreaming to promote more gender-sensitive attitudes and practices among teachers (Marcus et al., 2017).

Recruiting and training women teachers has also been very popular and has been shown to have a positive impact on girls' (and boys') achievement and retention. In Nepal, the Feeder Hostel Programme provides boarding and other facilities for rural girls to help them complete secondary education and to drive up the numbers of women teachers ready to return to their communities to teach (Kirk, 2006, in Hossain et al., 2012).

Child marriage is also an important driver of girls' exclusion, with a significant impact on girls' access to education and participation in the labour market and measurable impacts on growth itself. A recent study by the World Bank on the economic impacts of child marriage estimated the global welfare benefit from reduced under-five mortality by eliminating child marriage at US$42 billion annually, and the annual benefits associated with reduced fertility at US$566 billion by 2030 (ICRW/World Bank, 2017). Relatedly, early pregnancy is a major driver of girls' early exit from education (ibid.). Combating school dropout would require interventions such as financial incentives for poor families to keep their daughters in school; informal education opportunities such as tutoring and girls' groups for those at risk of dropping out; and raising girls' and parents' awareness about the benefits of secondary school education and delaying marriage (Devex, 2015).

As discussed in Section 4.2, the exclusion of women from land and asset ownership is also a key inhibitor to women's inclusion in economic activities surrounding growth.

Women's political representation has been on the rise in most regions, with quotas and reservations the most common policy approach to increasing women's participation in decision-making (Marcus et al., 2017). The strongest evidence on the impact of increased political representation of women comes from India, where a third of seats at the local level are reserved for women. Studies find that increased political representation of women has led to greater investment in public services of relevance to women (such as water), increased likelihood of women delivering in a health facility, increases in home-based informal businesses and increased reporting of crimes against women (ibid.). Importantly, however, there is limited evidence to indicate that the increasing number of women in political decision-making bodies has had a transformative impact on gender inequality and women's exclusion (ibid.).

5.5.2. Disability

A two-way relationship between disability and chronic poverty exists, such that people with disabilities are more likely to be chronically poor, while poverty is also a driver of disability through limited access to healthcare, nutrition, shelter and safe employment (Yeo, 2001). A systematic review of the relationship between poverty and disability found a statistically significant relationship between disability and poverty in the majority of studies and that this relationship holds across disability types (Morgon Banks and Polack, 2014).

Analysis by the World Bank (2008) found that the economic costs of disability in Bangladesh amounted to US$1.2 billion per year, or 1.74% of GDP. These costs include US$891 million lost owing to unemployment of people with disabilities, US$26 million in foregone opportunities among children with disabilities who are unable to access education, US$234 million in foregone income opportunities for carers of people with disabilities and US$28 million lost as a result of foregone schooling among children who care for people with disabilities.

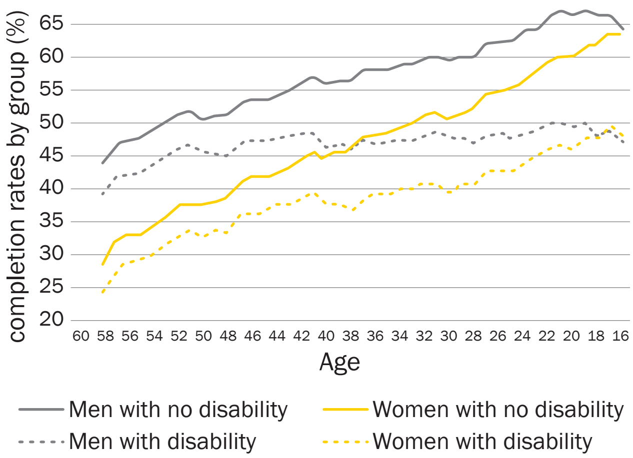
Evidence on effective policies to address the discrimination facing people with disabilities is very limited according to CPAN's rigorous review of anti-discrimination policies (Marcus et al., 2017), indicating a need for further research into this area. A key area being addressed is the collection of data on disability and the incorporation of indicators of disability into existing household surveys to measure the impact of policy interventions on people with disabilities specifically, as this has been absent from most nationally representative surveys. Now more than 50 countries have adopted the 'Washington Group' questions on disability in their household surveys, which represents significant progress.

In education, a growing number of countries enacted inclusive education policies following the 1994 UN Educational, Scientific and Cultural Organization (UNESCO) Salamanca Conference on inclusive education, but lack of financial support to enact these is a common barrier to their effective implementation (UNESCO, 2015). The Education Commission's 2016 report estimated that between a quarter and half of children with a disability are not in school, representing up to a third of out-of-school children (International Commission on Financing Global Education Opportunity, 2016). As such, key areas of intervention identified that require further investment include teacher training, classroom support and investments in assistive devices for children with disabilities (ibid).

Box 36: The disability, development and education gap

A World Bank study demonstrates that 'children with disabilities are being left behind by global efforts to improve education opportunities for all' (Male and Wodon, 2017). Across the four indicators considered, enrolment, primary education completion, secondary completion and literacy gain were smaller for children with disabilities than for children without disabilities. For enrolment and primary education completion, the gap even increased over time. The report also confirms that exclusion related to disability has a greater impact on education outcomes than other child household characteristics such as wealth. These trends persist to limit primary completion rates amongst adults with disability, with strong gendered dimensions also visible (Figure 43).

Figure 43: Primary completion results by age and group



Box 37: Finance to support inclusive education for children with disabilities in Viet Nam

Viet Nam has been identified as having made concerted investments in inclusive education policies for children with disabilities, with a focus on curriculum reform, teacher training and community awareness-raising. Increased investment in inclusive education coincided with Viet Nam's period of steady economic growth in the late 1980s alongside the desire of the government to become internationally recognised for upholding human rights commitments (Grimes et al., 2015). Persistent challenges to the implementation of Viet Nam's inclusive education polies remain – namely, policy consistency among different ministries and the need for additional funding. However, this case demonstrates the opportunity that economic growth coupled with political will to enact international rights commitments may present.

The inclusion of children with disabilities in education also requires the removal of practical and stigma/discrimination-related barriers as well as violence, abuse and neglect directed towards disabled students in school. Interventions in these areas include curriculum development, further teacher training and training of teaching assistants, and ensuring teaching assistants are provided for disabled students to ensure they can access the curriculum. Teachers must also be enabled to have a diverse toolbox to apply in the classroom as well as the same incentive to teach disabled students as the rest of the class. It is also necessary to remove discriminatory fees and expenses for children with disabilities, such as having to pay for their own classroom assistant or paying for transport to school. Nepal, for instance, provides transfers for children with disabilities to contribute to education-related costs.

Policy interventions in the labour market to promote the inclusion of people with disabilities include quotas, vocational training, work placements, support for self-employment and behavioural change campaigns (Marcus et al., 2017). As with education, evidence on the effectiveness of these policies suggests that weak implementation often leads to unmet targets and persistent discrimination in the labour market for people with disabilities. However, some countries have been highlighted in comparative studies as having enacted relatively more comprehensive legal and policy interventions than others (see Fredman, 2013 for a review).

Strong anti-discrimination legislation coupled with funded support services for people with disabilities in the Philippines has been shown to promote inclusiveness while at the same time leading to economic returns. This legislation includes a 'Magna Carta for Disabled Persons', establishing equal opportunities for employment, education, health and civil and political rights; responsibilities distributed across ministries for the delivery of programmes and services; tax incentives for employers; and enforcement mechanisms such as act RA 9442, which prohibits the ridicule and vilification of people with disabilities and includes a penalty ranging from PHP50,000 to PHP200,000 or imprisonment for violation of the law (Mori et al., 2009).[8]

Social protection is very important for tackling the nexus between poverty and disability. In South Africa, the social protection system, including a combination of diverse cash transfers covering people with disabilities across the life cycle, has contributed to the decrease of 'the poverty rate among persons with severe functional limitations from 71.9% to 59.9% and of the poverty gap by 46.8%, a larger impact than on the population as a whole' (Kidd et al., 2018).

5.5.3. Ethnicity, race and caste

Inequalities in education according to racial and ethnic identity represent some of largest and most entrenched disparities in education (Lenhardt and Samman, 2015). Language of instruction, school curricula that underrepresent ethnic minority children, discrimination and violence based on ethnic or racial identity and underinvestment in education in remote areas or in accommodating pastoralist communities are among some of the key drivers of exclusion from education for ethnic and racial minorities.

Failure to use the mother tongue as the language of instruction in the early years of education has been shown to have a powerfully exclusionary effect for racial and ethnic minority children. Where instruction in mother tongue languages is not available or is insufficient, inequalities in school completion rates can be immense.

One practical measure that could increase the inclusion of the poorest children is greater use of mother tongue in early grades, with later transition to national languages or English. Introducing instruction in children's mother tongue requires investment in both teaching staff and materials, but progress could be made rapidly. This measure might well face elite pushback and could require championing by social movements or political leadership.

Children from pastoralist groups and seasonal migrants face particular exclusionary barriers in accessing formal educational services designed for sedentary communities (Krätli and Dyer, 2009). It is estimated that 21.8 million children from nomadic pastoralist communities remain out of school (Carr-Hill, 2012). It is often the case that formal learning institutions are not adapted to the mobility of pastoralist communities or to their unique learning needs. Furthermore, investments in physical infrastructure and qualified teachers in remote rural areas with low population densities, where most pastoralists reside, remain low in many countries (Dyer, 2015).

Box 38: Mother tongue instruction in Cambodia

In Cambodia, the probability of being poor is higher among ethnic minority groups than among the majority Khmer (World Bank, 2013c). Alongside increased spending on the provision of schools, scholarships and school feeding programmes for the most vulnerable groups, the Cambodian government began piloting bilingual education in 1997, with funding from UNESCO. In 2006, the government made its first official commitment to providing bilingual education. This commitment has grown since then and expanding bilingual education was a key commitment in the 2014–2018 Education Sector Strategic Plan. The number of languages used in bilingual education remains limited to five, but this covers the most widely spoken languages. However, there is limited effort by the government to provide alternative basic education or any other adaptations to the education available to make it more relevant to the needs of minority and indigenous communities.

Source: Lenhardt et al. (2017)

with education for children), interactive radio instruction and curriculum adaptations to make education more relevant to pastoralist communities (Krätli and Dyer, 2009).

Beyond education, it is essential that ethnic and racial discrimination in the labour market be addressed to ensure equal access to economic opportunities generated by growth. Despite many countries' adoption of anti-discrimination legislation to tackle this issue, discrimination based on race and ethnicity in employment is still pervasive in many countries. In Brazil, for example, where racial discrimination has been illegal since 1988, significant wage gaps persist along racial lines, most notably for Afro-Brazilians and particularly for Afro-Brazilian women (Fredman, 2013).

Affirmative action policies in the labour market have been adopted in several countries, including India, Malaysia, Nigeria, Sri Lanka and South Africa and across Latin America (Marcus et al., 2017). However, available evidence suggests these measures have had minimal impact on economic opportunities for discriminated racial and ethnic groups, and in some cases they have been criticised for reinforcing harmful divides between groups, as in South Africa (ibid.). One possible exception is Malaysia, where employment and equity ownership quotas and enterprise development support have been associated with a reduced income gap between different ethnic groups (ibid.).

Box 39: Adapting education provision for pastoralist communities in Ethiopia

In 2005, the Ethiopian government introduced alternative basic education support programmes in pastoralist regions of Afar and Somali. These include mobile schools, para-boarding schooling and hostels, as well as flexible learning environments and mother tongue language instruction. In both regions, the number of out-of-school children has fallen dramatically – from 84% in Afar and 85% in Somali in 2005 to 46% and 39%, respectively (UNESCO, 2017).

Source: Lenhardt et al. (2017)

Anti-discrimination measures in the labour market have been shown to be challenging the world over, with evidence from OECD countries also demonstrating the difficulties of enforcement (OECD, 2008). Public awareness-raising about anti-discrimination legislation, knowledge and support to victims of discrimination to seek redress, and employer incentives to comply with anti-discrimination legislation are all necessary to ensure the full implementation of measures to address racial and ethnic exclusion from the labour market (ibid.).

5.5.4. Migrant workers

Migrant workers tend to be particularly vulnerable to exploitation and adverse inclusion. They may be undocumented and may have been reliant on brokers to find work. They tend to be in surroundings that unfamiliar to them and struggle to find decent housing and to access utilities, transport and public services. In addition, they tend to be socially isolated and may be in a cultural or ethno-linguistic or religious minority, with limited protection from their social network.

The poorest people are more likely to be internal than international migrants (Scott et al., 2013: 24). Nearly 120 million people have been estimated to migrate internally for work in China (DFID, 2007), while India has around 100 million circular migrant workers (Deshingkar et al., 2008). Much migration for work undertaken by the chronically poor in South Asia and sub-Saharan Africa is rural–rural, temporary and seasonal (Scott et al., 2013: 24). In many contexts, for chronically poor people, rural areas (including local agricultural migration, particularly during periods of planting and harvesting and for weeding) and secondary towns are often the most common destinations, rather than large cities (McKay et al., 2007).

In sub-Saharan Africa, international economic migrants increased in number from 4 to 12 million between 1990 and 2013 (Gonzalez-Garcia et al., 2016); two thirds move to other African countries and most are high-skill workers (Shimeles, 2010: 8). Analysis of surveys from Burkina Faso, Ghana, Nigeria and Senegal found that international migrants were commonly young, male and from less poor and better educated families. Migration allowed them to shift from being self-employed to being employed wage earners (Ratha et al., 2011: 13). In West Africa, 70% of international migration is to countries within the region; in Southern Africa, the figure is 66% (ibid.: 19). So, when thinking about the poorest migrants in sub-Saharan Africa, we are most interested in within-country migration.

Governments need to build a better understanding of internal migration, including rural–rural migration systems (Scott et al., 2013: 24). This information needs to be incorporated into policies and budgets to increase the access of migrants to services at their destination. Measures also need to increase returns to migration (ibid.: 19). Such measures might include establishing a migrant-friendly policy framework (implemented in both sending and receiving areas), including measures to improve the flow of remittances and reducing costs for poor migrants, for instance through building rural feeder roads and providing seasonal childcare in migrant-sending villages; and reducing the costs imposed by the state, where there are discriminatory regulations against internal migrants (Scott et al., 2013: 8).[9] Governments can also put in place policies that offer protection and support to migrant workers, particularly casual, temporary and seasonal migrants, who are likely to be poorer than others.

A shift in urban policy can benefit both migrants and economic development, with urbanisation policies systematically promoting urbanisation in poor regions, making small and medium towns more attractive and allocating investment to promote a pro-poor (usually more geographically even) distribution of urban activity (Scott et al., 2013: 24).

Providing migrant workers with ID cards can help reduce harassment from local officials and providing information on job availability and wage rates can improve work conditions (Scott et al., 2013: 27). Making the payment of remittances easier and more reliable is a priority for poor migrants, who often do not meet the requirements to open a bank account and must use informal channels, which can charge high fees. Increasing financial inclusion through mobile banking, making it easier to open a bank account and increasing transparency among informal operators are clear priorities for the poorest migrants (ibid.).

5.5.5. Domestic and homeworkers

Extending employment rights to domestic and homeworkers[10] is necessary (Scott et al., 2013: 8) if the poorest people are to benefit equally. In South Asia, there are at least 41 million home-based workers outside agriculture, representing 15% of non-agricultural employment in India. Homeworkers are disproportionately women, and in India homeworking provides 31% of female non-agricultural employment (48% in Nepal) (WIEGO, 2016: 2). Homeworkers are often paid piece-work rates for work ranging from stitching garments and weaving textiles to assembling or packaging electronics, automobile parts or pharmaceutical products (ibid.: 1). They are among the most poorly paid, excluded and least visible of all workers. Extending employment rights to them will be challenging. However, WIEGO has a well-developed set of demands, including legal recognition as workers; the right to organise (unionisation, freedom of association, collective bargaining); secure and transparent written contracts; fair piece-rates; protection from harmful practices; participation in rule-setting and policy-making; employment benefits and social protection and occupational health and safety (ibid.: 3).

Domestic workers form a significant part of the global informal workforce. ILO estimates suggest 52.6 million adults and 15.5 million children globally work as domestic workers, representing 3.6% of paid employment (Jones et al., 2017). This is likely to be lower than the true figure, with child labour laws unintentionally contributing to underreporting and informal arrangements with relatives (ibid.). Governments may also turn a blind eye to girls migrating cross-border for domestic work because of the significant remittance payments involved (Jones et al., 2017).

This invisibility needs to be countered as a first step to addressing these girls' adverse inclusion. Adolescent domestic workers need to be documented and have labour rights extended to them. The implementation of these rights needs to be monitored and employers sanctioned where necessary (Jones et al., 2017). New regulations are needed to respond to the role brokers play in finding employment for domestic workers (ibid.).

5.6. Macroeconomic policy

Macroeconomic policy is aimed at maintaining the stability of both economic activity (aggregate production) and of the price level, because these contribute to sustained economic growth, which is essential for most of the policy objectives laid out elsewhere in this report. Macroeconomic analysis and data link an economy's overall production and consumption, and its overall saving and investment, to tax revenues and government spending, to bank lending and borrowing and to cross-border international flows of imports, exports and finance. In this integrated framework, any policy intervention to shift one macroeconomic variable has impacts on other macroeconomic variables, making trade-offs necessary. Although the net benefit to the economy may be intended to be positive, the benefits and costs of policies will be distributed unevenly and will be unfavourable to some economic 'actors' (households, firms, banks, the government), while others gain. Thus, macroeconomic policy is not simply a neutral, technical process, but is heavily bound up with political economy and power relations.

The poor are largely absent from standard macroeconomic calculations. These rest on aggregate values of consumption, production, taxes, savings, investment and so on, and the poor by definition contribute little in value terms to these variables, the more so since so much of their economic activity is informal and outside 'the market'. Exclusion of the poor from macroeconomic policy is further reinforced by the political economy of macroeconomic decisions: formally employed workers and middle classes in urban areas, civil servants and large firms in private and public sectors all demand more attention than the rural and urban poor, reliant on household enterprises in agriculture or the informal service economy.

Macroeconomic policy is especially challenging in developing countries as standard policy instruments – exchange rates and foreign exchange reserves; controls on foreign capital and trade flows; money supply and interest rates; and total fiscal expenditure – are less robust, and the responses of firms and households to policy-induced changes in these are less flexible. The limitations on policy effectiveness follow from the structural challenges many developing countries face: high poverty incidence as well as small formal industrial sectors with high input costs, weak policy and regulatory institutions, thin markets, exports dominated by natural resource commodities, low income tax collection (in absolute terms and as a share of government revenue), shallow and narrow financial systems with government and firms heavily reliant on bank credit, a narrow pool of domestic savings and severe capital flight.

As a result of their fragile economic structure, developing countries are subject to more frequent and more severe economic crises compared with developed countries. Shocks from the global economy have relatively greater destabilising impacts on the performance of the national economy, as do natural disasters (droughts, floods, earthquakes) or man-made ones (civil or regional conflicts). Policy responses are often further constrained by small stocks in developing countries of foreign exchange reserves, essential commodities such as staple foods and fuel oil. And macroeconomic policy responses to shocks are always 'temporary', as new shocks will inevitably occur. A problem common to many poor country crises, either as an initial trigger or as an exacerbating factor, is the shortage of foreign exchange as a result of a narrow export base of resource-linked commodities (agricultural or mineral) whose prices depend on global demand, together with difficulties accessing international loans from private creditors. The absence of exporting industries able to respond to price shifts such as a depreciation by expanding output means that a drop in the world price of major export commodities can plunge a country into crisis and make recovery difficult until world prices rise, over which its government has no control.

Notwithstanding the structural constraints, it is often possible to make macroeconomic policy choices, and these may be more or less pro-poor. There are choices about the composition and aggregate level of public expenditure, for example over civil servants' wage and salary increases versus maintenance of support for the poorest through social protection, over spending on provision of basic services such as health and education versus spending on subsidies, and, if the latter, over food versus fuel subsidies. Similarly, there may be some flexibility over the time horizon for macro adjustment – for example, how quickly the fiscal deficit or inflation should be lowered. Policy-makers may also have some freedom of manoeuvre over the timing of specific pro-poor policy interventions, especially whether these happen early or (too) late in an evolving crisis. For example, if a subsidy that absorbs a large part of public expenditure and is not especially pro-poor is scrapped early in a crisis, government's fiscal flexibility is increased later (Box 40).

The Nigeria example underlines the importance of the political economy of macroeconomic policy – burden-sharing is difficult to negotiate, especially in the midst of a crisis after a macro shock has already hit, and this reinforces the rigidity of public spending. The poor's lack of 'voice' means their needs are overlooked more often than not. This extended the crisis, but ultimately the crisis did lead to an opportunity to implement an important reform, with positive long-run fiscal benefits.

Rising inflation, especially food prices, is a major problem for the poor in a crisis. But the standard monetary policy tool to lower inflation – raising interest rates – is of limited help in addressing higher food prices, while the resulting compression of formal sector production is likely

Box 40: Commodity dependence and public spending in Nigeria

Nigeria experienced a macroeconomic crisis after the oil price dropped by 60% in 2014, leading to substantial job losses and rising inflation. Nigeria is highly dependent on oil, which contributes 94% of exports and 70% of government revenue. The state's federal structure makes it difficult to shift the composition of public spending, though a third of the government budget was absorbed by a fuel subsidy, which benefited oil importers and traders rather than consumers. When the crisis broke, the government tried to maintain a stable fixed exchange rate, to the benefit of importers and middle-class consumers. But forex reserves were already low, and the unofficial (black market) exchange depreciated as capital inflows dropped, despite higher interest rates. A shift to managed floating with forex rationing did not help; neither did government spending cuts, first in public investment and then in 2016 current spending. The government tried to keep the fuel subsidy in place, spending US$1 billion in 2015, but was finally forced to abandon it in May 2016. Doing so sooner might have made it possible to maintain growth-oriented public investment and poverty-alleviating social spending. On the other hand, the eventual removal of the subsidy does illustrate that crises may have an upside, in the form of needed policy reform. Nigeria's macroeconomy stabilised only once oil prices recovered in 2017, underlining its dependence on its major export.

Sources: IISD and NISER (2016); PwC Economics and Policy (2015); World Bank (2015d)

Box 41: Highly constrained responses to food price shocks – Malawi

Poverty incidence in Malawi is very high (71% below US$1.90 per day). Agriculture is central to the economy: it provides a third of GDP, three quarters of both employment and exports and a sixth of public spending. But the country is very vulnerable to climatic variation: rainfall swings between droughts and floods, and food imports are often essential. The two key 'macroeconomic prices' – for domestic maize and for forex – are volatile, as both markets are thin. On IMF advice in the 1990s that it was too costly, Malawi had abandoned food reserve stocks as a price stabilisation mechanism. Frequent low maize yields lead to macroeconomic crises, as in 2015, when drought reduced agricultural output by 30%, leaving 2.8 million people food-insecure, reducing exports and raising food imports. Large current account and fiscal deficits forced an exchange rate depreciation, further pushing up food inflation and overall inflation above 20%. In the face of crisis, the government tried to protect public servants' real wages, while fertiliser subsidies absorbed 70% of the agriculture budget. Ultimately, this crisis also proved an opportunity, as the subsidy was cut, and maize policy shifted towards greater price stability and reduced rentier profits. In the long term, agricultural productivity must increase, which will depend in part on public investment in the sector; in the short term, food and forex stocks must grow, which is difficult and costly.

Sources: Cornia et al. (2012); World Bank (2016c, 2016d, 2017b, 2017c)

to exacerbate the impact of the crisis on the poor. A more effective measure to alleviate the effects of food inflation would be targeted subsidies and social protection, which are cheaper and more effectively pro-poor than general subsidies. Inflation data should be weighted to reflect the consumption basket of the poor.

Though it is difficult to address structural issues in a crisis situation, countries with large numbers of poor people need to build resilience in the medium term, so their initial position in later crises is more favourable. This means increasing stocks of food and of forex (which has a cost, perhaps 1–3% of GDP) and establishing a commitment to burden-sharing across different interest groups, even if this may be hard to put into practice when most needed.

In the long run, progress towards export diversification and import substitution would together reduce vulnerability to global price movements of one or two export commodities, and improving agricultural productivity would reduce the need for food imports. Macroeconomic policy cannot achieve these objectives alone of course, but since both depend on public investment in infrastructure and in institutions, there is a role for fiscal policy. Long-run strategies to increase the resilience of poor people's incomes and their political voice, especially through building their assets through financial inclusion and education, can also lead to more pro-poor macroeconomic policy processes and outcomes.

Notes

1 This section is substantially based on Scott et al. (2013).

2 When poverty levels are high, for example, household expenditures by definition are low. In these situations, households may spend less on human development, which in turn slows down the rate of economic growth.

3 Strong poverty progress is here measured as being above the average in relative and absolute annual poverty reduction rates.

4 Other countries that have made strong human development and poverty progress include Ghana (absolute PP²G), Sudan (n.d.), India (absolute PP²G), Botswana (n.d.), China (n.d.), Ethiopia (absolute PP²G) and Timor-Leste (n.d.).

5 Including reducing dropout at the transition from primary to secondary, which is the point at which many of the poorest children, particularly girls, drop out of school. In some contexts, primary completion remains enough to help escape poverty; in others, junior secondary is enough; but yet in others, competition in labour markets is such that post-secondary qualifications are necessary.

6 A randomised control trial evaluation of Save the Children's pre-school programme in Mozambique found that a relatively low-cost scheme (US$2.47 per month) led to positive child development outcomes and increased school readiness (Martinez et al., 2012).

7 See Chapter 1 for a discussion of the impacts of inequality on growth

8 The authors of this report suggest that the US Constitution had an influence on the expansion of equal rights in the 1987 Constitution of the Philippines. There is very little evidence on the Philippines generally, though.

9 China is beginning to do this experimentally in certain communes.

10 ILO Convention 177 adopted by the International Labour Conference in 1996 seeks to obtain parity for home-based and other workers in terms of wages, discrimination, health and safety, employment and maternity rights, access to training, social protection and child labour. By 2015, only 10 countries had ratified the convention (Albania (in 2002), Argentina (in 2006), Belgium (in 2012), Bosnia and Herzegovina (in 2010), Bulgaria (in 2009), Finland (in 1998), Ireland (in 1999), Macedonia (in 2012), Netherlands (in 2002) and Tajikistan (in 2012)). Argentina, Germany, Thailand, Brazil, Peru and South Africa have passed domestic legislation protecting homeworkers (WIEGO, 2016: 3).

Part 3: Priorities in context

Egypt Emergency Labor Intensive project aims at creating short term employment opportunities for unemployed unskilled and semi skilled workers and provide access to basic infrastructure services. These construction workers are building stronger river banks along the Nile river to protect it from erosion. Photo: Dominic Chavez/World Bank

6

South Asia and sub-Saharan Africa

Improving productivity and access to markets for agricultural businesses like this peanut producer in Lombok creates economic growth and jobs and reduces poverty. Photo: Josh Estey / DFAT.

Key messages

- The strongest pro-poor growth performance in **South Asia** has been in Bangladesh, where a combination of labour-intensive garment manufacturing, state-supported smallholder agricultural development and education and health services have made rapid poverty reduction possible without a strong social protection initiative. This has been achieved by increasing land and labour productivity and rises in real wages.
- Elsewhere, labour market tightening combined with social protection have been more important drivers of poverty reduction, alongside growth.
- Growth translates into sustained escapes from poverty through accumulation of assets – land, durable goods, livestock – and education, which are the micro drivers of poverty reduction.
- Projections suggest poverty will continue falling in India and Bangladesh through to 2030, down to low levels, but will remain stagnant in Nepal and Pakistan and will barely fall from high levels in Afghanistan.
- In **sub-Saharan Africa**, the relationship between growth and poverty reduction is highly variable. The elasticity of poverty with respect to growth is over 2 in non-African economies but below 2 on average in Africa. This is arguably because of the horizontal inequalities along ethnic lines, which promote conflict.
- There are numerous conflict-affected African countries that need to start a growth process once peace is achieved. As elsewhere, sustaining a pattern of pro-poor growth over time is challenging. The long list of policy deficits in many countries is daunting. However, enough is known about achieving and sustaining growth and translating this into poverty reduction. The enabling factors and, growth from below, strategies discussed in previous chapters are especially important, since the economic transformation Africa is achieving is largely services- and minerals-based, which will not reduce poverty rapidly. The political will can be found, as illustrated in Ethiopia, Ghana and Rwanda.
- Projections suggest poverty rates will remain high in most sub-Saharan African countries through to 2030, despite continued growth in most, with about 10 countries doing better on poverty; and that improvements in education and agricultural outcomes will have especially beneficial effects in converting growth into poverty reduction, as will governance improvements, especially in reducing corruption.

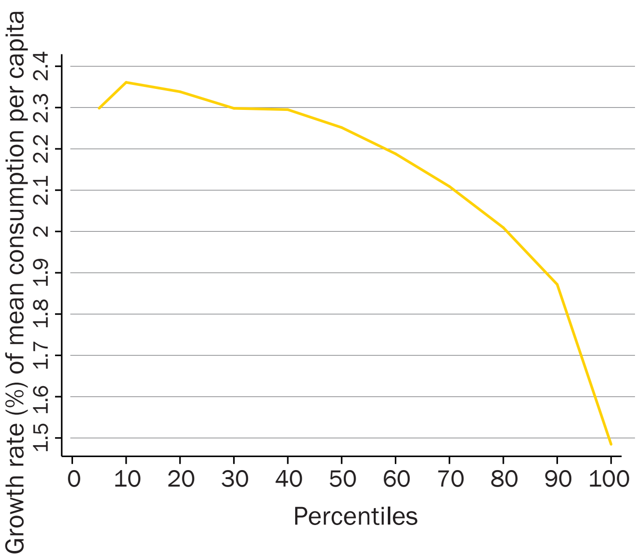
6.1. South Asia[1]

Between 2000 and 2010, extreme poverty in South Asia declined from 38.7% to 19.8%. In 2011, around 327 million still lived in extreme poverty, down from 556 million in 2002. This decline owes principally to the appreciable growth rate achieved during this period. India saw 100 million people escape extreme poverty between 2004–2005 and 2011–2012. Bangladesh has also reduced poverty, even with a relatively lower growth rate – how this has been achieved is especially interesting and is examined below. Pakistan and Nepal have also shown appreciable reduced poverty through growth, but political instability and institutional factors have restrained the conversion of growth into poverty reduction.

Between 2000 and 2011, the South Asian economy more than doubled in size, driven by the services sector, and per capita income also more than doubled. Urbanisation increased, if slowly. At the same time, female participation in the labour market declined. Agriculture remained a source of employment for 47% of the population, down from 60% in 2000. These trends are expected to have continued since 2011, though growth has been slower and more volatile, so poverty reduction may have slowed.

Bangladesh has had the highest level of pro-poorest growth (Figure 44), with growth in labour-intensive manufacturing and agriculture leading the way. The challenge has been to sustain this progress. This is difficult at the macro level and also at the household level: of those households that escaped poverty between 1997–2000 and 2006, around a fifth were back living in poverty by 2010. A large proportion of the population live just above the poverty line. Sustained progress among households is characterised by asset accumulation – land (useful for loan collateral), livestock and business assets – and secondary over primary education. It is also characterised by employment or self-employment in the rural non-farm economy, migration and remittances, the latter especially for women-headed households (Scott and Diwakar, 2016). The overwhelming emphasis of anti-poverty development interventions, especially among Bangladesh's famous NGOs (BRAC, Grameen Bank, etc.), has been on self-employment; policy could also focus more on employment generation through SMEs.

Figure 44: Pro-poorest growth in Bangladesh, 2000-2010



Source: Analysis of PovcalNet database

It is notable that Bangladesh has achieved its high level of poverty reduction without a strong emphasis on social protection, suggesting this can be possible when manufacturing growth is labour-intensive and smallholder agricultural growth is strongly supported by the state, both are sustained over a long period and there is strong investment in education and health. The agricultural growth and state support were impelled by the experience of the 1974 famine and the desire to achieve rice self-sufficiency.[2] The agriculture sector has remained a critical source of livelihoods to the present day.

Growth in the farm and rural non-farm sector has also been supported by investment in infrastructure development. In particular, analysis of household panel data from the late 1990s reveals that rural road investments significantly reduced poverty through increased agricultural production, higher wages, lower input and transportation costs and higher output prices. Rural roads also led to higher school participation rates among school-age boys and girls (Khandker et al., 2009, in Scott and Diwakar, 2016).

Indeed, East Asian poverty reduction was largely achieved without support from social protection (Bulla et al., 2014). However, investing in social protection earlier would arguably have accelerated the process of poverty reduction in Bangladesh. Growth has been characterised by increasing returns to land and labour, with significant productivity increases, and rises in wages (Wiggins and Keats, 2014).

India's growth has been characterised by high levels in the 2000s, continued high (if not as high) levels in the 2010s, increasing rural wage levels, the rise of non-farm employment (especially in construction) and infrastructure investment leading to greater rural–urban integration. Rising rural wages have been a particularly strong driver of reduced poverty across Asia (Wiggins and Keats, 2014). The drivers of higher rural wages have been reduced growth of the labour force from fertility reduction, and the growing non-farm sector – including construction. The chronically poor are concentrated among SCs and STs, casual labourers and the less educated (Thorat et al., 2017), categories that overlap significantly.

The poorest have also benefited from India's employment guarantee of 100 days work per year. Other labour market tightening measures to support rising rural wages include investing in the education of the poorest and keeping the poorest children in school as long as possible, especially among casual labour households, as well as strengthened family planning services targeted to the same groups. India has been extending minimum wages progressively to different groups of workers – this process could continue, benefiting those covered but also wage earners more widely.

Growth has also been pro-poor in Nepal and Pakistan. However, political instability has meant poverty reduction has varied significantly from one period to another in Pakistan. Higher growth periods, such as the early 2000s, were not necessarily more pro-poor than lower growth periods (e.g. the later 2000s) (Farooq, 2017). There is strong geographical variation in the conversion of growth into poverty reduction, which suggests geographical targeting of enabling measures. Nepal's growth has been lower than much of the rest of South Asia, and somewhat volatile. A growing proportion of GDP has come in the form of remittances from overseas (22% by 2010) and migration and non-farm enterprise development or employment have frequently provided pathways out of poverty that can be sustained. As elsewhere, however, there are risks – especially where migration leads to indebtedness, and there are constraints of market size and capital availability for enterprise development (Diwakar, 2018).

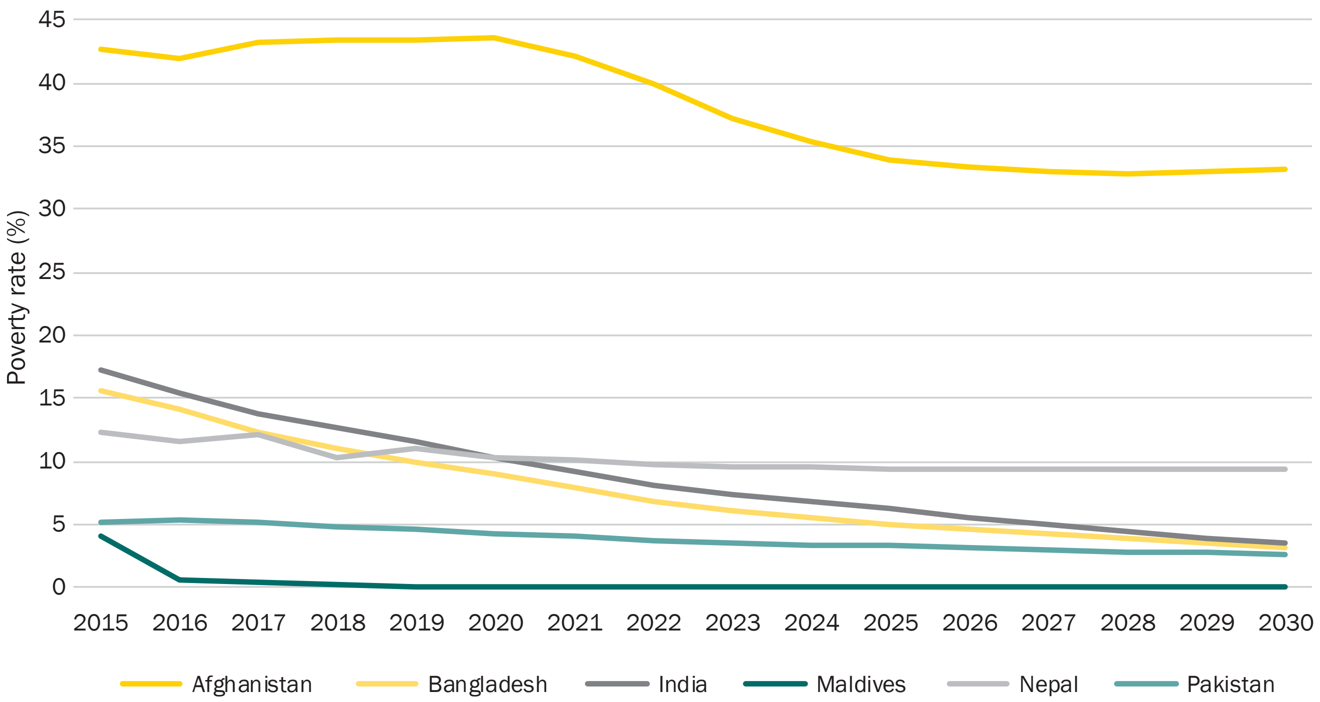
Across South Asia, acquiring assets (land, durable goods, livestock) and education is universally associated with escaping poverty and staying out of it. While it is accepted that the state provides education, education of quality is a major issue, as is acquiring the technical and life skills to participate beneficially in the labour market. Acquiring assets has been promoted through microfinance and savings and credit groups, with the BRAC's Targeting the Ultra-Poor approach in particular bringing microfinance within reach of some of the poorest, among them many women.

Projections from the International Futures model (see Chapter 7) indicate that growth is expected to remain high in South Asia between 2015 and 2030. India's growth rate in 2030 is estimated to be around 6.3%, followed by Bhutan (5.7%), Maldives (5.4%), Bangladesh (5.3%), Pakistan (5.0%), Afghanistan (4.0%) and Nepal (2.8%). Significant reductions in extreme poverty are also predicted in the region (Figure 45), led by India, where the US$1.90 poverty headcount is estimated to fall to around 3%, from 227 million people in extreme poverty in 2015 to 52 million in 2030. Bangladesh is also predicted to reduce poverty to 3% by 2030, from 25 million people in 2015 to 6 million in 2030. Afghanistan is predicted to see some decline but to maintain high poverty rates, while Nepal's and Pakistan's poverty rates are predicted to remain relatively stable up to 2030 based on current trends.

6.2. Sub-Saharan Africa[3]

In sub-Saharan Africa during the 2000s, there was a greater range of relationships between growth and poverty

Figure 45: Projected poverty ratio in South Asia, 2015–2030



reduction, from positive experiences during the 2000s in Angola, Ethiopia, Rwanda and Swaziland; to Madagascar, where the benefits of growth were concentrated in the second and third quintiles; to Mauritania, Seychelles and Zambia, where only the top income earners saw increases. In West Africa generally, growth was pro-poorest only in Sierra Leone. However, in many of these cases, where it is possible to divide the periods of time examined, growth can be pro-poorest in one sub-period and not in another. As in Pakistan, there was considerable fluctuation in the degree to which the poorest gained from growth.

While the elasticity of poverty with respect to growth is over 2 in non-African economies, it is below 2 on average in Africa. This is arguably due to the horizontal inequalities along ethnic lines created by colonialism (Bigsten, 2018). Significant distributional changes towards inequality have taken place in many sub-Saharan African countries. These changes, however, predominantly affected the lower part of the welfare distribution and went undetected by standard inequality measures. Lower quintiles of the consumption distribution experienced a divergence from the global mean income and convergence towards their local mean – or increasing 'identification' among the poorest but increasing 'alienation' from the rest of the distribution (Duclos et al., 2004), which is known as 'polarisation' (Clementi et al., 2018).

Furthermore, the two decades between 1995 and 2015, which marked a period of fast growth and poverty reduction for many sub-Saharan African countries, also had a profound impact on their social structures, buttressing the creation of a national 'middle class'. In many countries where welfare is measured via consumption, we miss a substantial piece of information about the top 10–20% of the population. Consumption undoubtedly has important advantages when looking at lower income percentiles, typically characterised by volatile incomes and high seasonality, yet it might underestimate the actual welfare of the middle-class group because it does not account for savings and does not factor in many non-basic expenditures. Intuitively, this underestimation affects the calculation of various inequality measures, yielding lower results. Correcting the middle-class part of the consumption distribution using information coming from the income distribution of the same populations can more accurately reflect the real welfare distribution in these countries and yield more precise estimates of inequality. This would also be more in line with both development theory findings and what the present structure of these economies would suggest (Clementi et al., 2017).[4]

The widespread poverty that remains in many countries itself dampens growth in the long run (Ouyang and Thorbecke, 2018). This means Africa needs to grow much faster than other regions of the world to maintain its poverty reduction momentum. On the other hand, increases in inequality have less impact on poverty in Africa than elsewhere (Table 14).

It can be concluded that the poorest groups have often not benefited much from economic expansions across sub-Saharan Africa. And in episodes of negative growth, it is the poorest who often take the biggest cuts in consumption.

One implication is that, where growth occurs and is pro-poorest, this is good, but sustaining such a pattern of growth is challenging. There is a need for patterns of sustained growth that have long-lasting and widely reaching impacts. In the long term, this has to be from increased income from assets and human capital; in the short term, social transfers can also build human capital and lasting poverty reduction momentum. Ideally, income transfer amounts need to be enough to allow investment in assets as well as consumption.

In all the African sub-regions, some countries have also not grown over a long period, and that is where poverty is highest. Starting growth is what is needed in these countries. Twelve of these countries in Africa are among the SCAPS: Burundi, CAR, Chad, DRC, Guinea, Guinea-Bissau, Liberia, Mali, Sierra Leone, Somalia and South Sudan. These states have experienced prolonged ethnic violence, political instability, volatile growth and

Table 14: Growth and inequality elasticity of poverty reduction for global and sub-Saharan African regions, Povcalnet 1 dataset, 1982–2007

Income and Gini elasticities of poverty reduction	Entire developing world (1982–2007	Sub-Saharan Africa (1987–2006)	Non-sub-Saharan developing world (1982–2007)	Comments
Income elasticity	-2.91	-1.56	-3.26	Based on fixed effects estimates (null is rejected)
Inequality elasticity	4.48	0.62	5.23	Based on fixed effects estimates (t-ratios are large)
Observations	368	66	303	Cross-sections over time
Countries	94	28	66	Sample data not representative but best available

Source: Ouyang and Thorbecke (2018: 12)

oppressive governments. Achieving peace is often a precondition for sustained growth. Information to support policy development is often woefully inadequate, and this can also be a priority.

Macroeconomic and political stability are vital – settings of high levels of external debt, high inflation, ethnic conflict and political unrest have been common. Bringing social services to excluded populations is a critical measure for long-term political and economic security. In the 1980s and 1990s, there were significant trade-offs between economic and political stability, as economic austerity had the effect of further excluding marginalised populations. Austerity measures may not be ethnically neutral. Where austerity is necessary, compensatory measures need to be carefully designed. Similarly, political reforms may be economically destabilising. Countries that have not experienced conflict can easily overlook the importance of maintaining political stability.

Assuming citizens and firms are doing what they can to improve their incomes, what can African governments do? They can establish incentive systems through law and order, anti-corruption measures, taxes and prices. For example, accountability systems can make the difference between public expenditure reaching or not reaching the points where services are delivered (schools, health centres, water points) (Reineke and Svenson, 2004a, 2004b, 2005). Bringing investment to poor and remote regions requires public investment in infrastructure and services. One approach to this is land zoning for export production combined with infrastructure and services.

Governments can also introduce measures to include people in the financial system – some African countries have made rapid progress on this, largely through mobile phone accounts, which can be extended further (Section 4.3) – and develop measures to encourage employment creation. The latter is especially challenging in Africa, where 122 million people will be chasing 54–72 million new wage jobs. Creating labour-intensive manufacturing jobs has been discussed in Chapter 3.

The remainder will have to make do with work in agriculture and the informal sector, reinforcing again the importance of growth from below. Policy-makers often see the informal sector as the employer of last resort, despite the fact that most people earn their living in it. There are very different income levels in the informal sector even for people with similar skills, from below poverty level wages or returns to incomes that take people into the middle class. Income depends on which segment of the informal sector a person is able to access. The challenge is to find ways of increasing labour productivity, especially among the lower-productivity enterprises. Skills programmes, entrepreneurship programmes and on-the-job training are ways forward.

Several African governments are actively pursuing formalisation of the informal sector – bringing informal enterprises and workers into regulatory, tax and social protection systems, for example. The risk is that formalising businesses reduces employment and, if traders have less working capital with which to trade, it will depress local economies. There are tricky trade-offs here.

There is also massive underemployment, so many people are willing to take work at very low rates of pay and poor conditions of work. Policies to tighten wage labour markets (see Chapter 3 and Section 4.4) are a priority in sub-Saharan Africa.

Chapter 3 discussed the barriers to more rapid economic transformation. In Africa, the most important of these include the high costs of ground transportation, air travel, industrial and farm inputs, imports and bureaucratic transactions, especially in the processing of trade licences and payment of taxes. In some countries, filing tax returns can take days or large sums of money in the form of bribes. In addition, large but hidden costs of political and macroeconomic instabilities discourage domestic and foreign investments.

Supporting smallholder agriculture is something Asian states have done better than African states, reaping the benefits for poverty reduction (Henley, 2015; Mellor, 2018). Expanding the area under irrigation from a still-low base is one way of supporting the transformation of African agriculture. This is something on which farmers are often ahead of governments. A battery of other investments, public and private, are needed to make smallholder agriculture work better. These include value chain development (especially processing), transportation of crops, information and extension, and mechanisation – there are few tools on many African small farms, let alone machines. Targeting at least some of these interventions at reducing widespread food poverty, by focusing scientific and extension efforts on food crops as well as the better-supported industrial or 'cash' crops, and investing in access for the poorest to health, education and social protection services, should be important components of growth strategies.

Human development deficits hold back growth and poverty reduction. Both health and education systems suffer from substantial service delivery problems, especially at peripheral service points, with the incentive and motivation issues having been recognised but rarely well addressed. Sparsely settled areas constitute a large part of many African countries, and often have high poverty rates. Fixed service points need complementing with outreach facilities, requiring substantial budget reallocations. Otherwise, people have to spend too much money and time on transport getting to and from services.

Little learning takes place in public schools in many African countries (Bold et al., 2017). There is ample evidence from Uwezo surveys and other sources that students finishing primary school have not mastered basic literacy and numeracy. Large class sizes, high teacher absenteeism and low levels of teacher training and in-service training are some of the reasons. Reducing teacher absenteeism and enhancing their skills are priorities. Policies to improve educational quality in public schools have the ability to increase future labour productivity. This will disproportionately benefit poor children, who generally go to public schools.

Access through secondary and to tertiary education remains limited, something that is bad for poor households but also for future economic development. All countries need scientific and business expertise to lead the structural transformation of their economies. There are programmes designed to achieve this, but they are small in scale.[5]

Poor people benefit from policies to reduce consumption shortfalls and smooth consumption. Cash transfers can do the former, and there is plenty of evidence they work from the major programmes in Ethiopia, Rwanda and South Africa, but also from smaller or more experimental programmes, such as those supporting orphans and vulnerable children, the elderly or the 'hardcore poor' (Republic of Kenya, 2014). Smoothing consumption can be supported through greater financial inclusion, including access to insurance (see Section 4.3), and strong smallholder agricultural policies as discussed in Section 4.4.

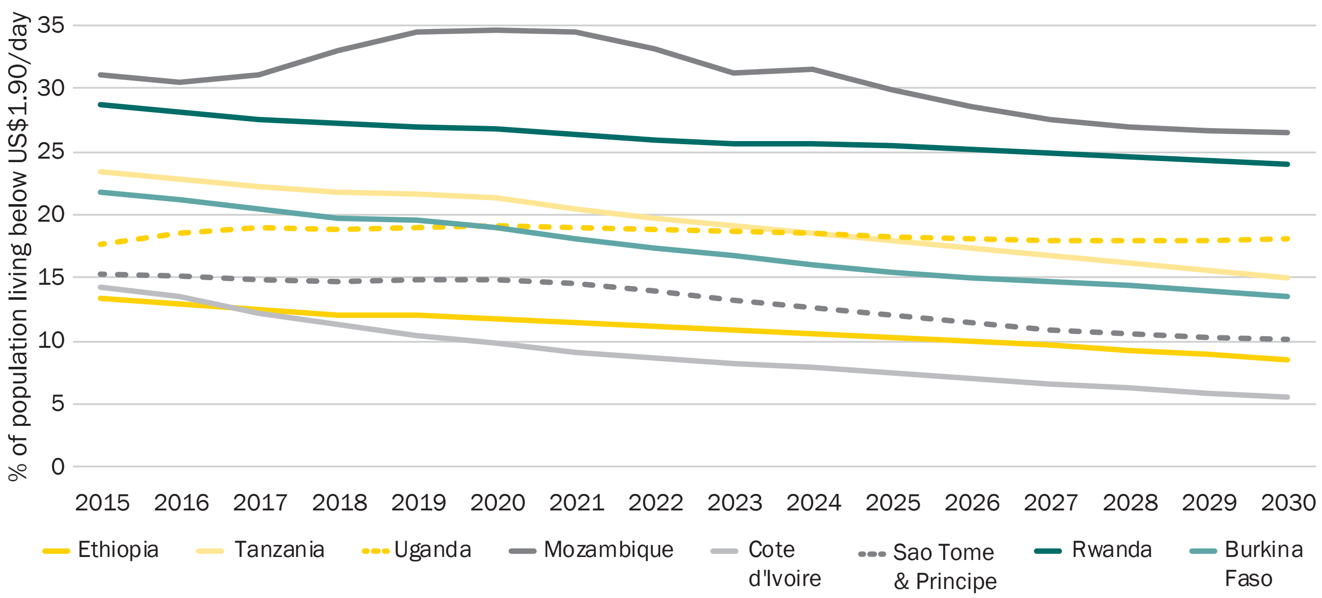
Interventions to break down growth barriers can be financed via concessionary loans or targeted aid. If properly allocated and managed, aid can be a potent instrument for breaking the underemployment equilibrium in Africa.

Expanding infrastructure facilitates the movement of goods and services to underserved populations and enables migration from poorer areas, which is an increasingly important contributor to sustained escapes from poverty; it is particularly local rather than national or regional infrastructure that is of immediate use to the poorest people. However, living in a well-connected region also enhances the economic opportunities available to inhabitants, especially outside the immediate locality, where opportunities may be quite restricted.

There is a recent literature that argues that Africa has a slim chance of transforming agriculture and industry as more advanced economies have done because de-industrialisation is on the increase globally, Africa included; foreign capital inflows are no longer available in transformative amounts; and demographic trends fuel rural–urban migration and urban informality, which is associated with low productivity (Bigsten, 2018; Rodrik, 2018). This chapter suggests these issues are not insurmountable. Whatever foreign capital is available can be used more efficiently, for example to develop the irrigation infrastructure, which can go some way to eradicating food poverty; urban informality can be tackled through partnerships between local entrepreneurs and local and national governments to discover new institutional arrangements to enhance productivity; and a combination of skills training and other interventions can support both rural and urban productivity increases (Xinshen et al., 2018).

Looking to the future, sub-Saharan Africa is predicted to undergo significant economic growth over the next 15 years, presenting opportunities to better harness the

Figure 46: Projected poverty ratio in high-growth (>6%) countries in sub-Saharan Africa, 2015–2030



benefits of this growth to contribute to more accelerated poverty reduction. Ethiopia, Tanzania and Uganda are predicted to have growth rates over 7% in 2030, with Côte d'Ivoire, Mozambique and Rwanda not far behind with 6% GDP growth. The predicted returns of this growth on poverty reduction are less optimistic, however (see Figure 46=). Uganda is predicted to maintain its current level of 35% of the population living in poverty (at US$1.90). And while Mozambique and Rwanda are predicted to decrease the proportion of people living in poverty, both countries are expected to maintain high poverty rates, at 53% and 48% of the population, respectively. Côte d'Ivoire and Ethiopia are predicted to make better inroads into poverty reduction, with Côte d'Ivoire expected to cut poverty by nearly two thirds, from 28% in 2015 to 11% in 2030, and Ethiopia from 27% to 17%. And while Tanzania is predicted to maintain a relatively high proportion of people living in poverty (30% in 2030), this would be one the largest reductions in the region, down from 47%.

The projected trends show a few good performers in each region, with the remainder projected to maintain relatively stable poverty rates. If we take the top 10 countries in sub-Saharan Africa by projected poverty reduction, half are in West Africa, one is in Central Africa and the rest are in East Africa. The overall story remains one of high growth but limited poverty reduction, with some exceptions.

Improvements in education could have a strong positive impact on future poverty reduction in the region. A doubling of the years of education completed between 2015 and 2030 is predicted to reduce the number of people living in poverty by an additional 122 million people. Gains from improvements in education are predicted to be particularly high in Nigeria, where it is predicted that a further 29 million people could escape extreme poverty through a doubling of years of education completed, followed by DRC with 10 million people and Tanzania with 8 million.

Measures to address high fertility rates in the region could contribute to further reductions in poverty, with 94 million fewer people predicted to be living in poverty by 2030 by halving the total fertility rate across the region. Countries with high fertility rates and large populations would make up the majority of these reductions, including Nigeria (20 million), DRC (13 million) and Tanzania and Uganda (5 million each).

Increasing agricultural yields is another way future poverty rates could be reduced. A doubling of yields between 2015 and 2030 is predicted to contribute to 65 million fewer people living in poverty in the region, led by DRC (8 million), Ethiopia (7 million) and Niger, Nigeria, Tanzania and Uganda (5 million each).

Notes

1 This section is based on a background analysis by Amaresh Dubey.

2 Famine has also driven agricultural policy elsewhere – Ethiopia would be an example.

3 This section is based on a background paper by Germano Mwabu (2018).

4 These two paragraphs were adapted from a personal communication from Fabio Clementi, who reviewed this report.

5 One example is a mathematical education programme supported by the Canadian International Development Research Centre, which has trained 305 students from 31 African countries in its South African centre, with plans to have 15 such centres running by 2021.

7 Projections

More than 80% of Malawians are farmers, like Philip Oneka. He goes to monthly sessions organised by ECRP to learn about new farming techniques that will help him increase his harvest. Photo: ChristianAid

Key messages

- This report has used the International Futures model to project growth and poverty reduction into the future (to 2030).
- Growth in LICs and LMICs is projected to be strong – over 5% GDP growth in 2030. There are exceptions to this in some countries (e.g. Nepal) and regions (e.g. West Africa).
- Poverty continues to be reduced in these projections overall and in most countries but at varying rates, and not by much in some countries (e.g. Afghanistan, Mozambique, Pakistan, Uganda).
- Impact on poverty is enhanced with stronger human development outcomes. For example, additional years of education can have strong benefits; so could a halving of fertility rates in sub-Saharan Africa.
- A doubling of agricultural yields would lead to lower poverty and higher GDP growth. Conversely, lowered yields (a very real risk with climate change) could lead to greater numbers of people in extreme poverty.
- Reduced corruption could have big positive impacts too on both poverty reduction and growth.

Wealth and education inequality are both plausibly powerful predictors of future wellbeing – most projections on poverty factor in growth, population growth and inequality but little else, and develop positive and negative scenarios based on these three factors. The results of doing so show a predictable range of outcomes, with global extreme poverty falling to around the 400 million level by 2030 (Marcus et al., 2018). However, this cannot tell us much about the range of factors we know can be instrumental in affecting the wellbeing of the next generation.

Here, we use the International Futures (IFs) model of the international economy, a model where users can manipulate 100 or more variables to generate future outcomes, to try to get closer to the factors that might make a difference to future wellbeing and poverty.

There is significant potential for economic growth to contribute to the reduction of poverty in the years to come, with current projections indicating that economic growth is expected to be strong in developing countries on average. Growth is projected to be particularly high in LICs and LMICs, where the majority of the world's poorest live: 5.2% and 5.8% annual GDP growth projected on average in 2030, respectively. For this growth to contribute to sustained escapes from poverty, however, key policy interventions will be required to ensure the benefits from this growth reach the poorest, as evidenced throughout this report.

7.1. Human development

Investments in human development and improvements to social welfare systems, for example, can lead to faster rates of poverty reduction with benefits to economic growth. Improvements to access to and quality of education could be a major conduit of growth towards increased poverty reduction while also having a positive impact on economic growth. An increase in the years of education completed in high-population countries could have a significant impact on the number of people living in extreme poverty globally, particularly in LICs and LMICs (see Figure 47).

The IFs model projects 29 million fewer people living in poverty in India and 26 million fewer in Nigeria through a doubling of the years of education completed on average over the next 15 years. The effects on growth could also be large in some other countries, with Belize, Ghana, Guyana, Lao PDR, Lesotho, Namibia, Peru, the Philippines and Togo projected to reach an additional 3% GDP growth by 2030 through a doubling of years of education completed. Future growth and future extreme poverty rates could therefore be significantly improved through expanded education opportunities. Evidence presented earlier in the report (Chapter 1) showed that the role of education in poverty dynamics is not entirely straightforward, while Chapter 5 expands on pro-poorest measures in education and the positive effects of improvements in education access and outcomes on economic growth.

Improvements in health systems and extending access to health services have also been shown to have a large impact on poverty reduction. Reductions in fertility rates through increasing access to sexual and reproductive health services and education, for example, could significantly reduce the number of people living in extreme poverty in sub-Saharan Africa, where fertility rates are high. As shown above, the IFs model projects 94 million fewer people living in extreme poverty in the region by 2030 through a halving of fertility rates.

7.2. Agriculture

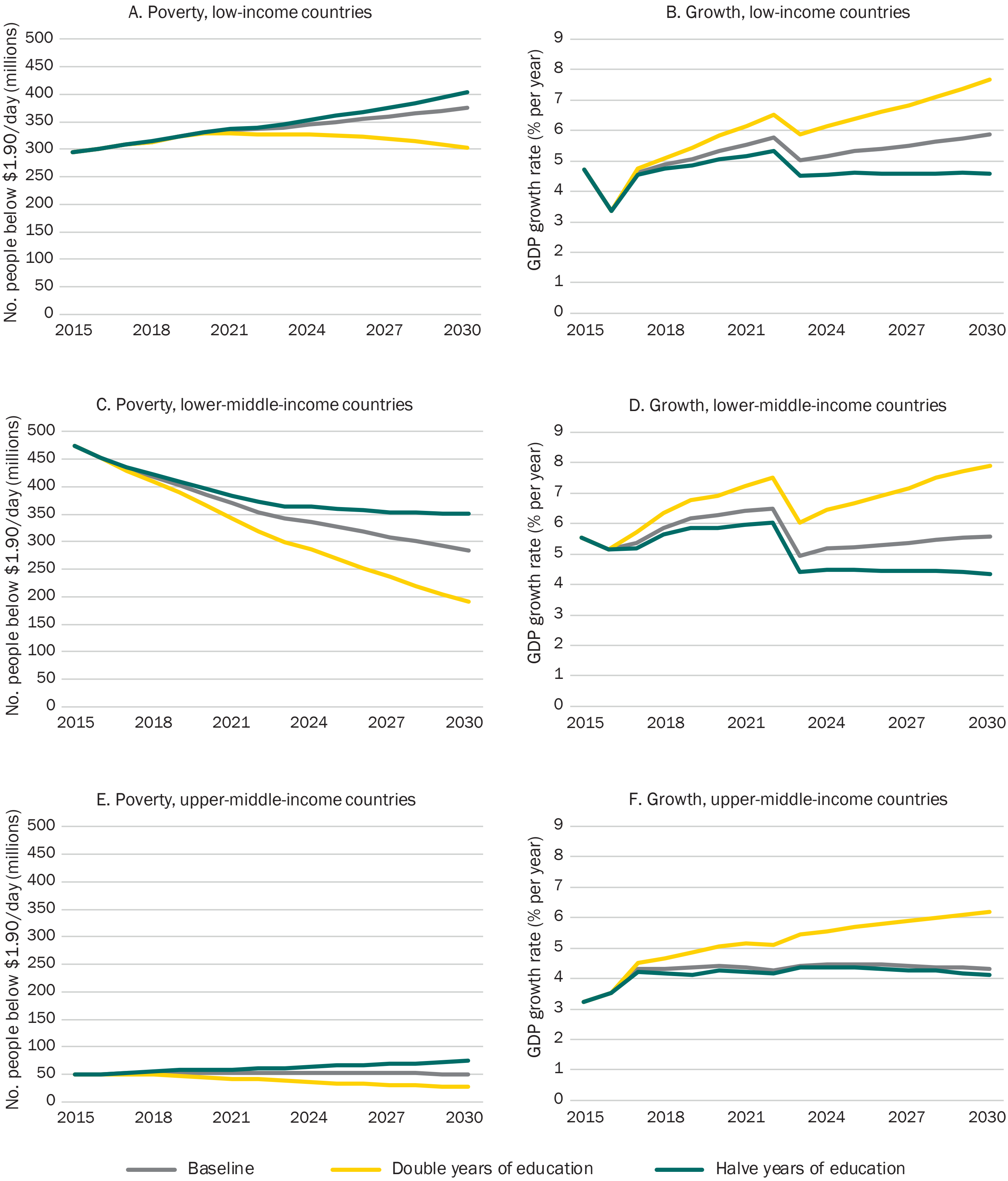
A focus on the sectors where many chronically poor households derive their incomes also has the potential to lead to greater poverty reduction. The projected effects of increasing agricultural yields on poverty and growth are particularly significant in LICs and LMICs, with minor effects in UMICs (see Figure 48). A doubling of agricultural yields, for example, is projected to lead to 12 million fewer people living in extreme poverty in India in 2030, followed by DRC (8 million), Ethiopia (7 million), Tanzania (5 million) and Uganda (5 million). Countries with the largest economic gains to be made from doubling agricultural yields include Sierra Leone, with 1.5% higher GDP growth in 2030, Nepal with 1.3%, Chad with 1.2% and Vanuatu with 1.1%. Figure 48 illustrates the need to improve access to agricultural inputs and markets in order to get yield increases. This is one part of a challenging agricultural scene, where agriculture is still important in growing the incomes of the poorest and sustaining escapes from poverty, but other things are too, and agricultural policies need to adjust to new realities of shrinking landholdings and greater differentiation among farms (Chapter 5).

Access to inputs and markets is critical to ensure farming is a driver of poverty escapes. Likewise, losses in agricultural yields could lead to larger numbers of people in poverty and losses in economic growth into the future. While a halving of agricultural yields is an extremely unlikely scenario, even under pessimistic assumptions about climate change over a longer period it would to lead to 18 million more people living in extreme poverty in India in 2030, followed by 8 million in Nigeria, 7 million in DRC, 6 million in Niger and 4 million in Afghanistan and Ethiopia. The largest losses from a halving of agricultural yields are projected to be in South Sudan, with 2.6% lower GDP growth in 2030, followed by Cambodia (1.9%), Sierra Leone (1.8%) and Vanuatu (1.8%). Even if unlikely, this illustrates the continued importance of agricultural productivity for poverty reduction.

7.3. The political economy of corruption

Grand corruption is definitely the worst form of corruption for the poor, as it leads to diversion of large outlays of public financial resources to private use. Grand corruption

Figure 47: Projected effect of changes in school completion on poverty and GDP growth

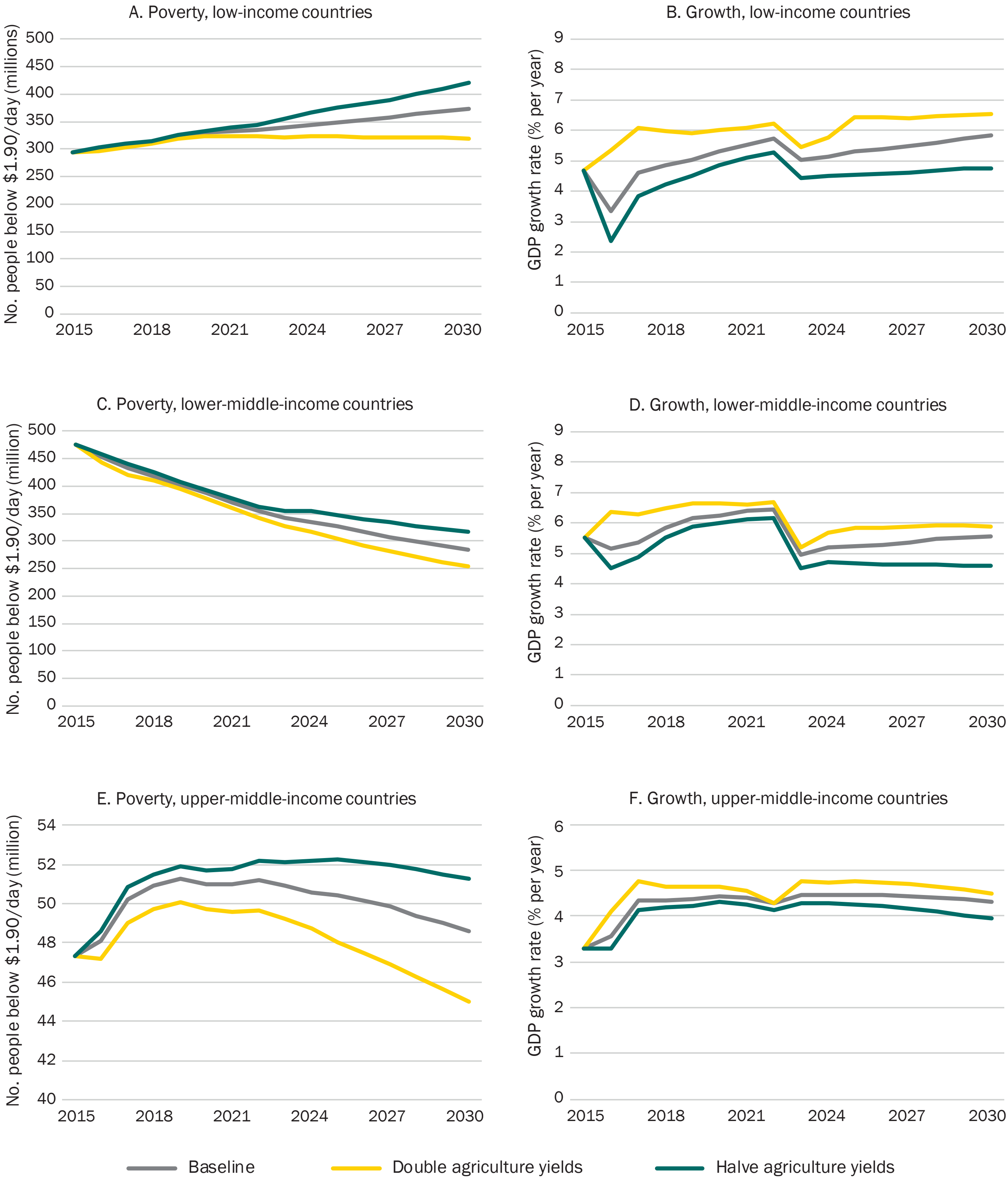


Source: Analysis of International Futures data

hurts the poor in very direct ways, such as when officials steal or divert to other uses money that could be invested in pro-poor projects or in initiatives in sectors that address directly the needs of the poor, such as agriculture, education and health. In Uganda, for example, this is evident in both the National Agricultural Advisory Services programme and its successor, Operation Wealth Creation.

Fighting grand corruption is not easy and straightforward. There are, however, countries where combating grand corruption is a political imperative because not doing so would violate the principles on which the prevailing political settlement and ruling coalition are built, and thereby threaten their stability. Rwanda is one such country, which explains the consistency with which

Figure 48: Projected impact of changes in agricultural yields on poverty and growth



Source: Analysis of International Futures data

the government's 'zero tolerance for corruption' policy is enforced, even with regard to petty corruption.

Petty corruption is widespread, particularly where transparency and the monitoring and sanctioning of public officials are low. As an example, in Sierra Leone, 48% of respondents reported that either they or members of their households had paid a bribe to access medical and health services, 62% to education and 57% to utilities (Transparency International, 2015). Petty corruption tends to disproportionately affect the poorest, as they are less able to replace public with private services and are less able to afford the corrupt payments. In Sierra Leone, the government has responded by establishing a mechanism (Pay No Bribe or PNB), by which all citizens can report any time that they are asked for a bribe, anonymously, either online or by phone. Efforts have been made to extend these services to the poorest, who do not have access to internet or phone services. The data that is received is recorded, analysed and reported on, creating greater transparency (PNB, n.d.).

For anti-corruption measures to benefit pro-poorest growth, they should focus on eradicating petty corruption in the police and judiciary, social services (vital for building capabilities) and natural resources (CPAN, 2015: 7). They should minimise the risk of vested interest capture, corruption and rent-seeking by ensuring policy and programmatic interventions focusing on the private sector have a clear business orientation, are provided in collaboration with private sector actors and pay attention to creating the right market-based incentives to achieve activities (ibid.: 23). Without such a push, stories like that in Box 42 will remain common.

Anti-corruption interventions also need to focus on ensuring the costs of corruption outweigh the benefits, by increasing the likelihood of being caught and punished if caught, and on reducing scope for corruption by ensuring all policy, services and entitlements targeted at the poorest are made publicly available and accessible and by increasing transparency (providing information about public services, procurement, etc.) (CPAN, 2015: 32).

The political economy of these interventions is also likely to vary across countries, dependent on political settlements, institutional opportunities and barriers, as well as existing distributions of resources and power. Corruption is reflective of a political settlement – how inclusive or concentrated it is. Projections from the IFs

Box 42: Government confiscation, disability and theft in rural Tanzania

In 2015, the Tanzanian government decided to set expanded boundaries for the Kanga mountain forest reserve, Morogoro. This forced Saasa and her husband out of their farming land, thereby dropping their household into poverty. While they were stopped from cultivating in the area, there were people from the same village and others from outside the village who invaded the land and continued with farming, suggesting corruption.

'We, the group of people that were forced out, went to complain to the district officials that while we were forced out, there are people who have invaded the area and they continue with the farming activities but so far nothing has happened... We even attempted to go to the forest manager in Morogoro, but she only said that they would work on it; so far nothing has happened...' (life history interview, Morogoro).

For Saasa this problem was compounded by her husband's disability and an attempt to join VICOBA (village community banking) in 2016, after dishonest people within the VICOBA stole the group's savings. During the time spanning our data collection, she says, 'Our life has changed drastically; while in the past we used to eat three meals per day, today we are only able to eat between one and two meals per day... this is not the type of life we used to live' (life history interview, Difinga village, Mvomero district, February 2017).

Box 43: Petty corruption and the very poorest

Eliminating the forms of corruption that most strongly affect the poor is crucial if the poorest are to be beneficially engaged in economic growth. UNDP highlights the differential effect that demand for small bribes will have on very poor people in comparison with the less poor, and identifies key sectors that need to be focused on, in particular for anti-corruption measures.

'... three areas to consider for focus – the police, social services, and natural resources – as, from a human development perspective, one criterion is clear: Governments should be seeking ways of reducing the forms of corruption that hit the poor the hardest [...] Hauling the rich and powerful before the courts may grab the headlines, but the poor will benefit more from efforts to eliminate the corruption that plagues their everyday lives [...] The dollar amounts may be relatively small, but the demands are incessant, the number of people affected enormous, and the share of incomes of the poor high' (UNDP, 2008: 151–152).

Petty corruption matters to poor people. Surveys regularly point to it being pervasive, involving sums that constitute a significant fraction of poor people's annual income. The poorest are also least able to get redress through complaints or judicial systems. Such corruption can act as a barrier to services for poor people who cannot afford to pay the hefty 'taxes' corrupt officials or police demand. Richer people's superior ability to pay bribes may also create a zero-sum game, in terms of the use of natural resources like fish stocks or forests, for example. Elites then gain control of resources and exclude poor people.

Corruption can both deter competition and entrench informality. In Brazil, for example, a much higher proportion of firms identified corruption as an obstacle to starting a business than as a serious constraint to business growth. Firms may choose to remain unknown to avoid the corruption associated with business registration and regulation, and remaining informal may constrain their productivity. Smaller firms are more vulnerable to demands for bribes, with large firms being found to experience fewer demands for bribes than SMEs. Corruption also hampers employment growth. Where corruption is lower, innovation and productivity growth are more likely.

Where there are few employment opportunities, people 'invent' jobs as intermediaries that help poorer people have access to goods and services in exchange for a 'fee' (e.g. poor women in India having to pay someone who tells them how to get access to healthcare services). Where jobs are poorly remunerated, people try to earn a profit from the rent position that having a job gives them, demanding bribes in exchange for their services. These are examples of corruption as a response to the lack of adequate employment opportunities.

Source: Mariotti (2016)

Box 44: Corruption affecting business, livelihood and life choices in Kenya

The introduction of new technology at the bank at which Rafael Mwongela worked forced him to take early retirement in return for a lump sum of money, which he used to start a transport (matatu) business. This ended up coming to a halt as a result of the corrupt actions of a cartel in the sector. Not one to give up, he joined a political party as an activist and was even pushed to run for office. However, he was set to have one more brush with corruption.

While travelling for a political rally, he met with an accident when the wooden sideboard of the truck that he was travelling on gave way, throwing him to the road, where he was run over by the truck. Despite serious injuries and being put in a wheelchair for six months, the party refused to part with any information that could have linked them to the truck. As a consequence, he was unable to file for insurance payments.

Since then, he has started a human rights and anti-corruption organisation, Mama MWIKI Link Society, which conducts civic education and helps people take up their cases with government and NGOs.

reduction come from a halving of government corruption, for example in India (6 million fewer people living in extreme poverty), Nigeria (4 million) and DRC, Brazil and Niger (each 1 million). Reductions in government corruption could also have significant positive effects on growth, with countries such as Cuba, Lesotho, Namibia and Peru projected to have an additional 2–3% GDP growth in 2030 through a halving of government corruption. Boxes 43 and 44 illustrate the impact of corruption on wellbeing.

Effective regulatory systems can balance market power, ensuring that social objectives are achieved. However, distorted regulations can enable petty corruption to flourish. So, for example, municipal zoning regulations can lead to underpaid and poorly supervised police officers harassing petty traders for being in the wrong place, leading to their arrest and having their goods impounded or facing fines. Richer entrepreneurs can avoid the impact of such regulation by paying bribes. In some countries, accessing a domestic power connection requires having a formal address. This is not possible for people living in informal urban settlements or without formal land titles, but this requirement can be circumvented by the payment of a bribe.

There is a cost to such petty corruption. It is unavoidable for the powerless and disproportionately costly for the poor. The poorest people are more exposed and vulnerable to the risk of rent-seeking and the payment of frequent small bribes damages their enterprises, biting into profits.

8 The political economy of growth and poverty reduction

A woman raises her hand to speak at a community meeting in Aurangabad, India. Photo: Simone D. McCourtie / World Bank

Key messages

- The political settlements that encourage a higher translation of growth into poverty reduction are typically those where there is a degree of shared national vision among elites and absence of excessive political/ electoral contestation, allowing elites to get on with the time-consuming job of designing, implementing and evaluating policies to see what works best across a context-specific range of policy areas.
- Representation of the interests of the poorest in comparison with those of business or the middle class is problematic, and special efforts are needed by political parties, civil society and development partners with a mandate to work for the poorest (as with the participatory poverty assessments of the early 2000s).

In recent years, development actors have come to treat political economy studies as an integral part of programming. This is an outcome of a change in attitude about the role of politics in development. It is now clear that a country's ability to achieve poverty reduction through economic growth depends on a number of factors. These factors are intimately linked to politics, or more specifically to how politics is organised and practised. The organisation and practice of politics is captured here by the concept of 'political settlement' – 'the forging of a common understanding usually between political elites that their best interests or beliefs are served through acquiescence to a framework for administering political power' (Di John and Putzel, 2009). In other words, it matters what kind of political settlement a country's political elites have arrived at, and in turn how it has affected the way they relate to each other and to the rest of society.

Political settlements that emphasise cooperation among potentially rival elites and also problem-solving and adaptation in policy-making and implementation are more likely to achieve growth and reduce poverty than those that get caught up in contestations for power. Where the pursuit of power and its retention are so contested as to compel power-holders to focus on regime maintenance to the near-total exclusion of anything else, policy-making and implementation suffer.

It is quite easy to demonstrate this using a few examples from Africa, where poverty reduction efforts frequently fall victim to politics. Ethiopia and Rwanda are two examples where gains in poverty reduction can be attributed to political settlements that have sought to minimise contestation and focus instead on formulating effective policies and implementing them with consistency (Booth and Golooba-Mutebi, 2014). Another example is Uganda during the early years of the Museveni government, before regime maintenance became a major preoccupation, a key driver of policy-making and an important factor in policy implementation failures (Golooba-Mutebi and Hickey, 2016). Examples pointing the other way include Burundi, DRC, Zimbabwe in the later years of the Mugabe regime and others that find themselves caught up in the throes of conflict and distractive politics. Here, political elites have neither the time nor the necessary space to engage in creative thinking concerning how to solve problems such as the growth of poverty and the accompanying destitution of millions of their compatriots.

8.1. Shared vision

Politics and how it is organised and practised is a critical element in determining the degree to which the political elite in any country will have a shared vision of what needs to be done for the national good. That in turn will determine the success or failure of poverty reduction efforts (and in ensuring economic growth), provided they are underpinned by well-considered policies that are arrived at through a problem-solving approach and a willingness to experiment (trial and error), learn and adjust along the implementation continuum. A political elite with a shared vision, which stems from a high degree of inclusiveness with a political settlement, is indispensable to ensuring consistent policy implementation. Even proven policies, if not implemented with consistency (perhaps as a result of instability caused by unrestrained contestations within a political system), will not have much effect. On the other hand, a shared vision, as the Rwanda case illustrates (Golooba-Mutebi and Booth, 2013), is an important prerequisite for success in the pursuit of poverty eradication and ultimately social transformation (see also Booth and Golooba-Mutebi, 2012).

A shared vision can nevertheless be achieved across political party divides. Sometimes this can be achieved by obtaining cross-party consensus on a specific policy approach – for example in Mexico or, to a lesser extent, Brazil, on conditional cash transfers. In Mexico, the programme built in a strong evaluation component, whose results were discussed publicly and in the media. While new political parties in government changed the name of the programme, its essence endured through administrations of different complexions. In India, the high-profile nature of its commitments to rights to various aspects of development (information, employment, education) and associated programmes have been retained through changes of government, though possibly with different degrees of priority. In Ghana, a commitment to focus on and reduce the poverty of the north has been a cross-party priority that has had some results during the past two decades. Nevertheless, tackling poverty can also be a contested area.

8.2. Balancing pro-business with pro-poor policies

In East and Southeast Asia, several governments have prioritised 'growth from below' because they have felt politically vulnerable to possible communist indoctrination and the recruitment of peasants to the cause. This would have probably meant that they would be toppled. To prevent the communists from recruiting the peasantry, they invested heavily in agriculture to ensure that peasants were well fed and that they could also use proceeds from sales of their surplus produce to uplift their own standards of living by spending on the things they needed in life. The prosperity of peasants became the basis for stimulating industrialisation to produce what they needed (Henley, 2015).

In Africa, by comparison, there has not been any such sense of vulnerability that would have triggered similar reactions – except in Rwanda, where a minority government has had to build a broad coalition to govern, and where a famine in 2007 triggered alarm bells, prompting the government to treat agriculture as a priority. There is a similar logic to the Ethiopian government's strong focus on agriculture and 'agriculture-led industrialisation'. African governments have usually aspired to modernity, which they have seen as being synonymous with modern buildings, highways, railways, roads and factories. These concerns took attention away from agriculture, which also came to be associated by many members of elites as representing dead-end backwardness to which most rural–urban migrants never wanted to return.

8.3. Inability of the poorest to engage effectively in politics

The poor usually play a very limited role in politics, often just voting for candidates for political office. This they do in large numbers (Kuenzi and Lambright, 2010). There are specific reasons why this is so in Africa, where politics has features that in effect lock the poor out of active participation. Participation by way of standing for election is financially costly. It entails bribing voters with cash and goods, which poor people cannot afford. Campaigning for election also entails spending large amounts of cash on transport and, in many cases, even on entertainment and refreshments for the audiences that candidates address as they canvass for votes. The other reason is that participation through contacting or pressuring leaders to conduct themselves in certain ways is also difficult and closed-off for the poor. This is because the poor often lack voice, stemming from lack of information and the lack of confidence that goes with it.

As a result, an earlier generation of donor-led anti-poverty initiatives included participatory poverty assessments, precisely to give voice to their concerns[1]. And political theory has talked about 'interlocutors' – people or organisations that can speak for the poor and represent their interests. These could be civil society organisations, social movements, academics[2], journalists or others. Sometimes there are also government agencies, or individuals within them, whose work brings them into frequent contact with poor people, and which can speak on their behalf. Donor agencies committed by their parliaments at home to the Millennium Development Goals and now the SDGs, and especially to the eradication of poverty as their overriding goal, have also sometimes been able to get policies to focus a little more on poverty eradication, though the dangers of this are that these policies will be seen as 'donor policies' and not be seriously implemented or committed to for the long term by governments.

8.4. Political arrangements supporting inclusive growth

Competitive politics in which the poor can influence decisions through electing leaders who will champion and protect their interests has the greatest potential for creating conditions for including the poor in a vision of growth. In contexts where competitive elections have degenerated into competitive clientelism, that potential for inclusion is radically reduced, as candidates for office focus on getting into and staying in power rather than representing a broad constituency. In these situations, competitive politics fails to discipline elected representatives once they are in positions of power and influence. The disciplining effect of competitive multi-party politics stems from its potential to keep elected leaders focused on promoting and defending the interests of their constituents, lest they lose support and lose office through fresh elections.

This, however, assumes a degree of civic competence among electorates that is simply unrealistic in countries with large populations of poor and illiterate people with limited understanding of the potential of elective politics as a tool for influencing the behaviour of their leaders. In these contexts, the political arrangements that carry great potential for including the poor in visions of growth are those that fit the inclusive political settlement paradigm whereby the political elite work together in pursuit of a collective vision of the society they would like to construct. Debates about whether it can be replicated elsewhere aside[3], in Africa today perhaps Rwanda presents the best example of the kind of shared vision underlain by an elite consensus that is driven to a significant degree by ambitions to eradicate poverty as a means to a building a new society devoid of the past strife and instability in which deprivation played an important role (Kabano, 2010; Kimonyo, 2017).

Notes

1 See, for example, Robb (2002).

2 For example, India's Centre for Equity Studies (http://centreforequitystudies.org/).

3 See, for example, Crisafulli and Redmond (2012); and Cheeseman (2018).

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Annexes

The Fourth Chronic Poverty Report Growth

Woman walking. Mali. Photo: Curt Carnemark / World Bank

Annex 1: Key indicators for countries with over 5 million poor

Country	GDP growth rate (annual %)	GDP per capita	Gini	PHC US$1.90 reduction, annual	NRR (% of GDP)	Divers. Index	GovEff.	Crude births	PP²G	GIC period
LIC/SCAPS with no data on progress										
Afghanistan	8.07	1453.38			2.50	0.75	-1.45	42.62		
Korea, Dem. Rep.										
Weakly performing LICs/SCAPS										
Burundi	3.34	706.47	34.48	-0.49	24.80	0.74	-1.23	43.96	Relative	1998–2006
Haiti	1.18	1610.70	60.22	-0.21	2.00	0.74	-1.51	28.17		
Madagascar	2.83	1401.19	42.10	0.78	6.83	0.75	-0.69	37.26	Anti	2001–2010
Malawi	4.50	950.63	45.13	-0.21	9.78	0.83	-0.59	42.19	Absolute	2004–2010
Mali	4.69	1746.09	35.88	-0.52	10.68	0.84	-0.75	47.93	Relative	2001–2010
Rwanda	7.72	1167.56	50.69	-1.34	7.04	0.79	-0.35	38.03	Relative	2000–2011
Zimbabwe	-1.04	1746.21	43.15	0.96	10.32	0.77	-1.21	32.10		
Stronger performing LICs										
Burkina Faso	5.61	1322.93	39.80	-1.98	10.76	0.81	-0.61	43.96	Absolute	2003–2009
Congo, Dem. Rep.	4.77	570.91	42.13	-1.74	29.53	0.81	-1.68	45.31		
Ethiopia	8.95	914.91	31.78	-2.36	20.00	0.74	-0.61	37.78	Absolute	2000–2011
Mozambique	7.49	814.16	45.84	-1.86	12.64	0.79	-0.53	42.47	Absolute	2003–2008
Niger	4.75	807.26	36.04	-2.66	11.94	0.80	-0.76	51.02	Relative	2005–2008
Tanzania	6.58	1939.25	38.60	-3.15	6.99	0.77	-0.49	41.16	Absolute	2000–2007
Uganda	6.60	1407.27	43.02	-2.47	13.89	0.78	-0.48	46.01	Relative	2002–2009

Country	GDP growth rate (annual %)	GDP per capita	Gini	PHC US$1.90 reduction, annual	NRR (% of GDP)	Divers. Index	GovEff.	Crude births	PP²G	GIC period
L-LMICs with no data										
Myanmar	10.86	2802.90			9.09	0.80	-1.49	18.78		
Lower-progress L-LMICs										
Cameroon*	3.83	2573.65	43.99	0.07	11.32	0.76	-0.82	39.65	Relative	2001–2007
Côte d'Ivoire	2.18	2783.80	42.79	0.21	8.18	0.73	-1.13	36.90	Anti	2002–2008
Kenya	4.39	2405.92	48.25	-0.50	3.55	0.69	-0.57	37.64	Anti	1997–2005
Zambia	6.76	2807.28	53.93	1.20	14.75	0.84	-0.75	43.97	Anti	2003–2010
Higher-progress L-LMICs										
Bangladesh	5.74	2200.53	32.64	-1.70	4.41	0.84	-0.75	22.95	Relative	2000–2010
India	6.95	3741.90	35.15	–2.17	5.73	0.53	-0.07	22.78	Absolute	2005–2010
Pakistan	4.12	4077.85	31.22	-1.83	6.09	0.75	-0.59	27.81	Relative	2002–2008

* The GIC for Cameroon indicates relative PP²G but the poverty reduction trend shows an increase. So one of the two (poverty data or GIC data) is very likely incorrect – or both.

Notes: Average values over 2000–2014 period, except Gini and poverty reduction. PHC190 and Gini values over a subset of 2000–2014 period (mainly 2002–2013). Group changers: Zimbabwe (had no data available before), DRC and Mozambique (weakly performing LIC before), Nigeria (lower-progress U-LMIC before), Rwanda (stronger performing before).

Annex 2: Human development as a factor in chronic poverty

Many chronically poor people have been negatively affected by factors driving the intergenerational transmission of poverty, which generate outcomes with life-long consequences (Bird, 2007; Bird and Higgins, 2011).

Poor early childhood nutrition is the principle cause of stunting and wasting. Stunting, owing to poor nutrition in children under three, is irreversible and has long-run consequences. Affected individuals have a greater propensity to adult obesity, lower cognitive capacity and smaller stature and lower physical strength as adults (with significant consequences for people who commonly rely on either drudgery-intensive livelihoods or aspire to completing their education and gaining high-skilled employment).

Using the most recent data available,[1] we see that China and Brazil[2] have brought down stunting and wasting dramatically over the past 30 years, but Nigeria,[3] Kenya[4] and India[5] have not performed so well (see Table A1).

These figures indicate the very high numbers of people whose futures have been blighted irreversibly by childhood poverty, increasing the likelihood of the intergenerational transmission of poverty. The persistence of childhood hunger and undernutrition suggests that meeting the first two targets of SDG 2[6] will be a real challenge to many countries.

Poor health increases the working days lost to illness and constrains life expectancy, with implications for life-long earnings.[7] The ill-health or death of a breadwinner is one of the key drivers of downward mobility and can be responsible for pulling a poor family into such severe poverty that exit is beyond reach (Krishna, 2010).[8]

Poor education also limits life-long earnings by constraining access to well-paid jobs with good levels of job security and decent conditions of service. Although primary enrolment rates have been driven up over the past two decades and the gender gap has declined, much work still needs to be done – China's female net primary enrolment rate went down from 94.4% in 1992 to 77.2% in 1997. For Brazil, the statistics have fluctuated but the trend has been flat, changing only from 92.1% in 2004 to 92.4% in 2014. Ghana, which has consistently prioritised education since independence, saw a female enrolment rate of 60.2% in 1999, increasing to 83.9% in 2013 and 88.7% in 2014. India saw a rapid increase in the early 2000s, from 72.8% in 2000 to 82.6% in 2003 (World Bank database).[9]

Among developing countries, Botswana, Nicaragua and Costa Rica have fully closed their educational attainment gender gaps. However, 17 of the 144 countries in the WEF's 2016 index have gender gaps in education of more than 10% and eight have gaps of more than 20%. LICs are more likely to underperform in terms of progress in eradicating gender gaps in education, but some low-income countries outperform richer countries, including Nepal, Zimbabwe and Rwanda, which have closed more than 90% of their education gender gaps, with Nepal closing a significant 18% in the past 11 years (WEF, 2016).

Table A1: Stunting and wasting in selected countries

	India		Nigeria		Kenya		Brazil		China	
Data year	**1989**	**2015/16**	**1990**	**2015**	**1987**	**2014**	**1989**	**2006/07**	**1987**	**2010**
Stunting (%)	66.2	38.4	50.5	32.9	34.8	26	19.4	7.1	38.3	9.4
Wasting (%)	21.3	21	22.7	7.2	5.7	4	2.8	1.6	4.2	2.3
Severe wasting (%)		7.5		1.8		0.9		0.4		0.7

Source: World Bank/UNICEF/WHO database

Notes

1 https://data.unicef.org/topic/nutrition/malnutrition/

2 Stunting in China was 38.3% in 1987 but had been brought down to 17.8% by 2000 and further to 9.4% by 2010. In Brazil, stunting was 19.4% in 1989, 13.5% in 1996 and 7.1% by 2006/07.

3 In Nigeria, stunting was brought down from 50.5% in 1990 to 41% in 2008 and 32.9% in 2015.

4 In Kenya, child stunting was at 37% in 1989 and fluctuated around the 40% mark in the years following, reducing to 35.8% in 2003 and further to 26% by 2014.

5 Stunting was widely prevalent in India thirty years ago – at 62.7% in 1988–1990. This was reduced to 54.2% by 1998/99 and to 38.4% in 2015/16.

6 SDG 2 'End hunger, achieve food security and improved nutrition, and promote sustainable agriculture', target 1: 'By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round'; target 2: 'By 2030, end all forms of malnutrition, including achieving, by 2025, the internationally agreed targets on stunting and wasting in children under 5 years of age, and address the nutritional needs of adolescent girls, pregnant and lactating women and older persons'.

7 Loss of work through illness or disability can be measured using disability adjusted life years (DALYs). One DALY can be thought of as one lost year of 'healthy' life. The sum of these DALYs across the population, or the burden of disease, can be thought of as a measurement of the gap between current health status and an ideal health situation where the entire population lives to an advanced age, free of disease and disability.

8 Helping people avoid descending into poverty as a result of ill-health could include risk-pooling and social insurance, better health service provision and oversight and safeguards against malpractice by providers (Krishna, 2010).

9 WEF (2016) presents the most recent data on the gender gap in primary enrolment rates: Brazil (female 91%, male 90% – male-to-female ratio 1), China (no data), India (female, 93%, male 92% – male-to-female ratio 1.01) and Ghana (female 91%, male 91% – male-to-female ratio 1).

Annex 3: Relative, absolute and anti-poorest growth

	Relative	Y1	Y2	Absolute	Y1	Y2	Anti	Y1	Y2
Low growth (below mean)	Bolivia	2000	2008	Costa Rica	2000	2009	**CAR**	2003	2008
	Brazil	2001	2009	Croatia	2000	2008	Côte d'Ivoire	2002	2008
	Burundi	1998	2006	Ghana	1998	2006	Guatemala	2000	2006
	Cameroon	2001	2007	**Guinea**	2003	2007	Honduras	2001	2009
	Chile	2000	2009	Hungary	2000	2007	Kenya	1997	2005
	Dominican Republic	2000	2010	Kyrgyz Republic	2002	2011	**Madagascar**	2001	2010
	Ecuador	2000	2010	Senegal	2001	2011	Mauritania	2000	2008
	El Salvador	2001	2009	South Africa	2000	2009	Serbia	2002	2010
	Latvia	2002	2009	Swaziland	2001	2010	Seychelles	2000	2007
	Mexico	2000	2010	**Togo**	2006	2011	Slovenia	2002	2004
	Montenegro	2005	2010						
	Nepal	2003	2010						
	Paraguay	2001	2011						
	Philippines	2000	2009						
	Poland	2000	2010						
	Romania	2000	2011						
	Russian Federation	2001	2009						
	Tunisia	2000	2010						
	Ukraine	2002	2010						
	Venezuela, RB	2001	2006						

	Rel	Y1	Y2	Abs	Y1	Y2	Anti	Y1	Y2
High growth	Angola	2000	2009	Albania	2002	2008	Zambia	2003	2010
	Armenia	2001	2010	**Burkina Faso**	2003	2009			
	Bangladesh	2000	2010	**Ethiopia**	2000	2011			
	Belarus	2000	2011	Georgia	2000	2010			
	Bulgaria	2001	2007	India	2005	2010			
	Estonia	2000	2004	Indonesia	2002	2010			
	Jordan	2003	2010	Lithuania	2000	2008			
	Kazakhstan	2001	2009	**Malawi**	2004	2010			
	Mali	2001	2010	**Mozambique**	2003	2008			
	Niger	2005	2008	**Tanzania**	2000	2007			
	Nigeria	2004	2011	Turkey	2002	2010			
	Pakistan	2002	2008						
	Panama	2001	2010						
	Rwanda	2000	2011						
	Sierra Leone	2003	2011						
	Slovak Republic	2004	2009						
	Sri Lanka	2002	2010						
	Tajikistan	2003	2009						
	Uganda	2002	2009						
	Uruguay	2006	2010						

Annex 4: Codes to categorise growth into proposed typology

Growth from below	Growth from above	Both
Facilitation of orderly, safe, regular and responsible migration and mobility	Water supply and sanitation – large systems	Basic life skills for youth and adults
Energy generation, renewable sources – multiple technologies	Water supply – large systems	Vocational training
Informal/semi-formal financial intermediaries	Sanitation – large systems	River basin' development
Remittance facilitation, promotion and optimisation	Public sector policy and administrative management	Decentralisation and support to subnational government
Agricultural policy and administrative management	Public finance management	Domestic revenue mobilisation
Agricultural development	Anti-corruption organisations and institutions	Women's equality organisations and institutions
Agricultural land resources	Transport policy and administrative management	Employment policy and administrative management
Agricultural water resources	Road transport	Telecommunications
Agricultural inputs	Rail transport	Radio/television/print media
Food crop production	Water transport	Information and communication technology (ICT)
Industrial crops/export crops	Air transport	Hydro-electric power plants
Livestock	Education and training in transport and storage	Solar energy
Agrarian reform	Energy education/training	Wind energy
Agricultural alternative development	Energy conservation and demand-side efficiency	Geothermal energy
Agricultural extension	Marine energy	Biofuel-fired power plants
Agricultural education/training	Financial policy and administrative management	Energy generation, non-renewable sources, unspecified
Agricultural research	Monetary institutions	Coal-fired electric power plants
Agricultural services	Formal sector financial intermediaries	Oil-fired electric power plants
Plant and post-harvest protection and pest control	Education/training in banking and financial services	Natural gas-fired electric power plants
Agricultural financial services	Business support services and institutions	Fossil fuel electric power plants with carbon capture and storage (CCS)
Agricultural co-operatives	Privatisation	Non-renewable waste-fired electric power plants
Livestock/veterinary services	Industrial policy and administrative management	Hybrid energy electric power plants
Forestry policy and administrative management	Industrial development	Nuclear energy electric power plants
Forestry development	Textiles, leather and substitutes	Electric power transmission and distribution
Fuelwood/charcoal	Chemicals	Agro-industries

Growth from below	Growth from above	Both
Forestry education/training	Cement/lime/plaster	Urban development and management
Forestry research	Energy manufacturing	Multisector education/training
Forestry services	Pharmaceutical production	General budget support-related aid
Fishing policy and administrative management	Basic metal industries	
Fishery development	Non-ferrous metal industries	
Fishery education/training	Engineering	
Fishery research	Transport equipment industry	
Fishery services	Technological research and development	
SME development	Mineral/mining policy and administrative management	
Cottage industries and handicraft	Mineral prospection and exploration	
Forest industries	Coal	
Fertilizer plants	Oil and gas	
Rural development	Ferrous metals	
Non-agricultural alternative development	Nonferrous metals	
Emergency food aid	Precious metals/materials	
	Industrial minerals	
	Fertilizer minerals	
	Offshore minerals	
	Construction policy and administrative management	
	Trade policy and administrative management	
	Trade facilitation	
	Regional trade agreements (RTAs)	
	Multilateral trade negotiations	
	Trade-related adjustment	
	Trade education/training	
	Tourism policy and administrative management	
	Research/scientific institutions	
	Import support (capital goods)	
	Import support (commodities)	