July 2005

chronicpoverty update

Chronic Poverty
Research Centre

Making **Chronic** Poverty History

2005 is a critical year in the quest to Make Poverty History:

- Ten years on from the World Summit for Social Development in Copenhagen, when world leaders first committed themselves to the goal of eliminating absolute poverty

- Ten years to 2015, the target date for halving the proportion of people living in poverty under the Millennium Development Goals strategy, agreed by 150 heads of state and government at the Millennium Summit at the UN in New York.

Five years into the MDG strategy, the efforts of poor people, NGOs and developing country governments are making an impact. But we know that even if the MDGs are met in full, many people will remain in poverty beyond 2015. So understanding what keeps people poor and the policy options that can break the cycle of chronic poverty are critical – because Making Poverty History means not just helping those who are easiest to reach. It means reaching people who are excluded or exploited, earning very low incomes, with few assets, unable to take up the opportunities the global economy presents for some.

This Update explains why addressing chronic poverty is a prerequisite for MPH. It uses graphs to underline the need for more resources – especially for the social sectors. It also looks briefly at cash transfers – one way of providing the poorest with both practical assistance and more control.

A September 2005 Update will give more detail on chronic poverty research and country level activity.

Bernd Schubert, Lead Consultant, GTZ

Kalomo in Zambia, where cash transfers are reaching the poorest households

"A Landmark Report - a demand for urgent action"

Chancellor Gordon Brown launching the Chronic Poverty Report.

The importance of ensuring that the poorest people benefit from development policy – and a recognition that eliminating poverty means addressing the rights and needs of those outside the economic or social mainstream – were key themes stressed at the launch of the first Chronic Poverty Report.

Underlining the intergenerational nature of chronic poverty, International Development Secretary Hilary Benn, argued that “the worst thing you can do as a parent is to bequeath to your children, your poverty.

“If we really are going to make progress towards the MDGs… we need to understand how to make development work for this group of the poor – and we cannot do it without them”.

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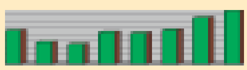
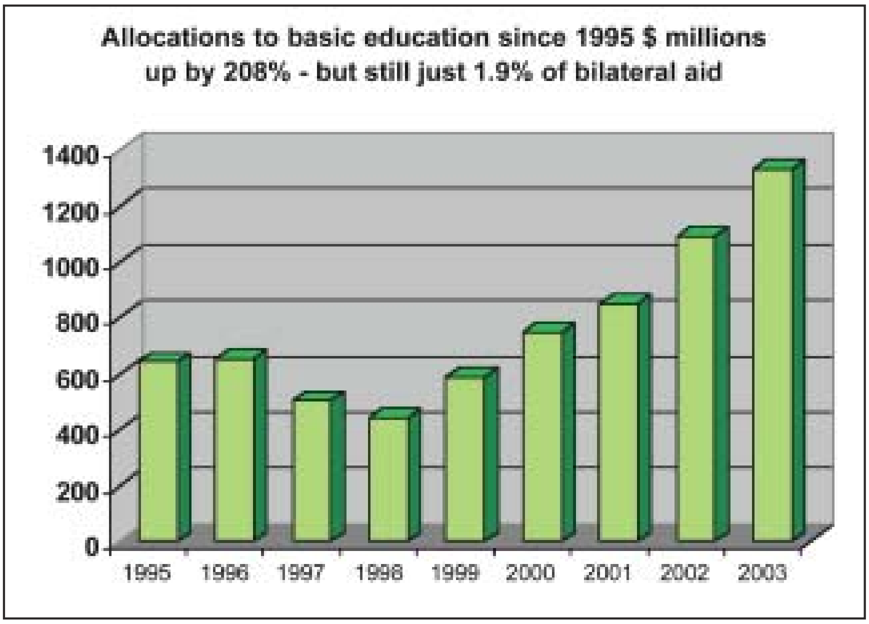
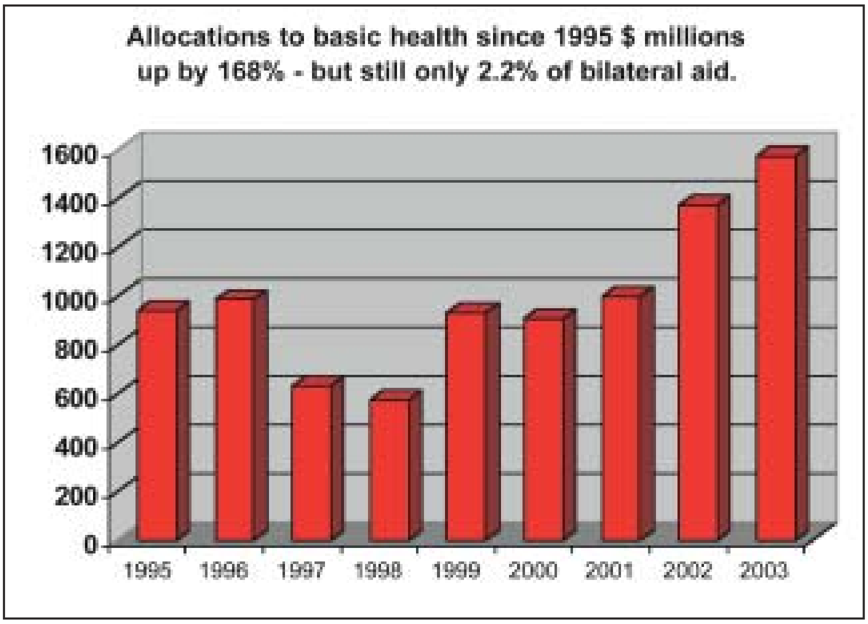
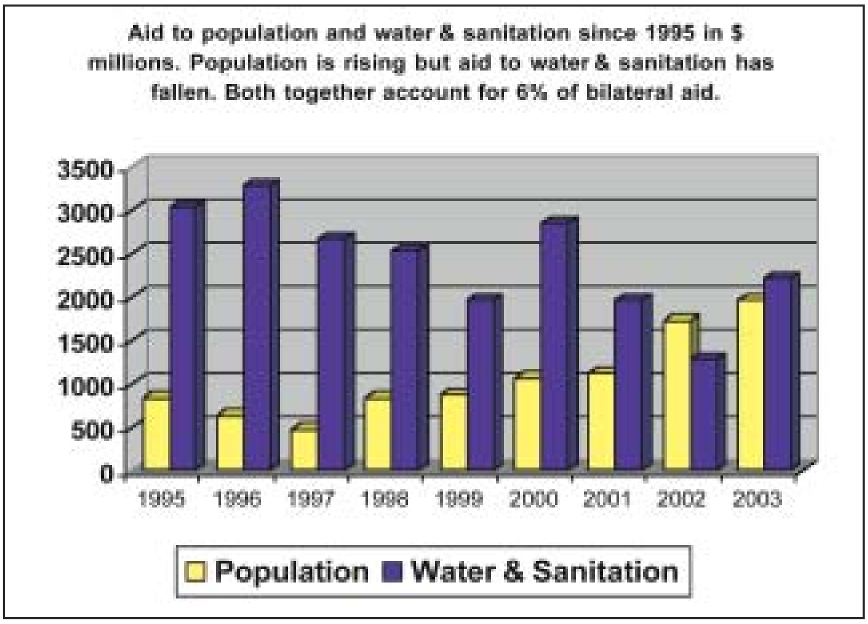


see inside for analysis of donor performance on aid for the poorest







At the 1995 World Summit for Social Development in Copenhagen, world leaders made a number of commitments:

Commitment 2

We commit ourselves to the goal of eradicating poverty in the world, through decisive national actions and international cooperation, as an ethical, social, political and economic imperative of humankind.

Commitment 6

We commit ourselves to promoting and attaining the goals of universal and equitable access to quality education…the access of all to primary health care, making particular efforts to rectify inequalities relating to social conditions and without distinction as to race, national origin, gender, age or disability…The purpose of these activities is to eradicate poverty, promote full and productive employment and foster social integration.

Commitment 7

We commit ourselves to accelerating the economic, social and human resource development of Africa and the least developed countries.

Commitment 9

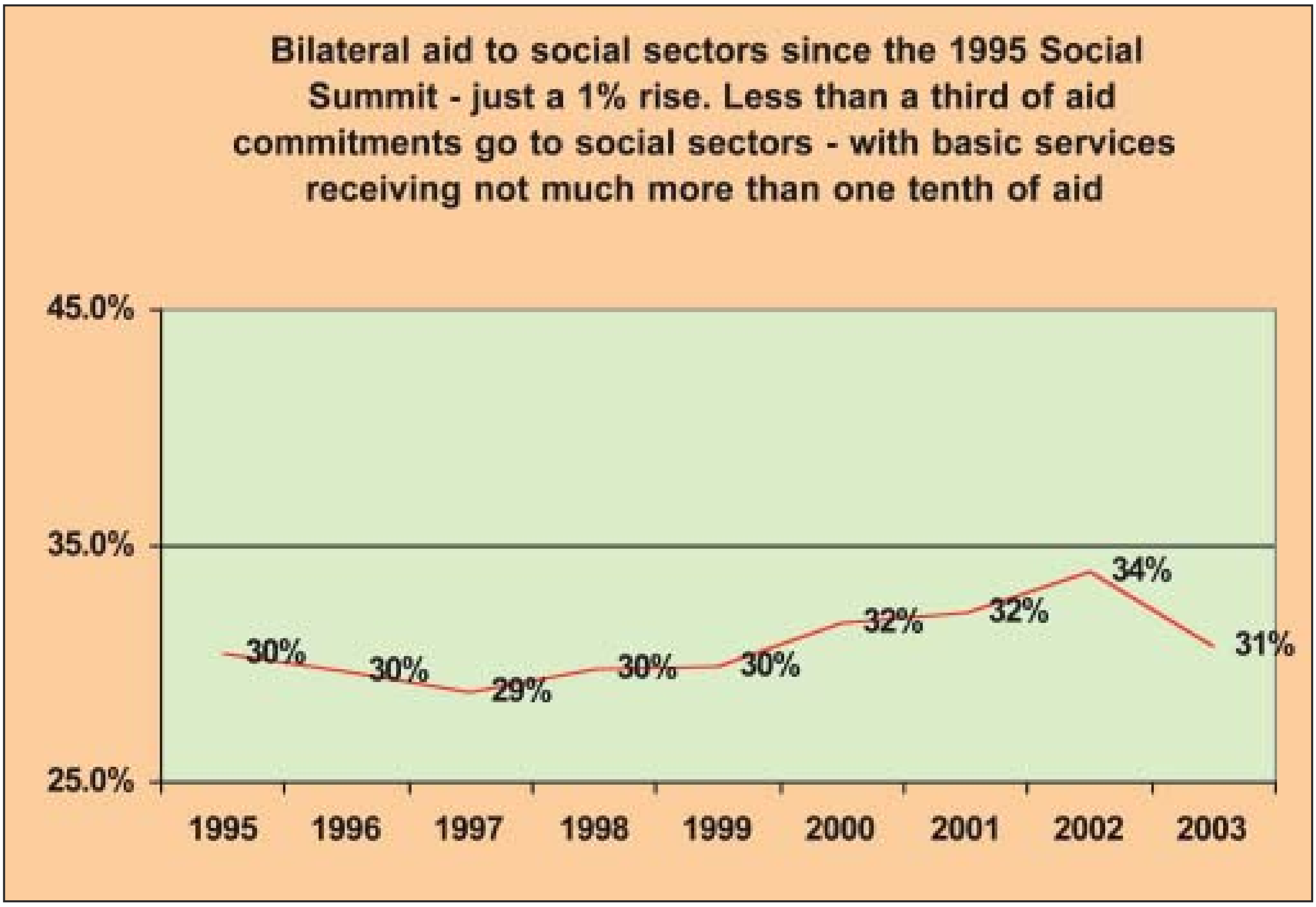
We commit ourselves to increasing significantly and/or utilizing more efficiently the resources allocated to social development in order to achieve the goals of the Summit through national action and regional and international cooperation.

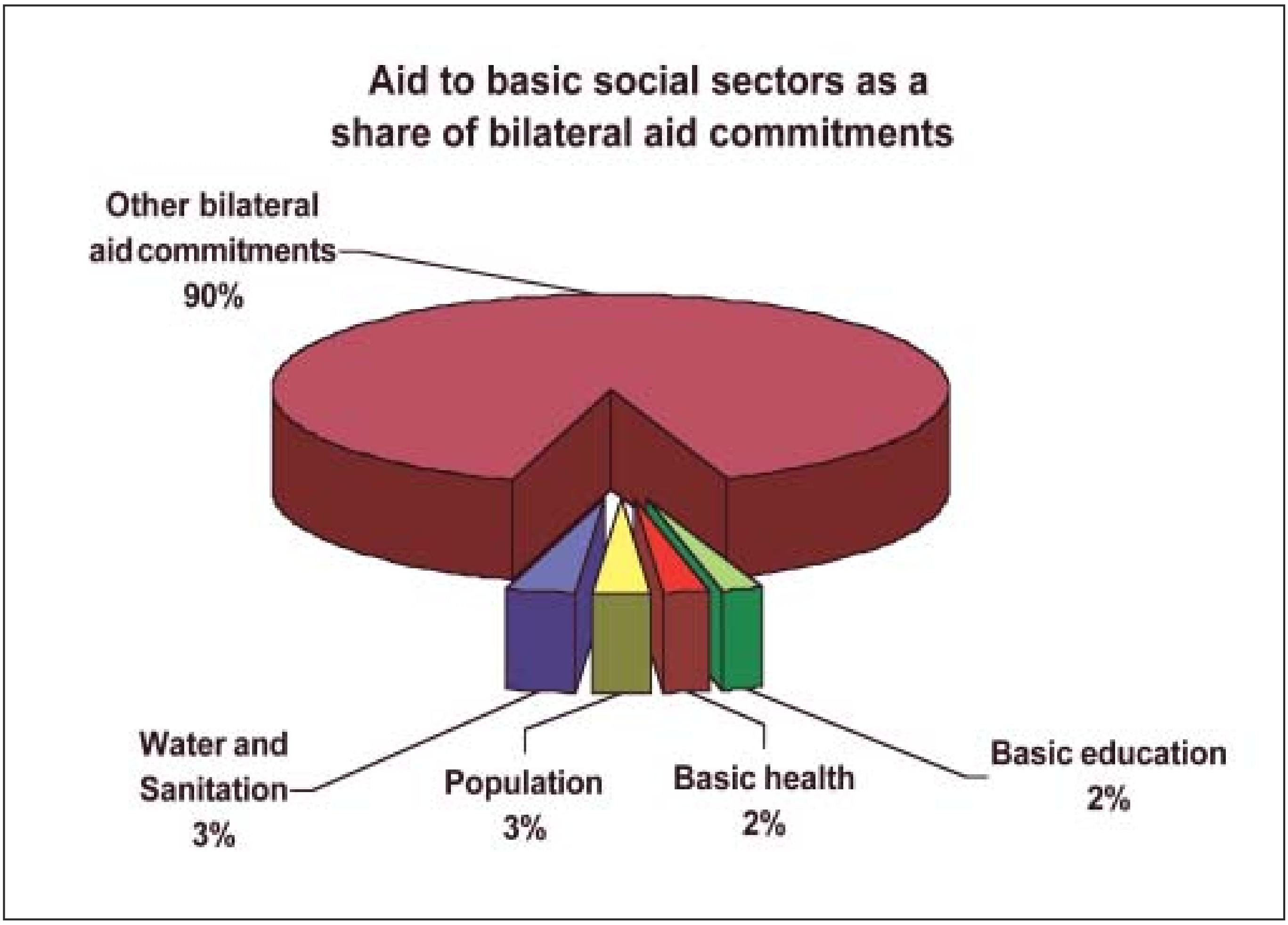
(i) At the international level, we will:
Seek to mobilize new and additional financial resources that are both adequate and predictable

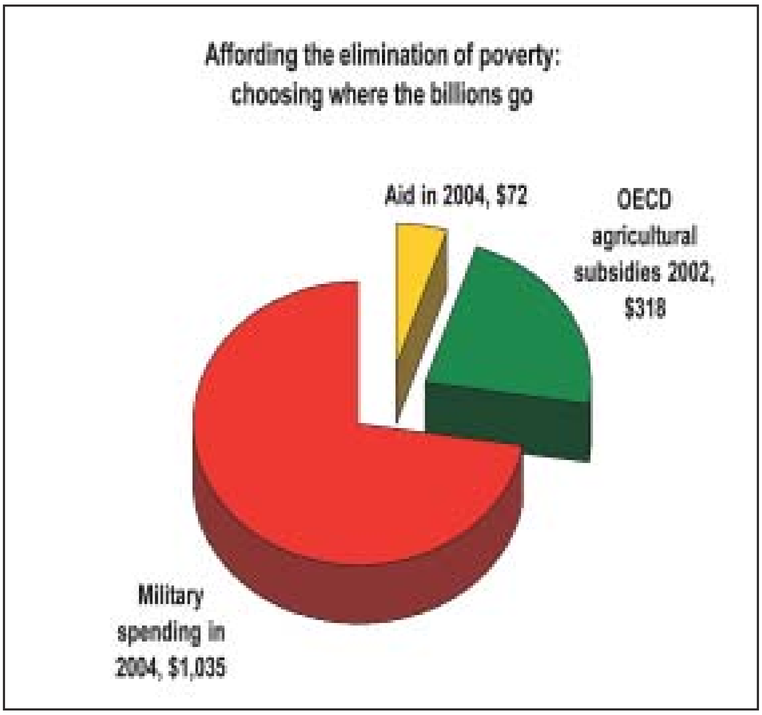
(l) Strive for the fulfilment of the agreed target of 0.7 per cent of gross national product for overall official development assistance as soon as possible, and increase the share of funding for social development programmes.

All of these commitments have an important part to play in Making Poverty History. But they are especially important in the context of tackling chronic poverty, because action on social development is central to combating exclusion, exploitation and the many obstacles that keep millions locked in poverty.

So the following pages present a series of graphs which chart progress – or lack of progress – on providing the social sector resources necessary to make chronic poverty history.


Bilateral aid to social sectors since the 1995 Social Summit - just a 1% rise. Less than a third of aid commitments go to social sectors - with basic services receiving not much more than one tenth of aid
45.0%
35.0%
25.0%
30%
30%
29%
30%
30%
32%
32%
34%
31%
1995
1996
1997
1998
1999
2000
2001
2002
2003


Aid to basic social sectors as a share of bilateral aid commitments
Other bilateral aid commitments 90%
Water and Sanitation 3%
Population 3%
Basic health 2%
Basic education 2%

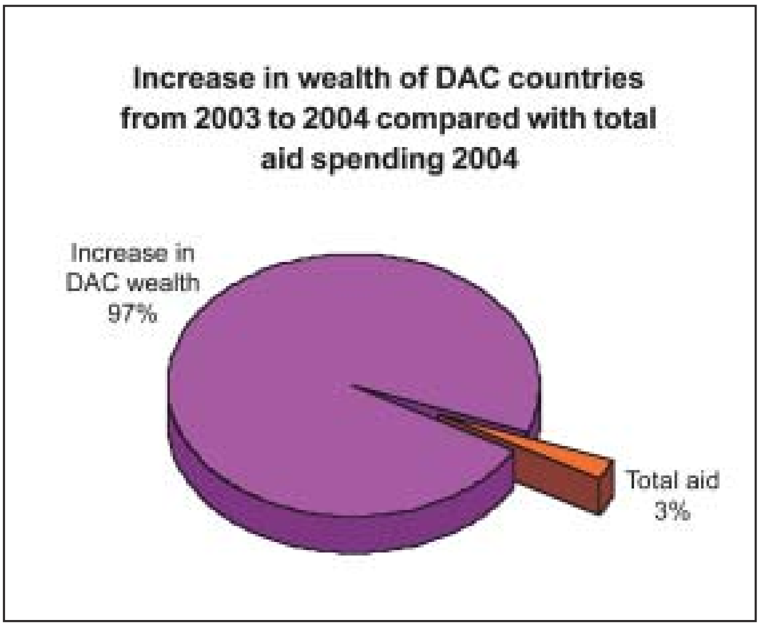


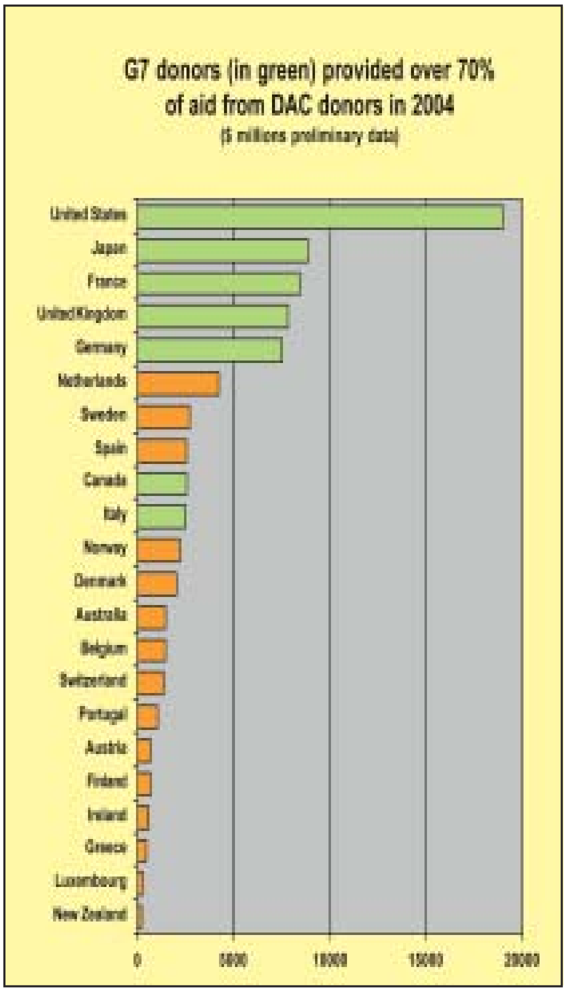
G7 countries aspire to a leadership role in the international community. But whilst as a group they provide almost three quarters of global aid (top right), as a share of what they can afford – their national wealth – G7 donors certainly do not lead the way. In fact three G7 members, Italy, the USA and Japan, are at the bottom of the generosity league (bottom right).

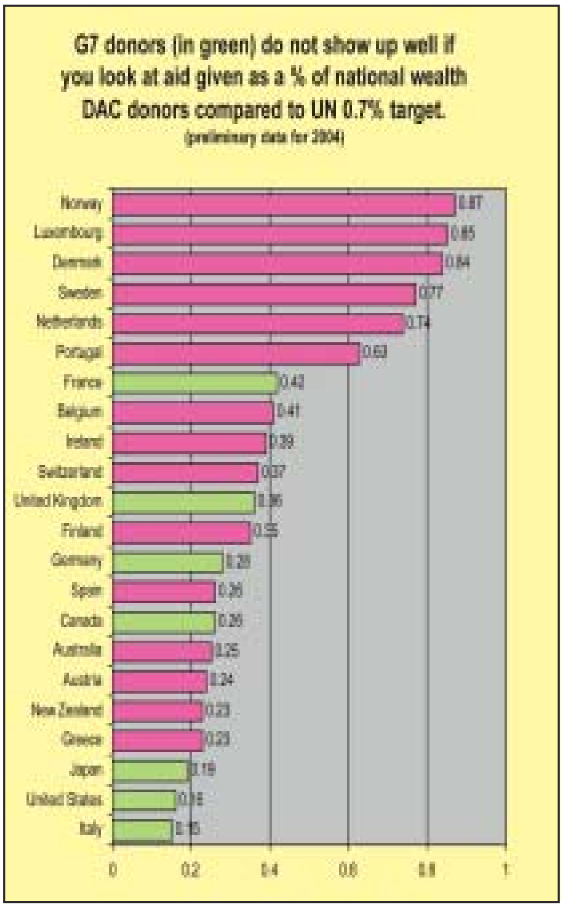
Aid is particularly important to people living in chronic poverty, because they are the least likely to benefit from private investment flows and are often bypassed by economic growth.

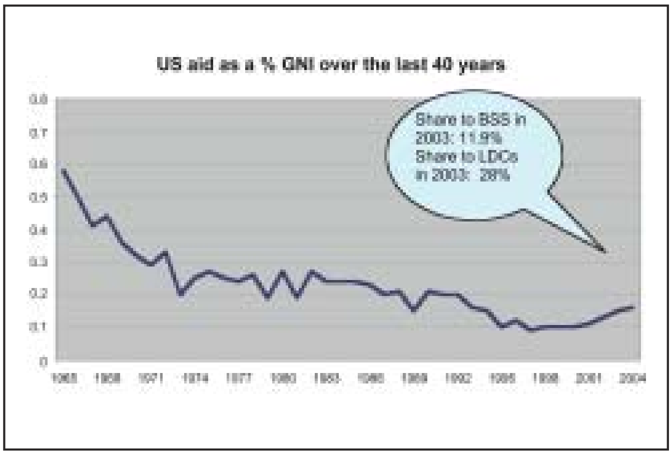
It is quite clear that major aid increases are affordable – see comparison of aid, military spending and agricultural subsidies above. The increase in wealth of donor countries from 2003 to 2004 dwarfed total spending on aid in 2004 – graph below.

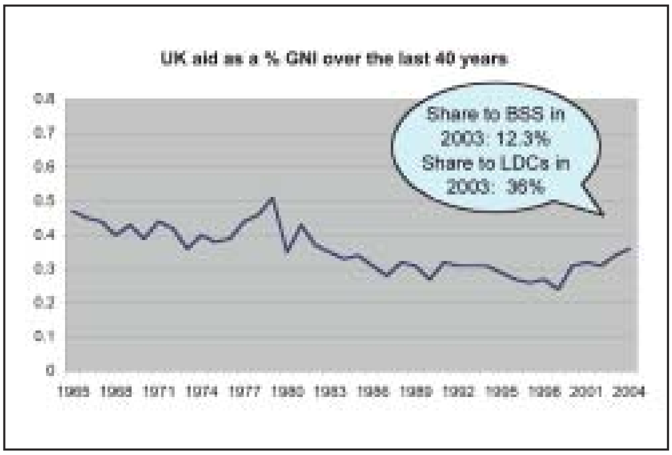
On page 5, graphs compare the generosity of all G7 donors and the 4 donors who consistently exceed the 0.7% aid target. The graphs also percentages of aid to Least Developed Countries and to the basic social services – especially important to people living in chronic poverty.



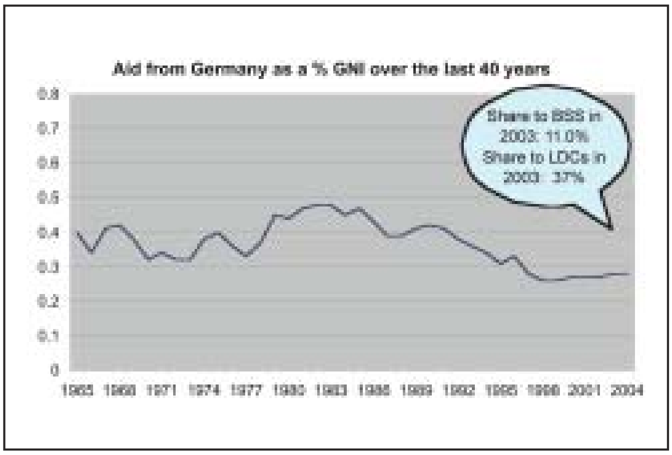


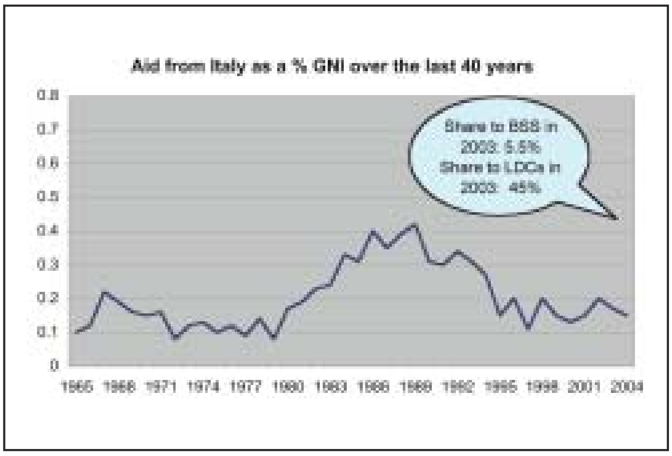


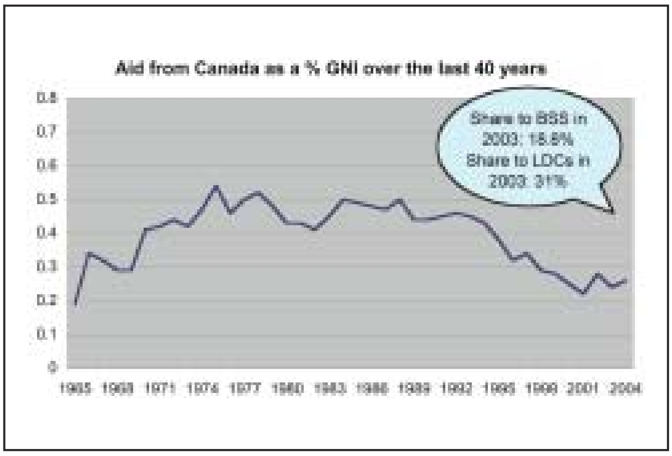

US aid as a % GNI over the last 40 years
Share to BSS in 2003: 11.9% Share to LDCs in 2003: 28%

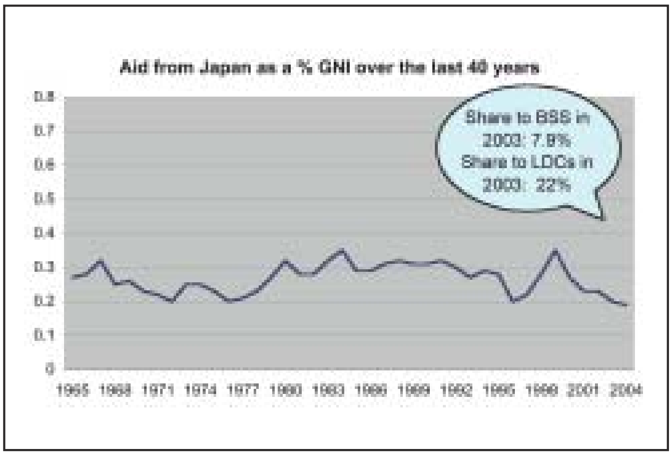

UK aid as a % GNI over the last 40 years
Share to BSS in 2003: 12.3% Share to LDCs in 2003: 36%

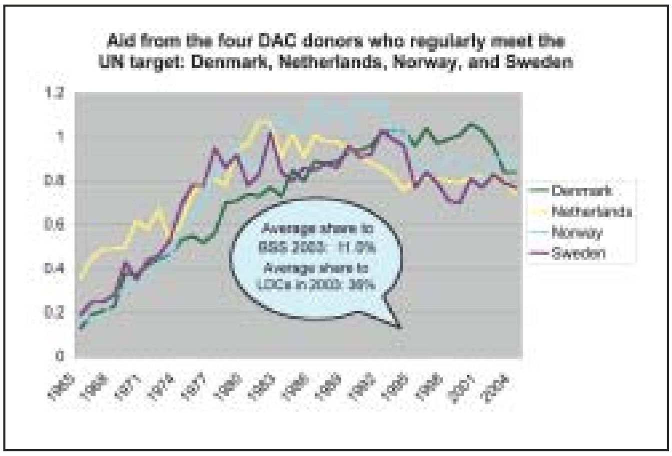

Aid from France as a % GNI over the last 40 years
Share to BSS in 2003: 5.6% Share to LDCs in 2003: 41%


Aid from Germany as a % GNI over the last 40 years
Share to BSS in 2003: 11.0% Share to LDCs in 2003: 37%


Aid from Italy as a % GNI over the last 40 years
Share to BSS in 2003: 5.5% Share to LDCs in 2003: 45%


Aid from Canada as a % GNI over the last 40 years
Share to BSS in 2003: 18.6% Share to LDCs in 2003: 31%


Aid from Japan as a % GNI over the last 40 years
Share to BSS in 2003: 7.9% Share to LDCs in 2003: 22%


Aid from the four DAC donors who regularly meet the UN target: Denmark, Netherlands, Norway, and Sweden
Average share to BSS 2003: 11.0% Average share to LDCs in 2003: 38%
Denmark
Netherlands
Norway
Sweden

Emerging evidence that cash transfer schemes can offer affordable and effective social protection - even in the poorest countries - is attracting increasing donor attention. Even modest transfers that are predictable and stable, can be spent according to the priorities of poor people themselves, and can have a positive impact on social welfare - as well as stimulating local markets and economic growth.

Cash transfers make up a central part of social welfare programmes in industrialised countries around the world. But their potential role in developing countries has yet to be fully explored. In Latin America, schemes such as Brazil's Bolsa FamÍlia (discussed below) and Mexico's Oportunidades are reaching large numbers of poor households. But so far, similar large scale schemes in Africa and Asia are few and far between, raising questions over their transferability to different contexts.

The World Bank's Development Research Group has decided to undertake a meta-evaluation of cash transfer programmes in Cambodia, Bangladesh, Pakistan, Burkina Faso and Lesotho, to assess under what circumstances they work in comparison with alternative strategies.

As donors work to harmonise, pool funds and increase aid effectiveness, they are looking at how cash transfer schemes might offer practical ways of implementing these agendas – as well as how transfer schemes might be effective in reaching those who may be bypassed by other interventions.

The Commission for Africa has acknowledged the potential of social protection and cash transfers in Africa. As the Commission for Africa Report states,

"Childcare grants, disability allowances, pensions, and other direct transfers of cash can be used even in countries with poor infrastructure, little capacity to deliver services or no interest in reform."

Cash transfers are not a panacea for poverty eradication. But as the World Bank prepares the 2006 World Development Report on the role of equity in development, renewed attention is being paid to interventions with an element of redistribution and there is a growing suggestion that social protection can be seen not in terms of mitigation and cost – but in terms of investment.

The Bolsa Família Scheme: Brazil

The Bolsa Familia conditional cash transfer programme is part of the wider government public policy Zero Fome (Zero Hunger) aimed at reducing hunger, poverty and social exclusion in Brazil.

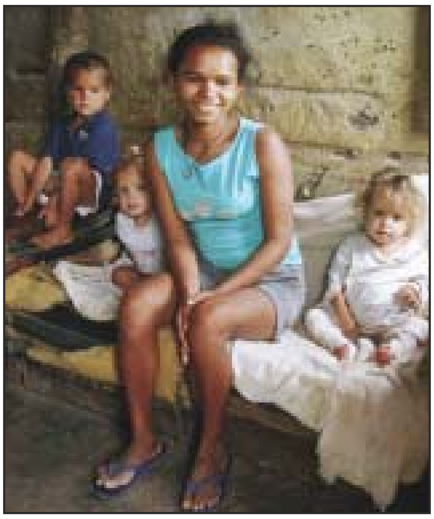
It is important to note the context. Brazil is a society with massive income inequality - the top 1% of earners in Brazil own as much as the poorest 50% of the population. Large proportions of the population have been missed by economic development and often suffer from long-term unemployment. In this context, cash transfers have been shown to be a useful tool as part of a wider social welfare programme.

Bolsa Familia (family stipend) has unified a number of government poverty reduction initiatives, such as the gas allowance and education stipend, under one umbrella programme. Conditional cash transfers as provided by the Bolsa Familia programme are currently reaching around 7 million households throughout Brazil - or 28 million people in total, making it the largest cash transfer programme in the world.

Eligible beneficiaries are identified through their per capita incomes. If a family's income is below $40 per month, they are considered to be below the poverty line and eligible for the scheme. Beneficiaries receive a monthly payment of $20, which increases according to the number of children in the household. People can spend the transfer as they wish but the money is conditional, meaning that if beneficiaries do not comply, they will no longer be eligible for the scheme. Conditionalities, or incentives as they are described, include school attendance of children between the ages of 6 and 15 years, anti-natal classes for pregnant mothers and vaccines for children under seven years of age.

The programme is making a significant difference to the lives of many of the poorest families in Brazil. For instance, the conditions on health care and education mean that more children are in school and not engaging in child labour. Even though basic education and health care are enshrined rights in the Brazilian constitution, more children are now said to be accessing these services. Food security and family budgets have improved and the transfer has been shown to be particularly important for those who lack access to regular remunerated work. Local commerce has also been stimulated due to the transfer programme.

The scheme aims to reach all 11.2 million households below the poverty line in Brazil by December 2006.



Antonio Claret, Brazilian Ministry of Social Development

The Kalomo Social Cash Transfer Scheme: Zambia

The Kalomo social cash transfer scheme is a pilot programme initiated by the Zambian Ministry of Community Development and Social Services (MCDSS) and supported by GTZ. It reaches 1,000 of the poorest 10% of households in two districts in Zambia. The distinguishing feature of Kalomo is that it is unconditional thereby enabling beneficiaries to have full autonomy in how they spend the transfer.

In order to ensure that the poorest and most vulnerable families are reached, an innovative approach is implemented by the Public Welfare Assistance Scheme, a structure already present in Zambian local district councils. Volunteers are trained in a multi-stage, participatory process in order to rank and identify the poorest 10% of households in the area.

A hunger poverty line is used to identify the poorest households in the district, rather than an income poverty line. It was believed that food consumption levels better reflected a household's ability to meet basic needs and is also more closely linked to a person's well being than income. As 50% of all households in Zambia are food poor, an additional critical line looking at household structure is used to identify those who are unable to work or left out by traditional poverty reduction strategies such as food for work programmes. These households can be viewed as 'non-viable' and represent the most chronically poor and incapacitated households in the district.

Once the families in most critical need have been identified, bank accounts are set up for those living within 15Km of the main town. 19 pay points have been opened in schools and rural health care centres for those living further afield. Households with children receive U$ 8 per month and those without, U$6 per month. This amount is equivalent to the price of a 50kg bag of maize, which would enable families to have an additional meal everyday.

Evaluations and observations of the scheme demonstrate how effectively people use their transfers - resulting in a range of positive multiplier effects. In addition to food, people also buy other commodities such as soap, blankets and clothing - stimulating local markets.

People also regularly invest in their children's education and health care for sick family members. Small investments and the accumulation of assets have also been observed with the purchase of chickens, goats and seeds. Such findings reinforce the premise that poor people themselves are able to best decide how to spend their money according to their own needs and priorities.

The cost of the scheme for 1000 households in two agricultural blocks in Kalomo is $106,000 including administration fees. If this was scaled up to include the poorest 10% of all households in Zambia, the cost would be $21.2 million - 4% of the total inflow of overseas aid to the country and around 0.5% of Zambia's Gross National Income.

The World Food Programme have requested $45 million in food aid for Zambia this year alone - equating to around $250 per household. Cash transfers, based on the Kalomo experience, would only cost around $100 per household and have the additional benefit of being paid directly into the hands of poor people, thus cutting out arguments surrounding corruption and diversion. Furthermore, food transfers can have a damaging affect on local food markets whereas cash transfers have been shown to actually stimulate local markets.

Pictures supplied by Dr Bernd Schburt, Lead Consultant of the Kalomo Pilot Scheme

Household Composition of Target Families under the Kalomo Scheme:

- 84% of beneficiary households are elderly or female headed
- 50% have been identified as AIDS affected
- Over 60% of household members are children
- 71% of these children are orphans.

Why addressing chronic poverty is central to Making Poverty History

"When we all signed up to the Millennium Declaration, which committed us to making the right to development a reality for everyone, and to freeing the entire human race from want, we meant everyone" Hilary Benn, speaking at the launch of CPR1.

Reinforcing the link between fulfilling peoples' human rights and ending poverty, Norwegian Development Minister Hilde Frafjord Johnson speaking at DFID's Making Development Work for the Poorest seminar in May 2004, underlined the point that a rights approach does not allow for any exceptions – "Not for women because they are not men, not for children because they are too young. Not for the poor because they lack resources, not for the disabled because they are weak, not for the old because their future is short."

As M.S.Swaminathan observes, "the bottom line of all development work should be attention to the poorest."

An essential part of Making Poverty History must therefore be identifying those people whose poverty is persistent and addressing the inequalities, vulnerabilities and political realities that keep people poor.

People in chronic poverty typically depend on what they can produce on their smallholding or what they can earn from casual labour – often too little to cover basic needs. Other people especially vulnerable to chronic poverty include: those who are old or disabled; people marginalised or discriminated against because of their religion, caste or ethnic group; migrants, people in remote rural areas or urban slums; widows, orphans and people in female-headed households.

Chronic poverty is not just about having a low income. Typically it involves multidimensional deprivation – being poorly nourished, having access only to dirty drinking water, not being literate, having no access to health services, being socially isolated, often economically exploited and frequently invisible to policymakers.

Chronic poverty blights peoples' lives – but it also has a real economic cost. People who are too poor to accumulate assets and too insecure to take risks, are less productive than they could be. Andrew Shepherd points out that "Evidence is beginning to suggest strongly that social protection can contribute to asset development for the poorest people, as well as protecting livelihoods, and asset development in the sense of education, progress in small business, or better health. Conditional transfers …are capable of improving both demand and supply of critical services for the poorest. Pensions and other allowances, [have] transformative potential [and] allow pensioner 's families to save and grow."

Advocating an approach to development that is inclusive, the Chronic Poverty Report 2004-05 argues that policies based on opportunity are not enough. As Professor Aasha Kapur Mehta, from IIPA Delhi stresses, if the poorest are to benefit from economic development and have the chance of escaping from poverty, they need "Social safety nets…… the right to earn a livelihood through work ……. and the right to food and social security for the old, ill and disabled."

A key policy message emerging from chronic poverty research is that social protection and social investment is essential if chronic poverty is to be consigned to history.

Ten years on from the Social Summit commitment to eliminate poverty, with a decade left to accomplish half of this task, hundreds of millions of people are born poor and die poor in the midst of increasing wealth. Poverty is all too often handed down through the generations, not least because children born from women who are malnourished, never recover the growth and development lost in their early years.

The urgency of action by current political leaders to end poverty which is passed down through the generations was underlined in a recent speech by Chancellor Gordon Brown:

"2015 is the fixed point on our horizon… but it is actually 2005 …that will determine whether our international community, which started in the year 2000 on the road to deliver the Millennium Development Goals, has the will and courage to complete the rest of the journey.

And when the need is pressing, when poverty is so great, when suffering is so intense, when illiteracy is so widespread, when ill-health summons us to act, and when it is our community that has made historic commitments for this decade, and made them to be delivered in our generation by our action together, the simple questions that, to use the words of an American President, we must ask are:

If not now, when?
If not us, who?
If not together, how?"

This Update has been produced by Development Initiatives, a partner in the Chronic Poverty Research Centre, but views expressed do not necessarily reflect those of CPRC.
For information on CPRC, to download working papers and for details of research and partners, see: www.chronicpoverty.org or contact cprc@devinit.org, tel. + 44 1749 831141.