



CHAPTER 2

THE RURAL POOR

The majority of the world's poor are rural, and will remain so for several decades. Poverty reduction programmes must therefore be refocused on rural people if they are to succeed. Poverty is not gender-neutral: women enjoy less access to, and control over, land, credit, technology, education, health care and skilled work.

GETTING THE PRIORITIES RIGHT

Most of the poor are rural and will be so for several decades. Their income, spending and employment usually concentrate on staple food. They have little land, schooling or other assets, and face many interlocking barriers to progress. Poverty and hunger have fallen massively, mainly due to rural and agricultural development, especially during 1975-90. Yet this improvement, and parallel progress in agricultural production, have stalled during the last decade, and many rural regions have been excluded. Rural-urban poverty gaps have not declined globally. The share of international aid and attention devoted to agriculture, rural development and the rural poor has been small and falling. The sustainable reduction of poverty and reaching the poor through development efforts, investment and aid still remain a major challenge for the development community.

Rural poverty reduction deserves much greater emphasis. The demographic window of opportunity which has transformed the prospects for progress in East Asia in the past 30 years can do so in other developing countries in the next 30,

but only if benefits target the rural poor. Some rural poverty is transient; this can be reduced by attacking the causes of rural vulnerability.

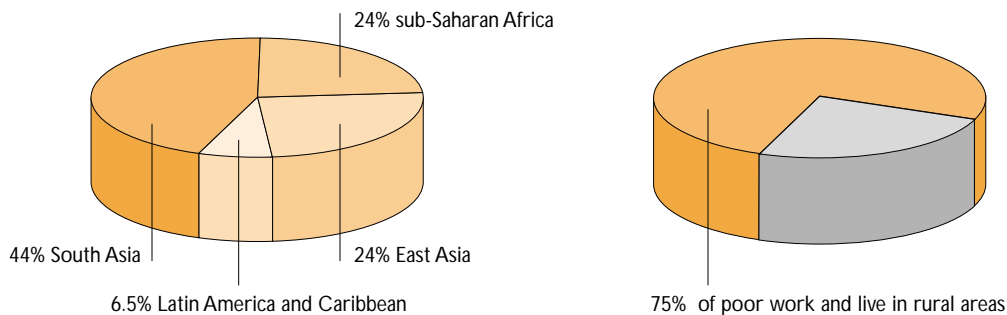
Donors recognize the need to reverse the decline in progress in the effort against poverty, but may not be aware of the need to concentrate on rural poverty. Yet, the poor are mainly rural; they, and their civil societies and governments, can be empowered to participate in development only if they have the resources to do so.

RURAL POVERTY?

Some 1.2 billion people worldwide consume less than a 'standard' dollar-a-day; they are in dollar poverty.¹ Forty-four per cent are in South Asia, about 24% each in sub-Saharan Africa and East Asia, and 6.5% in Latin America and the Caribbean.² Seventy-five per cent of the dollar-poor work and live in rural areas; projections suggest that over 60% will continue to do so in 2025³ (Chart 2.1).

These are good reasons to emphasize rural poverty reduction, and to redirect attention and expenditure towards agricultural development

Chart 2.1: Global distribution of rural poverty



that generates employment. Moreover, official data overestimate the shift of the poor from the countryside to cities, further strengthening the case for greater emphasis on rural poverty.

There would be less need to emphasize the importance of reducing rural poverty if

- public action were more cost-effective in reducing urban poverty;
- the rural poor gained far more from urban poverty reduction than vice versa;
- rural anti-poverty spending discouraged the poor from migrating; or
- rural poverty reduction promoted less economic growth than urban poverty reduction.

None of these is usually the case.

Cost-effectiveness

Where resources have to be divided between rural and urban spending on, for instance, health and education, outlay per head is normally less in reaching rural areas, even though rural people have lower initial health and literacy. So higher spending in rural areas should normally improve outcome more than higher spending in urban areas.

Rural anti-poverty policy is focused on increasing the productivity of the poor, often with success. But much urban anti-poverty policy concentrates on improving the shelter and sanitation of the poor rather than their opportunity to earn.

Public spending in rural areas is also likely to be more effective in reducing poverty than spending in urban areas where the costs in infrastructure and direct investment to create work are higher.

Within agriculture, the main rural activity, there are few economies of scale. Small, labour-intensive rural units are more likely to be efficient in rural areas than in urban industry and modern services.

However, the dispersion of rural public action, and consequent high management costs, could offset the advantages of rural public spending.

Rural-urban interactions

Urban work encourages migration from the countryside to the city. Creating work in the cities might well attract more people seeking work from rural areas. This could well leave urban unemployment rates unchanged.⁴ Urban-oriented policies alone may fail to reduce urban poverty: they may make urban living more attractive, but congestion costs would rise and the wages of the urban poor would fall.

If staples prices fall, but non-labour costs of staples cultivation on smallholdings fall faster, then poor small farmers, farm workers and urban food buyers, who spend most of their incomes on food staples, can all benefit. Evidence from the Green Revolution shows that this can be achieved. There is no corresponding urban output that, by being

expanded or made cheaper, enriches the rural poor: the most cost-effective way to reduce urban poverty may be to reduce rural poverty.

Rural-to-urban migration

This migration is partly a way of sharing risk by⁵ families which maintain rural and urban households, often shifting members between them.⁶ But there are risks and costs in rural-to-urban migration which the poorest can rarely bear. ‘Unequal’, rather than low-income, villages seem to have high rates of rural-to-urban migration, with moderately poor people pushed out and moderately well-off people pulled out. But the poorest are not likely to stay in the city permanently.⁷ Reduction in rural poverty probably reduces short-term migration to towns, too, but raises the medium-term mobility of the near-poor, as many South and East Asian experiences show.

Growth effects of rural and urban poverty reduction

Countries with very unequal assets and (perhaps) income usually experience slower economic growth.⁸ This matters for the choice between rural and urban poverty reduction in two ways. First, some inequality of reward seems necessary to create incentives for effort, achievement, or meeting effective demand. But inequality that reflects ascribed position, status or inheritance reduces earned incomes, and creates barriers to the advancement of capable persons. This happens when more or better schools, clinics, prices, or research inputs are assigned to people just because they are born in towns. So, severe rural-urban inequality probably

retards growth. Second, concentrating resources in large units of production is usually bad for equality, but can be good for growth if, and only if, there are economies of scale. Agriculture generally lacks these; many urban activities feature them. Concentrating anti-poverty resources on the rural poor is consistent with small-scale (and labour-intensive) production, and this is likely to promote both efficiency and equality.

The apparently higher returns which expenditure brings to reducing rural, rather than urban, poverty justifies that commitment, particularly given the greater incidence and depth of rural poverty (Annex Table 2.1)

DEFINITIONS OF ‘RURAL’

There are two main rural characteristics. First, rural people usually live in a farmstead or in groups of houses containing perhaps 5 000–10 000 persons, separated by farmland, pasture, trees or scrubland. Second, most rural people spend most of their working time on farms.

National distinctions between rural and urban are arbitrary and varied. The most common definition of the borderline is 5 000 persons, as in India; often it is 2 500 persons or fewer, as in Mexico, or 10 000 or more, as in Nigeria. Other countries, including Brazil and China, do not specify a population size but use various characteristics, from typical metropolitan facilities to legal or political status.⁹ The lower the rural-urban borderline is set, the fewer people are classified as rural. Legislative and political borderlines are even harder to interpret. This requires caution in inter-

Box 2.1: Why does it matter how different countries define ‘rural’?

Suppose that Country A (Gabon) sets the rural-urban borderline at 2 000 persons, and Country B (Nigeria) at 20 000 persons. A much higher proportion of the population – and of the consumption-poor, with less than, say, USD 1 a day – will be counted as rural in B than in A, even if the actual distribution of the population among different sizes of place within A and B is identical. In that case, the proportion of public outlay on health, education, or food relief in rural areas, as officially defined, ought to be far higher in B than in A. And any migration from rural to urban areas will normally seem greater in A than B owing to the definition of ‘urban’, even if events on the ground in A and B are identical.

preting, evaluating and comparing facts about the rural poor, and policies affecting them (Box 2.1).

The rural-urban borderline in a country is seldom changed. It is more reliable to compare rural and urban shares of the population and of the poor, and disparities among them (mean income, dollar-poverty incidence, doctor/patient ratios, or illiteracy) in the same country over time than to compare countries. We can track what is happening to rural population shares and disadvantages in a country; but caution is needed, even here.

Borderline problems lead to serious overestimates of the urban population and poor (Box 2.2). Annual population growth in most developing countries has been 2-3%, sometimes more. That makes many places grow across the rural-urban borderline between surveys, or decennial censuses: in India, where the borderline is 5 000 persons, most villages of 4 250 persons in the census of 1961, 1971 or 1981 would expect to count as towns ten years later. Since many of these villages and people hardly change their lifestyles during reclassification, this means that between censuses and surveys, the rise in the proportion of genuinely urban persons, including the proportion of poor persons, is systematically overstated.¹⁰ This over-

statement of urbanization is increased when nearby villages join up between censuses, so that their joint population crosses the urban-rural borderline; and when municipalities legislate or lobby for expanded boundaries, swallowing villages in the process. Many people are affected; some may change their characteristics but many do not. Often, rural-to-urban migration is overstated for the same reasons. Moreover, many such migrants are transient, and many more return home in old age. Many others, typically 8-10% of urban workforces, and even more of urban women and the urban poor, are mainly engaged in agriculture, even in big cities, especially in Africa.

It is often claimed that urbanization of people and of poverty renders rural poverty less important. Even in official data, over 70% of the world's poor are now rural, and over 60% is likely to be rural in 2025. These measurement issues imply that the proportion of the poor in places with genuinely rural characteristics (whether or not arbitrarily reclassified) is even higher, and its decline slower.

WHAT IS POVERTY?

Poverty can be seen as broad, multidimensional, partly subjective, variable over time, comprising

Box 2.2: Can we have a common definition of 'rural'?

'National statistical offices are in the best position to distinguish between urban and rural-type areas in their own countries' (UN/ECOSOC 1998: 31). Nevertheless, it is important to have a constant, if incomplete, definition of rurality, so that comparisons are feasible. The *UN Demographic Yearbook* classifies populations periodically into size-groups of locality, but only for a minority of nations and usually only down to 20 000. One possibility, requiring urgent review, is that the UN system might:

- (a) assist countries to produce standardized international data sets that show changing proportions of persons living in places of different sizes;
- (b) publish census information on places below a common international rural-urban cut-off, say 5 000 persons, for use in analytical work;
- (c) publish and track shares of population, women, children, the poor, the illiterate living not only in places of different sizes, but in places above the rural-urban cut-off population only at the earlier date of an intercensal period. Genuine rises in the urban population share could then be separated from boundary effects; and
- (d) reorganize the data on dollar poverty held by the World Bank to permit valid international and intertemporal comparisons of rural and urban population shares (defined at the 5 000 cut-off) of the poor, and their characteristics.

Box 2.3: What does poverty mean?

Poverty has both physical and psychological dimensions. Poor people themselves strongly emphasize violence and crime, discrimination, insecurity and political repression, biased or brutal policing, and victimization by rude, neglectful or corrupt public agencies (Narayan *et al.* 2000). Some may feel poor or be regarded as poor if they cannot afford the sorts of things available to other people in their community. A review of 43 participatory poverty assessments from four continents concluded that poor people report their condition largely in terms of material deprivation: not enough money, employment, food, clothing and housing, combined with inadequate access to health services and clean water; but they are also liable to give weight to such non-material factors as security, peace and power over decisions affecting their lives (Robb, 1999).

capabilities as well as welfare, and in part relative to local norms, comparisons and expectations (Box 2.3). In practice, most poverty measurement focuses on private consumption below an objective poverty line that is both fixed over time and defined in terms of an absolute norm for a narrow aspect of welfare: for example, defining poverty as deprivation of sufficient consumption to afford enough calories, or as dollar poverty.¹¹ Most studies settle for an over-simple poverty measure because it can be compared among persons, groups, places and times in a testable way. This is important in evaluating poverty-reducing policies. This report, too, follows this route, but also looks at the characteristics and descriptions of the poor themselves.

What definition of poverty should we use?

Individuals are often classified as poor on some definitions but not on others (women in Guinea are more likely than men to be poor on assessments that focus on self-esteem, but not on dollar-poverty measures).¹² In Côte d'Ivoire, varying definitions, confined to material and other objective indicators, identified substantially different people as 'poor'.¹³ In Chile, income proved to be an unreliable guide to nutrition and education.¹⁴ In two Indian villages, people whose real incomes had actually declined over 20 years reported their situation as having improved, citing decreased dependence on low-status jobs, patrons and landlords, improved mobility, and better consumption patterns.¹⁵

Yet groups or communities that are poor in terms of income and consumption tend to be poor in other respects. Those below the World Bank dollar-a-day poverty line (see Box 2.4) typically spend at least 70-80% of all income on food, most of it basic food staples, and are at risk of consuming too few calories for health and efficiency. People this poor are usually unable to afford the cash or time for adequate clothing, housing, schooling and health care. Bad education and health, common among the children of poor parents, restrict earning potential. Income poverty largely explains inter-country variations in health outcomes. Paradoxically, the poor report sickness less often than the rich, because they cannot afford sickness.¹⁶ The poor need to hold on to liquid assets as a hedge against shocks, rather than investing for high yields and escaping poverty.¹⁷

How can we measure poverty?

We must be able to measure poverty consistently if we are to make comparisons. Measuring poverty helps policy-makers target resources to reduce poverty and helps them, and others, to assess progress in reducing poverty.

Poverty can be measured in three ways: a scalar approach using a single indicator such as income or consumption, a multidimensional-indexed approach where several indicators are combined in a single index of poverty (Box 2.5), and a vector multi-dimension where several indicators are used to classify people as poor on each indicator (for example, income poor but health non-poor).

Box 2.4: Measuring consumption poverty: identification and aggregation

Step 1: Identify the poor

Five techniques are in widespread use for setting the poverty line.

1. The food energy method (FEM) estimates a food-energy minimum required to satisfy dietary energy (caloric) requirements and then determines the level of income/consumption at which this minimum is typically met.
2. The cost-of-basic-needs (CBN) method sets the poverty line as the level just sufficient to buy an exogenously set low-cost adequate diet plus other cheap basic requirements.
3. The food-share method (FSM) estimates the minimum cost of a food basket that satisfies the food energy minimum and multiplies this by the share of non-food expenditure in total consumption of a sub-group defined as poor.
4. The international poverty line method is described in endnote 1.
5. The relative consumption method sets the poverty line at a percentage of national mean or median consumption, often half or one third.

Often a set of poverty lines is used, ranging from extreme poverty to moderate poverty.

Step 2. Add the numbers up

Once a poverty line is set, poverty below the line can be added up. There are many ways of doing this, each telling us something different about the extent and nature of poverty. The three most widely used measures of poverty are as follows.

1. The headcount ratio measures the incidence of poverty (P0) and is simply the number of poor people divided by the total population. But this fails to show how poor the poor are. Two countries may have the same headcount ratio but the poor in one country may be much poorer than the poor in the other country.
2. The poverty gap (P1) index gets over this problem by incorporating the depth of poverty. Each poor person is weighted by his/her proportionate shortfall below the poverty line, indicating how poor he/she is. But neither P1 nor P0 allows for inequality amongst the poor: if a poor person consumes ten rupees a day more but an even poorer person ten rupees fewer, neither P1 nor P0 rises, yet most of us would agree that poverty has got worse.
3. The poverty severity (P2) measure solves this by weighting each poor person by the square of his/her proportionate shortfall below the poverty line. The P2 measure is the most comprehensive because it increases when the number of poor people increases, or the poor get poorer, or the poorest get poorer compared with other poor people.

All of these poverty measures express values between zero and one, with numbers close to zero indicating little poverty and numbers closer to one suggesting substantial poverty.

The scalar approach identifies who is poor and then aggregates the information into a scalar measure or index. This requires choosing the indicator of poverty, setting a threshold in this indicator below which lie the poor, and adding up the numbers. This can be done in different ways (Box 2.4). We use absolute poverty lines fixed over time, and indicate where we use lines (such as the Purchasing Power Poverty [PPP] dollar-a-day measure) that are the same for all countries, as against national lines.

WHO ARE THE POOR?

Knowing and understanding the poor is as important as understanding poverty. Three quarters of

the world's poor people, amounting to 0.9 billion, live in rural areas. Who are they, and where do they live? How do they get and use income? What are the barriers to their progress, especially in terms of inadequate health, schooling, land and other assets? In each case we ask how these characteristics differ across regions, and whether they help us resolve an issue crucial for policy: are these characteristics causes or effects of poverty? IFAD's categorization of the rural poor in its regions of operation provides an overview of the location and the types of poor people (Table 2.1).¹⁸

Wage labourers, especially landless or casually employed farm-workers, are almost everywhere

Box 2.5: The human development and human poverty indexes

The evolving concepts of the human development index (HDI) and human poverty index (HPI), defined in successive issues of UNDP's *Human Development Report*, are multidimensional-indexed basic needs measures. The HDI is a weighted index of: life expectancy at birth; a weighted average of over-15 literacy and primary, secondary and tertiary enrolment rates; and per capita purchasing-power-parity GDP. A country with imposed maximum values of, respectively, 85 years, 100%, 100% and USD 40 000 scores the best feasible HDI, while a country with 25 years, 0%, 0% and USD 100 scores zero. The HPI is measured in developing countries by the average of (a) percentage of persons not expected to survive to 40, (b) percentage of adults illiterate, and (c) the average of percentage without access to safe water, percentage without access to health services and percentage of under-fives moderately or severely underweight.

Weightings within the HDI and HPI are somewhat arbitrary. A bigger problem with a single misery indicator, combining consumption poverty with health and education deprivation, is that it loses information compared with separate measures. For instance, identifying which groups escape consumption poverty, or achieve high literacy and low mortality, helps to unravel the linked disadvantages of the rural poor – who tend to show worse mortality, under-education and gender discrimination, for example, than do the urban poor.

among those most likely to be poor, though in Africa smallholders are the largest poor group. Poverty incidence among children is everywhere much higher than among adults. Female-headed households are more often found in Latin America and the Caribbean, West and Central Africa and East and Southern Africa than in Asia and the Pacific; but in most of West and Central Africa and East and Southern Africa they are not much more likely to be consumption-poor than male-headed households. In Near East and North Africa, a high proportion of the rural poor are women, children and the elderly due to high out-migration of prime-age males in the region.

Where do the poor live?

National surveys often show that poverty incidence and numbers concentrate in rural parts of a few geographic areas, for example, North-Western China, East-Central India, North-East Brazil and North-Western Mozambique. The incidence and severity of rural poverty almost everywhere exceed urban poverty, though in Latin America high levels of urbanization mean that most of the poor live in urban areas.¹⁹

People in irrigated zones within rural areas face much lower poverty risk.²⁰ Many poor people live in marginal and degraded areas; vulnerability, and

probably poverty incidence and intensity, are much greater there. One study found that 634 million rural poor, of whom 375 million are in Asia, live in marginal lands.²¹

Generally, the poorest of the rural poor live in remote areas, even in East and Southern Africa, where most of them live in densely populated areas, particularly near capital cities. Smallholders tend to live in dryland areas in West and Central Africa, Asia and the Pacific and Latin America and the Caribbean. Poor farmers in former East and Southern African colonies are found in areas of low agricultural potential, but elsewhere in the region the poor are in areas of moderate to high agricultural potential, often unrealized, because of barriers to progress. Geographic concentrations of poverty may be intensified by further discrimination or exclusion: for instance, high-poverty areas will fall even further behind if banks refuse them credit.

Poverty in Latin America is highest in some of the more remote, less densely populated areas: the rural sierra and selva of Peru, southern states of Mexico, the Andean highlands and northern lowlands of Bolivia, the semi-arid Norte Chico of Chile and the rural Oriente of Ecuador. Many of the poorest regions in Latin America are located at high altitudes or have low levels of rainfall.

Table 2.1: Who are the poor? by region

| Region | Rainfed farmers | Smallholder Farmers | Pastoralists | Artisanal fishermen | Wage labourers/ landless | Indigenous people; scheduled castes/tribes | Female-headed households | Displaced people |
|--------|-----------------|---------------------|--------------|---------------------|--------------------------|--|--------------------------|------------------|
| WCA | | ✓ | | | | | | |
| ESA | | ✓ | | ✓ | ✓ | | | |
| AP | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| LAC | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| NENA | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

WCA: West and Central Africa; ESA: East and Southern Africa; AP: Asia and the Pacific; LAC: Latin America and the Caribbean; NENA: Near East and North Africa

Source: IFAD 1999 a, b, c, d, e, i.

Pastoralists in Near East and North Africa tend to be transhumants, but are generally found in the steppe regions. In Asia and the Pacific and Latin America and the Caribbean, pastoralists are found on high mountain slopes and on plateaux, remote areas with harsh climates. In Near East and North Africa and Latin America and the Caribbean, in contrast with other groups, wage earners are located in lowland and more densely populated areas, where work opportunities exist. Indigenous groups are the most isolated, living in the highlands and rainforests of Latin America and the Caribbean and mountainous areas of Near East and North Africa and Asia and the Pacific.

How do the poor get income and how do they use it?

Most poor rural households diversify their sources of income. Smallholder households in all regions often combine traditional or cash-crop cultivation with raising small livestock. For instance, in Near East and North Africa, households with livestock grow food crops to supplement their incomes. Own-farm income is often only a small proportion of total household income. In Near East and North Africa, West and Central Africa, Asia and the Pacific and East and Southern Africa, off-farm income is often the poor smallholder's main source of cash income, although this is often from low-return activities. In Near East and North

Africa, farmers dependent on rain might migrate to irrigated areas.

Artisanal fishermen diversify their incomes in a number of ways. In East and Southern Africa, they supplement their low fishing incomes by growing cassava in the hinterland. In Near East and North Africa, fishermen engage in crop or livestock production.

The landless in Near East and North Africa and Latin America and the Caribbean are permanently or seasonally involved in daily farm or off-farm work. In Latin America and the Caribbean the landless might be involved in small enterprises or food processing, but often control enough land to produce food for home consumption. In contrast, the landless in Asia and the Pacific are mostly agricultural wage labourers.

Indigenous people tend to be less socially and economically integrated. In Asia and the Pacific they rely on gathering and animal husbandry; in Latin America and the Caribbean they earn a living from river fishing and making handicrafts for local markets.

Poor people typically save in good seasons but run down their reserves in lean times; overall, their consumption is seldom much below their income. Of their consumption, typically 45-60% is on food staples – cereals, roots and tubers, and pulses – and a further 15-20% on other foods. In developing

countries in 1996-98, 55% of calories came from cereals (51% from rice, wheat and maize alone), and a further 7% from roots, tubers and pulses.

The proportions are considerably higher for lower-income countries – in 1996-98, 78% of calories were derived from staples in Mozambique, 72% in China, 69% in India and Nigeria, and 49% in Bolivia – and, within such countries, for poor people, as many household surveys confirm. Among the rural poor, the proportion is highest; in Asia and Africa over three quarters of calories come from staple foods. For the poorest 10-20%, at serious risk of nutritional harm, the share of consumption of food, and of calories from staples, both usually exceed 75% in rural areas. Rice and wheat are prominent in the diets of the Asian poor, and to a lesser extent the Latin American poor; maize, millet, sorghum, yams and cassava are typical in sub-Saharan Africa.²²

The importance of staples in the lives of the poor is enhanced by three facts: agriculture provides about 60-75% of rural work; staples cover about 62% of arable area; and the rural poor are relatively more likely to grow staples. In poorer countries these proportions tend to be higher. For example, of arable area harvested in 1966-68, staples covered 97% in Mozambique, 90% in Nigeria, 78% in China and 74% in India, but only 46% in Bolivia, 44% in the Russian Federation and 38% in Brazil. For low-income countries as a whole, staples provide over two thirds of farm income from employment and self-employment; poor people deriving part of their income from cash crops are likely to grow staples as well. In remote areas with high transport costs, staples probably dominate the income and employment of most of the rural poor. They are also a major source of non-farm income: in Bangladesh over a quarter of value added in rice, the main crop, is derived from post-harvest rice processing.²³

Cash crops and livestock are important for the survival of some very poor people; staples are not

necessarily better for them than cash crops. In much of Near East and North Africa, and in arid areas elsewhere, pastoralism and cash crops are the only available source of income and employment. Groups such as migrant cocoa farmers in Southern Ghana and coffee smallholders in Costa Rica have escaped poverty through cash-cropping. But usually for very poor rural people livestock and cash-crops are not the main source of income and employment, but supplement and contribute to growing staples. Indeed, rapid growth in yields of staples has contributed most to the reduction of poverty in recent decades, and has released land and labour for further poverty reduction based on cash crops, livestock and non-farm activity.

What access do the rural poor have to assets?

In all regions, the rural poor lack the important asset of good quality land. Land size is often too small to ensure the nutritional well-being of the household. Indigenous groups in Latin America and the Caribbean face particular problems in gaining access to land. Many have lost land owing to abuse, discrimination and poor information about property rights.

Access to other productive assets is also lower among the rural poor. In Near East and North Africa lack of access to water is a particular concern. In Asia and the Pacific, East and Southern Africa and Near East and North Africa, lack of draught power severely handicaps poor farmers, as does lack of access to credit, agricultural inputs and technology. Women find such assets particularly difficult to obtain in Asia and the Pacific and Near East and North Africa, where lack of male labour in female-headed households is an important constraint. In Latin America, the higher poverty rates in rural and remote areas stem partly from the concentration of indigenous people in these areas. Poverty rates among the indigenous populations in Mexico, Peru and Bolivia are much higher than among other racial groups. Indigenous

people elsewhere, for example in Brazil and Colombia, also have higher poverty rates than others. Human capital levels are lower for these groups in Latin America but, even after taking low access to education into account, they are more likely to be poor. Only half the rural poor in Nicaragua possess legal title to housing, and they have much more restricted access to services.²⁴

The rural poor also lack human capital in all regions. In West and Central Africa, Latin America and the Caribbean, and East and Southern Africa the public provision of health services, education, water and sanitation is strongly biased towards urban areas. In East and Southern Africa, households led by people who have little education are poorer than those with some education. In Near East and North Africa and Asia and the Pacific, female-headed households have particularly low levels of education and literacy, health and nutrition. Indigenous groups located in remote areas are excluded from education and health services in Near East and North Africa. Whenever possible, the poor make social investments, such as education, for the future of the family.

Social support networks are important assets for the rural poor in two regions. In Near East and North Africa displaced people are particularly vulnerable because their traditional connections have broken down. In Latin America and the Caribbean, where the poor are geographically isolated, reciprocity networks are important for economic and social survival.

Lack of boats and equipment severely handicaps poor artisanal fishermen in East and Southern

Africa. In Asia and the Pacific, tribal people suffer from a particularly serious lack of infrastructure.

What are the barriers to progress for the rural poor?

Rural people are poorer partly because they are likelier to live in remote areas, to be unhealthy and illiterate, to have higher child/adult ratios, and to work in insecure and low-productivity occupations. They may also experience discrimination as members of ethnic minorities. These disadvantages, which form an interlocking logjam,²⁵

- *overlap*: the gender gap in literacy is larger in rural areas; illiterate people are more likely to be poor; rural, illiterate women and children are more likely to come from ethnic minorities; gaps between ethnic groups are greater among illiterates and in rural and remote areas;
- *cumulate* to reduce the prospect of escape from poverty; and
- *multitarget*, affecting access to production-based food entitlements (work, land, other assets); use of pro-poor techniques of production; and mobility towards better prospects for production, consumption and hence out of poverty.

The logjams are evident from the profiles of the rural poor (Box 2.6).

The rural poor, especially women, normally have higher age-specific mortality rates than the non-poor (Table 2.2). The proportion of malnourished children in the bottom quintile is typically twice that in the top quintile.²⁶ Girls aged 2-4 suffer serious disadvantages in access to health care compared with boys, and hence worse malnutrition, in Bangladesh, Pakistan, North India, parts of China

Box 2.6: Interlocking log-jams and lagging groups in Nepal

In Nepal, gross primary school enrolment rates in 1984-85 varied from 14% for girls from poor households in the rural terai (plains) to 83% for boys from non-poor households in towns in the hills. Invariably, lagging groups did worse than otherwise comparable groups: for example, poor girls in rural hill areas had worse enrolment chances than poor boys in the same areas. Poor Nepalese children, at ages 6-9 and even more at 10-14, in each location (e. g. urban terai, rural hills), spent much more time than non-poor children in domestic and economic work.

Source: de Haan and Lipton, 1999.

Table 2.2: Poor/non-poor mortality ratios

| | Adults (15-59) | | Children (0-5) | |
|------------------------------------|----------------|--------|----------------|--------|
| | Male | Female | Male | Female |
| West and Central Africa | | | | |
| Côte d'Ivoire | 1.5 | 1.5 | 2.4 | 3.3 |
| Guinea | 2.1 | 3.5 | 3.7 | 5.6 |
| Guinea-Bissau | 1.7 | 2.1 | 2.2 | 3.0 |
| Mauritania | 1.9 | 3.4 | 3.0 | 3.7 |
| Niger | 1.9 | 3.5 | 3.4 | 4.8 |
| Nigeria | 1.8 | 2.8 | 3.1 | 3.7 |
| Senegal | 2.2 | 3.8 | 4.0 | 4.9 |
| East and Southern Africa | | | | |
| Botswana | 2.3 | 4.0 | 4.9 | 4.8 |
| Ethiopia | 2.2 | 3.6 | 3.0 | 4.0 |
| Kenya | 2.1 | 3.8 | 3.7 | 3.8 |
| Lesotho | 2.6 | 5.4 | 3.9 | 5.2 |
| Madagascar | 2.0 | 3.4 | 3.8 | 4.1 |
| Rwanda | 1.2 | 1.0 | 2.7 | 4.2 |
| South Africa | 1.7 | 3.6 | 4.7 | 5.3 |
| Tanzania | 2.1 | 3.3 | 5.6 | 5.0 |
| Uganda | 1.4 | 1.4 | 2.1 | 2.5 |
| Zambia | 2.5 | 3.6 | 3.5 | 3.9 |
| Zimbabwe | 2.1 | 2.3 | 4.1 | 5.0 |
| Latin America and Caribbean | | | | |
| Brazil | 2.4 | 7.9 | 6.5 | 5.0 |
| Chile | 3.7 | 12.3 | 7.1 | 8.3 |
| Colombia | 2.1 | 5.2 | 5.6 | 6.8 |
| Costa Rica | 5.5 | 10.6 | 5.5 | 5.1 |
| Dominican Rep | 3.4 | 9.7 | 6.5 | 6.5 |
| Ecuador | 2.7 | 4.4 | 4.2 | 4.9 |
| Guatemala | 1.9 | 3.5 | 3.5 | 3.3 |
| Honduras | 2.0 | 4.0 | 3.2 | 3.2 |
| Jamaica | 3.4 | 7.2 | 7.5 | 10.0 |
| Mexico | 2.9 | 8.6 | 7.6 | 7.8 |
| Nicaragua | 2.1 | 5.6 | 3.8 | 4.0 |
| Panama | 3.7 | 7.7 | 6.2 | 5.8 |
| Peru | 1.7 | 3.6 | 3.6 | 3.7 |
| Venezuela | 3.0 | 7.6 | 8.9 | 10.8 |
| Asia and Pacific | | | | |
| China | 3.4 | 11.0 | 5.9 | 6.6 |
| India | 2.1 | 3.7 | 4.5 | 4.3 |
| Indonesia | 2.3 | 3.1 | 4.1 | 4.1 |
| Malaysia | 3.1 | 5.1 | 13.7 | 15.0 |
| Nepal | 2.2 | 3.8 | 4.0 | 4.6 |
| Pakistan | 2.8 | 4.4 | 2.7 | 2.8 |
| Philippines | 2.9 | 6.1 | 5.8 | 5.9 |
| Sri Lanka | 2.7 | 5.7 | 10.8 | 8.7 |
| Near East and North Africa | | | | |
| Former Soviet Union | | | | |
| Egypt | 2.5 | 4.1 | 3.2 | 3.5 |
| Kyrgyz Republic | 2.1 | 8.0 | 5.7 | 6.1 |
| Romania | 2.3 | 8.4 | 9.9 | 9.2 |
| Tunisia | 2.2 | 3.8 | 3.8 | 3.7 |

Source: WHO 1999.

and Near East and North Africa;²⁷ gender disadvantage does most harm to poor girls, because the average level is already so low.

Education illustrates this problem of interlocking disadvantage well. The rural poor have few human assets; the household head is likely to be illiterate; and high dependency ratios, correlated with poverty, independently reduce access to schooling. It is especially among the poor that girls have worse chances of education than boys. Educational enrolment is uniformly lower among the poor, and access is conditioned by location. Rural enrolment ratios are especially low; rural girls, unlike equally poor urban girls, have few prospects of escaping from poverty. In many developing countries the second or third poorest urban decile gets more education than the second or third richest rural decile.²⁸ Poor rural children are likely to become poor adults.

Land ownership is a key determinant of poverty: most of the rural poor are landless, or small farmers. Increasing land pressure from population growth impedes rural farmers' ability to expand production beyond the subsistence level in East and Southern Africa. If the poor own land, the farms are typically very small, dryland or in low-fertility regions. In Near East and North Africa, landholding size is declining owing to inheritance laws.

In East and Southern Africa (as suggested by evidence from Kenya, Madagascar and Uganda), most of the rural poor are smallholders, mainly growing subsistence crops and augmenting their incomes with small ruminants or poultry. There, as in Latin America and the Caribbean, Asia and the Pacific and West and Central Africa, marketing problems are a particular barrier to the advancement of the rural poor. This reflects a lack of physical assets such as production inputs and infrastructure in East and Southern Africa. In Asia and the Pacific, smallholders' distance from markets results in high transportation costs for acquir-

ing inputs and selling produce. In East and Southern Africa and Latin America and the Caribbean, smallholders often lack capacity to establish reasonable terms of trade; in Latin America and the Caribbean, they have no political lobby to fend off competition from large enterprises. In Latin America and the Caribbean and West and Central Africa, smallholders adopt risk-avoidance strategies, preferring productive stability to increased productivity. Until measures are taken to decrease hazards of smallholder cultivation in these regions, the poor find it harder to pull themselves over the poverty line.

The rural landless are most likely to be poor in many situations. The diversification of household income and prospects for the landless are held back in East and Southern Africa by limited off-farm opportunities. Here, poverty interacts with high vulnerability. In Near East and North Africa, low health and education endowments result in low remuneration levels for the landless.

Landless agricultural workers, and smallholders, are vulnerable to seasonal unemployment. In bad harvests, landless and near-landless hired workers are the first to become unemployed, before farm self-employment is cut. The landless are more likely than farmers, even small ones, to die in famines.²⁹

Interlocking barriers can also be socio-political. For example, indigenous people often face discrimination in the intense competition for scarce rural employment. Political instability makes it harder for the rural poor to move above the poverty line. Parts of East and Southern Africa and Near East and North Africa have suffered from civil conflict in recent years, which has adversely affected male labour supply. Some isolated areas of Latin America and the Caribbean are affected by guerrillas and drug trafficking, which displaces populations to marginal land or urban areas. Upland areas of Asia and the Pacific are also experiencing rising violence and political instability,

which intimidates the rural poor and increases the risks to agricultural production.

Pastoralists are also over-represented among the rural poor in parts of Africa, and Near East and North Africa especially. More than 10% of Africa's rural population is pastoralist. They are especially likely to lack schools and clinics. Because of their high mobility, as well as official neglect, they are often omitted from income and expenditure surveys, as in Mauritania, despite being a significant part of the population.³⁰ Their grazing land is likely to be encroached upon by settled farming communities, partly because of degradation caused by over-grazing and drought.

Government interference in traditional livestock management practices threatens the livelihood of pastoralists in Near East and North Africa. In Latin America and the Caribbean, as in East and Southern Africa, overgrazing of pasture, which causes soil erosion and reduces cropping, poses an environmental problem.

Artisanal fishermen in Near East and North Africa suffer owing to the highly perishable nature of their product. Lack of refrigeration and access to markets limits the time available for sale. The prospects for their families are affected by very low provision of social services, including health and education. In Asia and the Pacific, fishermen are at risk from natural disasters and competition from commercial fishing enterprises.

In most regions, poverty incidence is highest in marginal areas at risk from poor soils, low rainfall and adverse climatic change, though poverty is much less the cause than the consequence of environmental degradation.³¹ Soil erosion leads to a vicious circle of falling yields, increased exploitation, and further erosion. However, given the right conditions, such as access to capital, poor people have proved capable of improving their environments; intensified land use can be accompanied by environmental improvement rather than degradation.³²

Drought affects much of East and Southern Africa and some of West and Central Africa every few years with devastating consequences for small-holders and local economies. Water is scarce in Near East and North Africa and increasingly in other drylands. The poor, lacking irrigation technologies, are particularly vulnerable to climatic change. Low investments in rainfed technology exacerbate the problem. Limited water supply and short growing seasons in mountain terrain restrict cropping patterns.

Indigenous populations face barriers to progress owing to both discrimination and their geographical location. In Near East and North Africa, they have little voice in government affairs. In Latin America, they are more likely to be poor, especially if they lack literacy in Spanish (or Portuguese); 85% of households headed by Aymara speakers in the rural sierra of Peru are poor.³³ Poverty overlaps with location (the Sierra and the Amazonian region in Ecuador; the North, North-West and South-West regions of Guatemala; the Chiapas region in Mexico; and the northern and the Segovias regions in Nicaragua). Such people tend to be excluded from education, employment and health care. The steady exclusion of indigenous minorities from good land is also associated with persistent rural poverty in parts of Asia.

Barriers to progress often form a vicious circle. (a) Many remote rural populations lack social services, which in turn affects their productive ability. (b) Physical (remoteness) and social barriers to markets interact similarly. (c) Remoteness and low population density result in inadequate infrastructure provision in East and Southern Africa, Asia and the Pacific and Near East and North Africa. This affects not only productivity but also access to social services, making the rural poor more vulnerable to famine and disease, and prolonging sickness. (d) Poor access to health facilities, sanitation and immunization impairs the productivity, income and nutritional status of

the poor in all regions, in turn making them less able to escape poverty or seek out health care. (e) Poverty increases exposure to short-term migration and hence Acquired Immunodeficiency Syndrome (AIDS), which in parts of Africa has terribly impaired the working capacity of the poor. (f) Lack of education for poor rural women keeps fertility high in Asia and the Pacific, and large family size impedes female education and the escape from poverty.

In spite of this, the last 50 years have seen unprecedented progress in reducing global poverty. This has been possible despite interlocking constraints. Key constraints vary across countries and regions. Removing a critical constraint – sometimes land maldistribution, sometimes low-yielding seed varieties or lack of schooling – often enables rural people to overcome others themselves. A simultaneous attack on many fronts can sometimes work well; in 1977-85, rural poverty in China plummeted with the combined impact of egalitarian distribution of communal lands, better seeds, more irrigation and less repression of farm prices. In general, rural poverty reduction requires correct identification of key constraints, and correct sequencing of actions to relieve them.

The linked disadvantages of poverty and gender

Poverty is not gender-neutral. Women have less access to, and control of, land, credit, technology, education and health, and skilled work. Women also suffer discrimination in pay and in access to land, legacies and credit. Though the evidence (in most countries) does not suggest that women are more consumption-poor than men, their control over income is certainly less. It is based on more menial and less self-directed work accompanied by the 'double day' of care for home and children, frequent pregnancies and frequent child deaths.³⁴

Women's disadvantages, even in terms of survival chances, are not always a matter of poverty: the sex ratio is most adverse in the two Indian States with

lowest poverty incidence, Haryana and Punjab.³⁵ Female participation in the rural labour force varied by region: in 1981, from 2.6% in India's Punjab to 47% in Andhra Pradesh.³⁶ In districts with low female participation in the workforce, girls are seen as a burden and their survival prospects are worse than those of boys.³⁷ Women's relative survival prospects are generally brightest in countries where their workforce share is largest (around 35% for Hong Kong, China, Korea and Singapore; and over 40% for the People's Republic of China, Mongolia, Thailand and Vietnam). Discrimination in nutrition is marked in Pakistan, where the share of the female workforce is only 13%.

Rural women in India in 1983 were 12% more likely to be poor than rural men,³⁸ though this is offset by the excess of men among the poorest urban adults. In most Asian countries women, and female-headed households, are only slightly more likely to be poor than men and in female-headed rather than male-headed households.³⁹ In rural Thailand and Cambodia, female-headed households are less likely to be poor than male-headed households.⁴⁰ In Indonesia, the Philippines, Viet Nam, and to a small extent Kyrgyz Republic, rural households headed by women were more likely to be poor than male-headed households, but the opposite is the case in cities.⁴¹

Female-headed households have less access to productive assets and social services in all regions. This affects not only their current productive ability and the well-being of the household but also the intra-household allocation of resources such as food and education, which could result in intergenerational transfer of poverty. Discrimination also plays a part in Near East and North Africa where women suffer from cultural limitations on their mobility. Gender bias in customary laws is common in Latin America and the Caribbean. But in the highlands of Asia and the Pacific, where traditional society is still strong, women suffer less discrimination than do those in the rest of the region.

Discrimination in education early on in life affects the economic, social and political position of women later on. In West and Central Africa, although female-headed households are not necessarily poorer than other households, the impact of poverty is harder on women in both types of household because of the time spent on household chores and farmwork; the type of work they do is limited by their low education levels and lack of decision-making authority within the household. Exclusion from decision-making at local and national levels is also an important yet neglected female deficiency. This is sometimes not only a female phenomenon. In West and Central Africa and Near East and North Africa, the lack of effective institutions excludes the rural poor from services and prevents their voices being heard. In Latin America and the Caribbean, female-headed households are sometimes, but not generally, poorer than male-headed households, possibly because of better developed social security systems, education opportunities and employment prospects for women (such as in export agriculture) than in other regions. However, in Bolivia female-headed households are associated with a reduction of 37% of household per capita income in urban areas and 45% in rural areas, even after allowing for differences in education, household size and age.⁴² The most vulnerable group in Guatemala is female-headed indigenous households self-employed in agriculture.⁴³

Even when they are not on average poorer than men, women are more vulnerable. Women have less chance to escape poverty than men. Seventy per cent of poor women in India remain illiterate.⁴⁴ Poor rural women are almost uniformly illiterate in Bihar, Madhya Pradesh, Orissa, and Rajasthan.⁴⁵ In much of South Asia and more remote areas of the People's Republic of China the lack of education discourages women from moving to towns. Those who do move often have much lower employment rates than in rural areas.⁴⁶

Even at East Asian growth levels and in female-employing sectors such as textiles, leather, or light electronics, alleviating this gender disparity depends in part on the spread of female education. As in the case of the textile industry in Bangladesh, women usually need at least a little education to gain from expanded employment in modern manufacturing.

Cultural and policy factors impinge on gender disadvantage in poverty, as upon urban and regional bias: Laos, Sri Lanka and Viet Nam show much less female disadvantage than would be expected at their income levels. The disadvantages of female-headed households in Asia tend to be not so much lower income or higher poverty as less leisure, fewer opportunities, greater vulnerability, worse health, or less education.

The removal of gender inequities in the face of poverty has been as much a cause as an effect of growth: depriving a good farmer of land, or a bright child of schooling, because she is female, is not only unfair, it is also a barrier to growth. Gender inequality in education and employment in sub-Saharan Africa reduced per capita growth during 1960-92 by 0.8% a year.⁴⁷ In Burkina Faso, inefficient factor allocation within the household results in an estimated 6% loss in output.⁴⁸ In Zambia, if women were to have the same degree of capital investment in agricultural inputs as men, output would increase by up to 15%.⁴⁹

Female farmers are at least as efficient as men when individual characteristics and input levels are accounted for.⁵⁰ In Burkina Faso, if they have the same education, women use land somewhat more productively than men. Education is the key. For maize in Kenya, primary education has a positive and significant impact on yields only on female-managed farms, perhaps because women are much less likely than men to receive agricultural extension (a good substitute for education as a source of farm knowledge). Furthermore, it has been estimated that if female maize farmers are

given sample mean characteristics and input levels, their yield increases by 7%. If given the same characteristics and inputs as men, their yield would increase by 9%. Giving women one year of education can lead to an estimated 24% increase in yields. Removal of gender discrimination is both intrinsically right and has beneficial effects.

VULNERABILITY

Rural areas are more at risk from large falls in employment induced by climate; from droughts and floods; from illness and high mortality; and often from war, cattle raiding, or civil disturbance. The poor are especially vulnerable to most such risks. They are also less resilient: a 5% fall in income, or an illness involving lost work and costs of treatment, is more threatening for those with little or no savings, insurance or access to credit. Rural people, especially in remote areas, also have weaker access to governmental, financial, or insurance support. On the other hand, rural people in emergency situations are usually supported by closer links to community or kin, and are less vulnerable than townspeople to macroeconomic phenomena such as cyclical unemployment or inflation,⁵¹ though not to market collapses affecting particular products.

The rural and the poor are, in general, much more vulnerable to fluctuations in well-being than the urban and the non-poor: the fluctuations are larger and resilience is less. But this is not true of some of the rural and the poor; their main problem in irrigated areas with adequate primary health provision is low average well-being, not sharp downward shocks. It is an empirical matter whether the poor's vulnerability is better attacked by reducing their downward fluctuation or by raising their average incomes – a vital issue in many irrigation systems. Like ill-health and illiteracy, vulnerability is a characteristic often linked to poverty, especially rural consumption poverty, but it is not the same as poverty, or part of it.⁵²

Poor people, especially in rural areas, are particularly likely to be vulnerable to the consequences of two patterns of events. The first involves a high rate of child deaths, linked to many and closely spaced births, and large, chronically poor families. The second pattern involves sharp income reductions in bad times, inability to build up or keep assets (including skills), reliance on unskilled and often casual labour for income, residence in unreliably watered rural areas and transient but frequent and severe poverty. The current rapid transition from higher to lower fertility is transforming both these patterns of events. Deaths (outside the worst AIDS-hit areas) and births that push people into, or deeper into, transient poverty are getting rarer and, with delayed marriages, later. The fertility transition also alters the dynamics of chronic poverty by inducing large rises in the proportion of people who are of working age.

The rural and the poor are usually late in acquiring the changes in provisions and incentives that reduce fertility: better prospects for child survival, girls' education and women's work. So the gains from fertility transition – sharply rising worker/dependant ratios in the long run, fewer poverty-increasing deaths and births in the short run – arrive later among the rural and the poor, unless policy speeds them up.

Demographics: delayed transitions, windows of opportunity, and the shadow of AIDS⁵³

In much of Asia and Africa 50 years ago – and still often among the rural poor in many areas, notably of West and Central Africa – 20 to 30% of newborns died before the age of five. Parents insure against high death rates with even higher birth rates. Poorer families usually have higher ratios of dependent children to adults: Pakistan's 1984-85 household survey showed that the poorest quintile of households averaged 4.3 children and the richest 1.5.⁵⁴ Poorer families in this position are more likely to stay poor and assetless. Large family sizes

and high dependency ratios are associated in many empirical studies with under-nutrition, ill-health, discrimination against girl siblings and low education, as well as with poverty itself: such households are often unable to feed children adequately, or to release working children for school.⁵⁵ Women who are pressed to marry young and produce many children can seldom develop their capabilities when preoccupied with pregnancy, often risky childbirth, and lactation. Their low-skill status reduces women's earning prospects – increasing men's insistence that they produce more children instead.

This situation is being transformed by the impact on rural poverty of falling child mortality, followed 10-25 years later by falling fertility. At first this makes child/adult ratios even higher, as more new-borns survive. Later, as they grow into adulthood and as fertility falls, child/adult ratios fall sharply. Both phases affect dependency ratios (the ratio of the number of people aged 0-15 or over 60 to the number aged 15-60) dramatically: in China the ratio fell from 154 in 1950 to 115 in 1970, then rose to 133 in 1980 and 186 in 2000.

Adults aged 15-60 are most likely to work and save; this factor is estimated to account for 1.7% per year of East Asia's growth of real GDP per person in 1970-90.⁵⁶ This helps the poor; each percentage point of growth normally produces at least a comparable fall in the incidence and severity of extreme poverty. Fertility decline also reduces poverty almost as much through improved income distribution (typically with a time-lag), perhaps by moderating the supply of labour and the demand for food. The gains for the poor are highest where initial poverty and fertility are highest.⁵⁷

Fertility has been declining, since the 1980s at least, throughout most of the developing world, including Africa.⁵⁸ The dramatic effects on worker/dependant ratios, following earlier rises as child mortality fell, can be seen in Annex Table 2.3. The rising proportion of working-age persons in

2000-15 affects almost all the developing world. Even the damage from AIDS in Africa will not radically change this.

Will this huge demographic boom in workers and savers be enough to reduce most rural poverty, as it has helped to do in much of East and South-East Asia? The answer depends mainly on whether the fertility transition quickly reaches the rural poor and on whether extra workers and savings are matched by extra and attractive chances for productive work and investment. Both depend mainly on the use of assets, including health and education as well as land, technology, institutions and markets – in particular their capacity to enhance staples food production, water availability and distributive empowerment.

In other words, realizing the potential for reducing poverty, especially rural poverty, in the ongoing demographic revolution is a matter of policy: it is not automatic. Success in making it possible and attractive for the rural poor to cut their dependency ratios, and to translate that into escape from poverty, requires careful actions by civil society, governments and the international system to steer more, and better managed, resources to rural and poor agents.

The rural and the poor have come later than others to benefit from the decline in child mortality and other incentives to later marriage and lower marital fertility. Rural women in developing countries tend to have between one and three more children than urban women. For the rural poor the gap is bigger.

The outcome of this demographic change, and of rural-to-urban migration, is summarized in Table 2.3 for all four developing countries with more than one year of data for rural (and also urban) age structures. Typically 4-8% more of rural than of urban populations is aged under 15, and the gap is increasing. Despite lower rural life expectancy, the rural proportions aged over 60 are also usually higher, because many rural-to-urban

Table 2.3: Trends in prime-age dependency ratios, rural and urban

| Country | Year | Persons aged 15-59 per hundred people aged 0-14 or 60+ | |
|---------|------|--|-------|
| | | Urban | Rural |
| Brazil | 1960 | 125 | 99 |
| | 1991 | 148 | 111 |
| China | 1982 | 195 | 132 |
| | 1990 | 228 | 161 |
| Egypt | 1960 | 105 | 104 |
| | 1985 | 135 | 104 |
| India | 1961 | 127 | 111 |
| | 1995 | 172 | 133 |

Source: UN, Demographic Yearbooks, 1979: 240-66; 1979 (special Issue): 288-372; 1985: 210-45; 1996: 218-61.

migrants return to rural areas in later life. The advantage of urban over rural areas in work-force/dependant ratios was already pronounced in the earlier years, and around 1990 the urban-rural gaps had become wide.

All four countries have already benefited from part of their fertility transition. Early rural gains tend to be smaller than urban gains and offset by adult urbanization and may even, as in Egypt, be non-existent. Rural areas eventually catch up, but if the potentially higher worker/dependant ratios in rural areas are to be realized, the fall in the death rate has to be accelerated by redressing urban bias in health assets and creating other incentives to fertility decline.⁵⁹ This suggests policies to empower rural people to choose rapid mortality and fertility transitions: better child health and nutritional care, readier access to contraception, improved work and school chances for women. Policy and institutional structures must become more pro-rural and pro-poor if the rural poor are to experience the huge overall rises in worker/dependant ratios as personal paths out of poverty.

Casting a shadow over this demographic potential is the threat of HIV/AIDS. Some 34 million are now infected, about two thirds of them in Africa. Initially a problem of the urban non-poor, HIV/AIDS in the developing world increasingly

affects the rural poor. For them especially, its demographic effects are crucial and little appreciated. In Africa, deaths particularly affect women aged 15-30: women's chances of contracting HIV/AIDS are about double that of men's. This has led to a large fall in the female/male ratio; a big rise in the numbers of motherless children; and special difficulties in hoe agricultures, often reliant by culture and tradition on women's work. And this has also led to an initial fall in the proportion of workers under 30 at the start of an epidemic, sharply reversed as age cohorts mature, so that from the mid-1990s, 15 years into the epidemic, the proportion of economically active persons aged 15-30 has been much higher than before, especially for women.⁶⁰ Yet despite the devastating impact of HIV/AIDS, and the great importance of active policy to contain it if rural poverty is to fall, its effect on the medium-term demographic transition is small. It hardly alters the major projected rises in the adult/child and worker/dependant ratios, even in badly AIDS-damaged countries such as Kenya (Annex Table 2.3).

In India, where over 70% of the population is rural, HIV is spreading faster in some rural areas than in urban ones. In many countries in Africa, urban and rural HIV/AIDS prevalence rates are similar. Particularly vulnerable are rural areas along truck routes, sources of migrant labour to urban

areas, nomadic pastoralists, and women remaining on farms with seasonal migrant husbands.⁶¹

Now that HIV/AIDS can no longer be seen as mainly a disease of the urban non-poor, the special problems of the rural and the poor – in exposure to infection, risk of transmission and hence infection once exposed, and impact once infected – become alarmingly clear.⁶² Exposure originates substantially from male migration and female prostitution. Risk of infection, given exposure, rises with female gender, female circumcision, lesions due to prior untreated venereal disease, non-use of barrier contraceptives, and probably impaired immune response due, for example, to earlier severe undernutrition before or soon after birth. Impact, given infection, worsens with lack of medical care, urgent seasonal work needs, large dependent families, and absence of savings, reserves and therefore resilience.

Countries with the highest HIV/AIDS incidence are mostly in Southern Africa, with massive, selectively male, rural-to-urban migration to seek employment in mines. This is much increased by rural inequality⁶³ and probably also by rural stagnation; policies to tackle these will also reduce the damage from HIV/AIDS. Gender roles matter too: if women can insist on condoms, refuse intercourse to men with HIV/AIDS, and obtain sufficient equality to reduce polygamy, new infections will decline. However, the main short-run remedies for HIV/AIDS are medical: free, widely distributed condoms; the registration of sex-workers and requiring them to supply condoms and checking that they comply; and regular health checks on prostitute and migrant communities. These policies must be based on government awareness and public frankness about HIV/AIDS and on consent and good practice in civil society, including the rural and the poor. HIV/AIDS will spread without health care and information, alternatives to migration (and in extreme cases to prostitution), and reduced gender biases. Appropriate interventions

have greatly reduced new infections, and hence incidence, in Brazil, Senegal, Thailand and Uganda.

HIV/AIDS probably reduces fertility substantially in the short term, as sexual behaviour changes.⁶⁴ Yet this fertility decline will not accelerate the long-run gains to the poor from fertility transition. First, such gains arise largely from higher adult/child ratios; but these are not projected to fall much as a result of AIDS. Second, even if they do, any macro-level benefits to growth, and hence to poverty reduction, arise through improved personal capacity to save, work and pay taxes, and reduced personal needs for public outlay on education; but these are swamped as AIDS imposes new health costs, reduces tax-paying capacity, and erodes the ability of victims and carers to save and work, with worst effects on the rural and the poor. Third, household gains from normal fertility transition are swamped in the wake of AIDS by household losses from disease and suffering; from death of breadwinners and mothers; and from extra care for the sick and orphaned. Finally, despite the pressures towards condom use or abstinence during AIDS epidemics, AIDS-affected African countries have only recently emerged from a high-fertility, high-mortality regime. Where AIDS has sharply raised under-five mortality, people may later revert to high-fertility behaviour, at least among uninfected couples.

The AIDS tragedy consumes lives and resources both nationally and at household level. It also diverts labour and health-care resources, sabotaging poverty reduction and development. Increasingly it attacks the medically underprivileged, the rural and the poor. Preventive remedies are known, and used in several countries. But vast as it is, the AIDS tragedy is unlikely to remove the opportunities for human advance, including rural poverty reduction, through demographic transition, and rising ratios of workers and savers to dependants.

Transience and vulnerability: short-run dynamics

Some of the poor are not poor all the time. In South and East Asia, for instance, the International Crops Research Institute for the Semi-Arid Tropics' (ICRISAT) work in six southern Indian villages shows that around a quarter of consumption-poor households had not been poor in the previous year, and a similar proportion would not be poor in the succeeding year.⁶⁵ Similar results have been observed in four villages in rural Pakistan,⁶⁶ in four provinces in rural China,⁶⁷ and in a subsample of the All India National Household Sample Survey.⁶⁸ The situation is shown clearly by an overview of panel data based on year-to-year observations (Table 2.4).

The dynamic nature of poverty means that the policies for reducing transitory poverty may be quite different from those needed to combat

chronic poverty. This distinction between chronic and transitory⁶⁹ has particular implications for rural poverty:

- a stronger emphasis on indicators which determine long-run welfare, such as land ownership;
- comparison using panel data as well as non-panel time-series,⁷⁰ as rural poverty may fluctuate more than urban poverty (given the former's dependence on agriculture and the weather);
- analysis of migration, remittances and seasonality, which ideally should be analysed within poverty dynamics; and
- policy to address targeting, consumption smoothing and insurance, and to assess who exactly within the household bears the brunt of welfare swings, and how.

Several recent panel surveys trace short-run changes in the fortunes of the rural poor and near-

Table 2.4: Extent of transient and chronic poverty

| | Study dates | Number of observations in panel | Proportion of households | | |
|--|-----------------|---------------------------------|--------------------------|----------------|------------|
| | | | Always poor | Sometimes poor | Never poor |
| West and Central Africa | | | | | |
| Côte d'Ivoire | 1985-86 | 2 | 14.5 | 20.2 | 65.3 |
| Côte d'Ivoire | 1986-87 | 2 | 13.0 | 22.9 | 64.1 |
| Côte d'Ivoire | 1987-88 | 2 | 25.0 | 22.0 | 53.0 |
| East and Southern Africa | | | | | |
| Ethiopia | 1994-95 | 2 | 24.8 | 30.1 | 45.1 |
| South Africa | 1993-98 | 2 | 22.7 | 31.5 | 45.8 |
| Zimbabwe | 1992/93-1995/96 | 4 | 10.6 | 59.6 | 29.8 |
| Latin America and the Caribbean | | | | | |
| Chile | 1967/68-1985/86 | 2 | 54.1 | 31.5 | 14.4 |
| East Asia and the Pacific | | | | | |
| China | 1985-90 | 6 | 6.2 | 47.8 | 46.0 |
| India | 1968/69-1970/71 | 3 | 33.3 | 36.7 | 30.0 |
| India | 1975/76-1983/84 | 9 | 21.8 | 65.8 | 12.4 |
| Pakistan | 1986-91 | 5 | 3.0 | 55.3 | 41.7 |

Note: The surveys use national poverty lines and different lengths of panel and are therefore comparable, if at all, only with great caution and to a modest extent.

Source: Baulch and Hoddinott 1999.

poor (Annex Table 2.4).⁷¹ Three emerging issues are relevant for anti-poverty policy.⁷²

Identifying the poor

For many people, whether they are identified as poor depends on the year of survey. So at any time, many more people in developing countries are vulnerable to poverty than are actually in poverty, and many of those actually in poverty are usually not. Table 2.4 shows that generally between about one quarter and one third of households move in and out of poverty in the survey year.

The proportion of poor who are transient is much higher in rural than in urban areas, and highest in rural places with unreliable water supply. Estimates of the incidence of chronic poverty range from 3% of households (Pakistan, 1985-90) to 54% (Chile, 1967-85). Incidence of transient poverty, on the other hand, ranges from 20-22% (Côte d'Ivoire, 1985-88) to nearly 66% (India, 1975-83). It is important to note that estimates of chronic and transitory poverty vary with the choice of poverty line since mobility is unlikely to be uniform throughout the distribution.

Experience of poverty

Poverty varies over time in other ways. (a) Depth of even chronic poverty varies among years. (b) Absolute poverty may be more likely to be transient than relative poverty, i.e. being poorest may be more persistent than being absolutely poor. (c) Some who make the transition out of poverty fall back: how much transient poverty reflects people who repeatedly move above and below the poverty line; how much of poverty is just a one-off incident; or do the same unfortunate people suffer many incidents?

All this matters, because various sorts of chronic and transient poverty may demand different remedies. Knowledge of factors associated with movements in and out of poverty allows us to target anti-poverty policies to particular vulnerable groups. For

example, people who typically sink into poverty after loss of employment or changes in family status (in particular childbirth, divorce or widowhood) need employment guarantee schemes combined with support for mothers and female-headed households. We can intervene more effectively if we know the frequency and duration of poverty spells for different categories of households. Numerous short, recurring spells of poverty demand measures such as safety nets, credit and insurance schemes for vulnerable households, or in some cases more child nutrition support, or more robust plant or animal varieties. Extended spells of poverty call for policies that improve the assets and entitlements of the poor, such as education, land reform, or improved disability and old-age pensions. Further, victims of mainly transient or mainly chronic poverty, whether adults or children, or workers on irrigated or dryland farms, may differ in resilience, or otherwise benefit from distinct policies geared to the interaction of poverty, duration and type of person.

Furthermore, transient poverty may often deepen and evolve into chronic poverty through repeated poverty triggers. Policy-makers need to know what these triggers are in each region, and to interact sensibly with poor people's own attempts to anticipate or cope with them.⁷³

Explanations of poverty

The emerging, though tentative and largely country-specific, explanations of poverty shown in panel data are summarized in Annex Table 2.4.

RECENT HISTORY OF RURAL POVERTY AND DONOR RESPONSE

Rural welfare indicators have improved, but rural-urban gaps are high and not shrinking

Rural areas generally have less access than urban areas to safe water, adequate sanitation and some health services (Table 2.5). The data are very approximate, but differences are generally larger in West and Central Africa than elsewhere. In

Table 2.5: Access to health and sanitation

| | Adequate sanitation (1990-97) ^{a/} | | Safe drinking water (1995) ^{b/} | | Health services (1985-95) ^{c/} | |
|--|---|-------|--|-------|---|-------|
| | Urban | Rural | Urban | Rural | Urban | Rural |
| West and Central Africa | | | | | | |
| Burkina Faso | 41 | 33 | n.a. | n.a. | 100 | 89 |
| Cameroon | 64 | 36 | n.a. | 30 | 44 | 39 |
| Chad | n.a. | n.a. | 48 | 17 | 64 | n.a. |
| Ghana | 62 | 44 | 88 | 52 | 92 | 45 |
| Guinea-Bissau | n.a. | n.a. | 38 | 57 | n.a. | n.a. |
| Mauritania | 44 | 19 | 87 | 41 | 72 | 33 |
| Niger | 79 | 5 | 70 | 44 | 99 | 30 |
| Nigeria | 50 | 32 | 80 | 39 | 85 | 62 |
| Senegal | 71 | 15 | 90 | 44 | n.a. | n.a. |
| Sierra Leone | 17 | 8 | 58 | 21 | 90 | 20 |
| East and Southern Africa | | | | | | |
| Ethiopia | 97 | 7 | n.a. | n.a. | n.a. | n.a. |
| Kenya | 69 | 81 | n.a. | n.a. | n.a. | 40 |
| Lesotho | 56 | 35 | 64 | 60 | n.a. | n.a. |
| Madagascar | 68 | 30 | n.a. | n.a. | 65 | 65 |
| Uganda | 75 | 55 | 60 | 36 | 99 | 42 |
| Zambia | 94 | 57 | 66 | 37 | 100 | 50 |
| Zimbabwe | 96 | 32 | n.a. | n.a. | 96 | 80 |
| Asia and the Pacific | | | | | | |
| Bangladesh | 83 | 38 | 49 | n.a. | n.a. | n.a. |
| Cambodia | n.a. | 9 | 20 | 12 | 80 | 50 |
| China | 74 | 7 | n.a. | n.a. | 100 | 89 |
| India | 70 | 14 | n.a. | 82 | 100 | 80 |
| Indonesia | 77 | 49 | 87 | 57 | n.a. | n.a. |
| Kazakhstan | 100 | 98 | n.a. | n.a. | n.a. | n.a. |
| Malaysia | 94 | 94 | 100 | 86 | n.a. | n.a. |
| Mongolia | 99 | 74 | 100 | 68 | n.a. | n.a. |
| Nepal | 28 | 14 | 61 | 59 | n.a. | n.a. |
| Pakistan | 93 | 39 | 85 | 56 | 99 | 35 |
| Philippines | 89 | 63 | 91 | 81 | 77 | 74 |
| Sri Lanka | 68 | 62 | 88 | 65 | n.a. | n.a. |
| Thailand | 97 | 94 | 94 | 88 | 90 | 90 |
| Viet Nam | 43 | 15 | n.a. | n.a. | 100 | 80 |
| Latin America and the Caribbean | | | | | | |
| Bolivia | 74 | 37 | 88 | 43 | 77 | 52 |
| Brazil | 80 | 30 | 80 | 28 | n.a. | n.a. |
| Chile | 90 | | 99 | 47 | n.a. | n.a. |
| Colombia | 97 | 56 | 90 | 32 | n.a. | n.a. |
| Costa Rica | 95 | 70 | 100 | 99 | 100 | 63 |
| Dominican Republic | 76 | 83 | 88 | 55 | 84 | 67 |
| Ecuador | 95 | 49 | 81 | 10 | 70 | 20 |
| Guatemala | 95 | 74 | 97 | 48 | 47 | 25 |
| Honduras | n.a. | 57 | 91 | 66 | 80 | 56 |
| Nicaragua | 34 | 35 | 93 | 28 | 100 | 60 |
| Panama | n.a. | n.a. | 99 | 73 | 95 | 64 |
| Paraguay | 65 | 14 | 70 | 6 | 90 | 38 |
| Peru | 89 | 37 | 91 | 31 | n.a. | n.a. |
| Trinidad and Tobago | 99 | 98 | 100 | 88 | 100 | 99 |
| Venezuela | 64 | 30 | 79 | 79 | n.a. | n.a. |
| Near East and North Africa | | | | | | |
| Algeria | 99 | 80 | n.a. | n.a. | 100 | 95 |
| Morocco | 94 | 24 | 97 | 20 | 100 | 50 |
| Tunisia | 96 | 52 | 100 | 76 | 100 | 80 |

a/ UNICEF 1999. b/ World Bank 1999b. c/ UNICEF 1996.

n.a. data not available

Ethiopia, Niger and Sierra Leone, less than 10% of rural people had access to adequate sanitation in 1990-97.

Illiteracy among over-15s has considerably declined in almost all countries with both rural and urban data for at least two years since 1950 (Table 2.6). Yet over half the rural over-15s were illiterate in large

countries of Asia and Near East and North Africa during 1987-95. Despite much greater initial lack of rural schooling, the disparity has been widening. The odds ratio of rural-to-urban illiteracy risk rose between the 1970s and the 1990s for all eight countries in Asia with available data, for women, men and all adults; for almost all cases in Latin

Table 2.6: Illiteracy rates

| | Year | Over 15s illiterate, percentage of population | | | | | |
|--|--------------------|---|-------|-------|-------|--------|-------|
| | | Total | | Male | | Female | |
| | | Urban | Rural | Urban | Rural | Urban | Rural |
| East and South Asia | | | | | | | |
| Bangladesh | 1961 | 62.5 | 84.9 | 53.6 | 77.2 | 75.2 | 93.0 |
| | 1974 | 51.9 | 76.6 | 37.5 | 65.4 | 66.9 | 87.9 |
| | 1981 | 51.9 | 74.6 | 42.0 | 64.6 | 65.9 | 84.7 |
| | 1991 | 37.7 | 69.6 | 27.3 | 57.9 | 47.5 | 80.0 |
| China | 1982 | 17.6 | 37.8 | 9.5 | 23.1 | 26.4 | 53.2 |
| | 1990 | 12.0 | 26.2 | 6.1 | 15.7 | 18.4 | 37.1 |
| India | 1971 | 40.1 | 73.6 | 27.9 | 60.4 | 55.1 | 87.5 |
| | 1991 ^{a/} | 26.7 | 55.3 | 18.9 | 42.1 | 35.9 | 69.4 |
| Nepal | 1981 | 52.6 | 81.3 | 40.3 | 70.4 | 67.0 | 92.4 |
| | 1995 ^{b/} | 35.8 | 64.2 | 22.7 | 49.9 | 49.5 | 77.6 |
| Pakistan | 1961 | 63.3 | 84.2 | 52.6 | 74.7 | 78.9 | 94.6 |
| | 1981 | 52.6 | 83.2 | 43.1 | 73.9 | 64.1 | 93.4 |
| | 1994 ^{c/} | 43.0 | n.a. | n.a. | 72.5 | n.a. | n.a. |
| Philippines | 1970 ^{c/} | 7.2 | 21.3 | 6.0 | 19.8 | 8.2 | 22.8 |
| | 1990 | 2.7 | 10.3 | 2.4 | 9.6 | 3.0 | 11.0 |
| | 1971 | 14.1 | 25.0 | 9.4 | 15.5 | 19.7 | 34.9 |
| Sri Lanka | 1981 | 6.6 | 15.2 | 4.4 | 10.0 | 8.9 | 20.5 |
| | 1970 | 12.3 | 22.9 | 6.3 | 13.9 | 18.1 | 31.6 |
| Thailand | 1990 | 3.3 | 7.5 | 1.9 | 5.0 | 4.5 | 9.9 |
| Latin America and the Caribbean | | | | | | | |
| Bolivia | 1976 | 16.0 | 55.3 | 6.6 | 37.7 | 24.3 | 67.8 |
| | 1992 | 8.9 | 36.1 | 3.7 | 23.0 | 13.5 | 49.4 |
| Brazil | 1976 | 14.4 | 40.6 | 12.0 | 39.4 | 16.6 | 41.9 |
| | 1991 | 10.7 | 31.1 | n.a. | n.a. | n.a. | n.a. |
| Costa Rica | 1950 | 8.1 | 27.9 | 6.1 | 26.7 | 9.7 | 29.3 |
| | 1973 | 4.9 | 17.0 | 4.0 | 16.6 | 5.7 | 17.5 |
| Guatemala | 1973 | 28.2 | 68.6 | 20.0 | 59.9 | 35.5 | 77.6 |
| | 1994 | 16.8 | 47.8 | 11.2 | 38.5 | 21.6 | 56.9 |
| Near East and North Africa | | | | | | | |
| Algeria | 1971 | 58.8 | 81.1 | 42.0 | 66.5 | 74.2 | 94.0 |
| | 1987 | 42.9 | 71.2 | 29.5 | 55.8 | 56.2 | 87.2 |
| Morocco | 1971 | 61.3 | 88.5 | 45.6 | 78.1 | 75.8 | 98.7 |
| | 1994 | 41.1 | 79.3 | 27.7 | 65.5 | 53.8 | 92.3 |
| Tunisia | 1975 | 49.5 | 75.4 | 36.9 | 61.9 | 62.1 | 89.2 |
| | 1989 | 31.9 | 60.0 | 21.9 | 44.9 | 42.4 | 75.1 |

a/ over 7s. b/ over 6s. c/ over 10s. n.a. data not available.

Source: UNESCO Statistical Yearbooks, various years.

America; and for a substantial majority of cases in the three Near East and North Africa countries.⁷⁴ Comparable health data are few but, for 12 developing countries with available data, the ratio of rural to urban mortality among under-fives grew from 1.4:1 in the mid-1970s to 1.6:1 in the mid-1980s.⁷⁵

The uneven decline in rural poverty

Rural and urban areas differ in poverty levels as well (Annex Table 2.1). Comparisons are difficult because national poverty lines are used, and because of difficulties in setting urban and rural poverty lines and different definitions of 'urban'. But urban poverty is clearly lower than rural poverty. So is average depth of poverty.⁷⁶ Most country data use national poverty lines and are based on nationally determined nutritional requirements, with an assumption made about the share of non-food expenditure in the minimum necessary budget. Annex Table 2.2 summarizes the trends in rural-urban poverty, growth and income and sectoral distribution for countries for which such data is available. Here we present some broad conclusions (Table 2.7 provides a summary).

- Rural-urban poverty gaps remain wide in Latin America, in spite of much higher mean incomes than in Africa or South Asia, and some falls in rural and urban poverty. This is due partly to the choice of high national poverty lines but also to higher inequality.⁷⁷
- Faster falls in rural and urban poverty occurred in Asia, especially but not only East Asia, but region-wide ratios of rural to urban poverty have risen since 1985, especially in China.
- Most of Africa (except Ethiopia and Uganda) has seen little poverty reduction since the late 1970s but a fall in the exceptionally high ratios of rural to urban poverty.
- Rates of poverty reduction, and its responsiveness to faster economic growth, have been substantially lower since the late 1980s than in 1975-88.

- Sharp rises in poverty, especially in farming areas, have occurred in ten transitional countries since the late 1980s.⁷⁸ This reflects collapsing safety nets and a failure either to maintain subsidies to the poor within unreformed agriculture or to undertake egalitarian land reforms except in Albania, Armenia, Romania and Viet Nam.

These broad findings mask many regional variations in poverty trends. For instance, even though rural poverty has appreciably declined in China, parts of the north-west are still very poor. Overall there has been no global correction since the late 1970s of the urban biases that sentence rural people to more widespread and deeper poverty, illiteracy and ill-health. Only in sub-Saharan Africa, where the biases were greatest and then only for consumption poverty, have the disparities systematically lessened. Since the suppression of farm prices has declined with liberalization and globalization, it follows that other factors have turned against the rural poor.

Poverty, including rural poverty, fell sharply around 1975-88 and continues to fall, even if more slowly, for rural and urban people in much of Asia and some other areas. But the rural-urban gaps, which appear inefficient as well as inequitable, and which penalize rural areas where most of the poor still live, are not shrinking in most developing countries.

A relevant issue is how to reduce poverty by incorporating the rural and urban poor in manufacturing and services. Indonesia and China, like several smaller East Asian countries, have had some success, with poverty reduction continuing well after the agricultural workforce started to fall. The future of rural poverty, and of rural-urban disparity, is bound up with the capacity to educate and otherwise equip the children of the poor to make this enriching transition. Where this is neglected, long-term prospects for rural poverty and the rural-urban poverty disparity are

Table 2.7: Country classification of rural poverty trends

| Rural poverty trend (1980-99)* | WCA | ESA | EAP | LAC | NENA | EE&FSU |
|--|--------------|--------------------|---|--|--------------------|----------------------------|
| No appreciable decline | Burkina Faso | Kenya | Bangladesh Cambodia Philippines | Peru | | |
| Decline but still high | Mauritania | Zambia | Pakistan | Colombia Ecuador Guatemala Honduras | | |
| Initial decline but running out of steam | | | India | | | |
| Appreciable decline | | Ethiopia Uganda | China Indonesia Malaysia Sri Lanka | | Morocco Tunisia | |
| Increase | | Zimbabwe | Dominican Republic | | Algeria | Kyrgyz Republic Romania |
| No clear trend | Nigeria | | | | | |

* This is the broad period for which data is available. For individual countries, the period may vary.
Sources: See Annex Table 2.2.

bleak. For many Asian countries this is increasingly a problem of islands of regional poverty.

International aid and the rural poor

Aid⁷⁹ can reduce poverty in several ways. It can go to countries or to sectors, especially rural and agricultural, where poverty is widespread and severe. (This reaches the poor only to the extent that such aid is not fungible, i.e. that it does not mean less of other poverty-reducing resources, such as efforts by governments or private citizens, or flows of foreign investment.) Aid can be cost-effective against poverty within countries and sectors. And, even with weak sector and country allocation and cost-effectiveness, aid volume can be high enough to reduce poverty substantially.

Aid volume and poverty volume

Between 1987-88 and 1998 net aid disbursed in real terms fell from 0.33% to 0.24% of sharply

rising OECD Gross Domestic Product (GDP), the lowest proportion ever,⁸⁰ as against an agreed target of 0.7%. For low-income countries, net aid comprised only 1.4% of GNP, or USD 6.90 per person per year (down from 2.7% in 1992) per year. Aid is nevertheless very important for many countries with substantial poverty. In 1998, for sub-Saharan Africa (excluding South Africa and Nigeria), net aid disbursed was 8.6% of GNP, and for Latin America and the Caribbean 7.3% – respectively, about half and about a third of gross domestic investment. Yet South and East Asia,⁸¹ together containing two thirds of the world's dollar-poor, received only 25% of net aid disbursements, less than 1% of GNP and below one twentieth of gross domestic investment.⁸² By the late 1990s real net aid flows, especially to low-income countries in Asia, had fallen far below the volumes required to make major dents in poverty, despite donor commitments at the 1995 UN Social

Summit and in the Development Assistance Committee of the OECD in 1996 to manage aid around anti-poverty partnerships led by each developing country.

Yet in another sense aid is substantial relative to extreme poverty. We compared dollar poverty in the 47 countries with reliable surveys for various years around 1995, with net aid disbursed in the survey year.⁸³ In this sample, extra consumption needed to remove poverty for those consuming below PPP USD 1 a day was USD 106 billion a year. The total aid disbursements in the survey years to these same countries were USD 339.5 billion. With perfect targeting by donors to recipient countries, and by each country on its poor, aid disbursements would have covered 37% of the global dollar poverty gap.

Why then is aid at such levels too small to make a major poverty impact in many countries? Mainly because aid leaks into regions, countries and sectors with low poverty and/or little cost-effectiveness in reaching the poor.

Country aid allocation and poverty

The politics of country targeting undermines the impact of aid on poverty.⁸⁴ Bilateral aid is influ-

enced by commercial interests,⁸⁵ focuses still upon ex-colonies,⁸⁶ and hugely disfavours large countries even if they have massive poverty. Table 2.8 shows the weak congruence of aid with poverty at regional level.

Much aid goes to regions of quite high average real GDP and quite low poverty incidence. In both 1992 and 1998, 39% of net aid went to middle-income countries, the rest to low-income countries. South Asia and China receive a far lower proportion of aid than their low mean income and high share of world poverty would suggest; Latin America, the Confederation of Independent States, and the Near East and North Africa receive a far higher, and sub-Saharan Africa a somewhat higher, proportion.

This mismatch with poverty does not prove that aid is misallocated. Moderately poor countries or regions receiving large amounts of aid might be better at using aid to remove residual poverty than are worse-off and less-aided places. However, the low shares of world aid, and low aid per person, in 1998 in India (3.9% and USD 1.80) and China (5.7% and USD 1.90) are striking in view of their large shares of the world's extreme poor (over 400 and over 200 million, respectively, out

Table 2.8: Aid and extreme consumption poverty by main regions, 1998

| Region | Persons consuming below 1993 PPP USD 1/day | | | Net aid disbursements | | | GNP/person | |
|--------------------------------|--|----------------------|------------------------------------|-----------------------|-------------|----------|------------|------|
| | No in mns | % of all dollar poor | Incidence of poverty in the region | USD mn | % of global | % of GNP | USD/person | |
| All rcpt countries | 1198.9 | 100.0 | – | 41102 | 100.0 | 2.9 | 8.3 | – |
| All dvpg countries | >1188.9 | >99.0 | 24.0 | 34449 | 83.8 | 3.2 | 7.5 | 1250 |
| E/SE Asia, Pacific* | 278.3 | 23.2 | 15.3 | 7794 | 18.9 | 0.7 | 3.0 | 1138 |
| E Eur/Cent Asia | 24.0 | 2.0 | 5.1 | 5565 | 13.5 | 0.7 | 14.0 | 2110 |
| LAC | 78.2 | 6.5 | 15.6 | 4388 | 10.7 | 7.3 | 8.8 | 3830 |
| S Asia | 552.0 | 43.6 | 40.0 | 5034 | 12.2 | 0.8 | 3.8 | 490 |
| SS Africa | 290.9 | 24.2 | 46.3 | 12580 | 30.6 | 4.4 | 21.4 | 530 |
| Middle East/ North Africa** | 5.5 | 0.5 | 1.9 | 4607 | 11.2 | 0.9 | 18.1 | 2220 |

Notes: * World Bank category. In the UNDP Human Development Report categories, of this, East Asia (including China) received USD 2678m. aid (0.2% of GNP, USD 1.9 per person); SE Asia and the Pacific received USD 5516m. (1.1%, USD 10.0). **World Development Report category: 'Arab States receiving aid' (in UNHDR categorization) corresponds very closely.

Source: World Bank 2000a: Fig. 1 and table 1.1; UNDP, 2000: 205, 222.

of 1.2 billion)⁸⁷ together with their relatively good reputations for using aid to reduce poverty.

Focusing aid on poorer countries also means focusing it on countries with higher proportions of rural people and of the rural poor. In 2000, the proportion of persons mainly engaged in agriculture was 64% in sub-Saharan Africa and 55% in South Asia, but 41% in East and South-East Asia and only 21% in Latin America and the Caribbean.⁸⁸

Consistent with this, in our 47-country sample aid is very badly targeted on countries with high extreme-poverty gaps: a recipient country's proportion of gross aid disbursements bears almost no relation to its proportion of the world's 'dollar poverty gap' of around USD 106 billion in 1995. However, aid is somewhat less badly targeted on countries with a high proportion of the world's dollar-poor. The distinction between the two indicators lies in the depth of poverty. Country aid allocation appears to take some slight account of poverty numbers, but none of poverty depth. For example, Morocco, The Gambia and Algeria have roughly the same share of the world's poor people, but on average the poor in The Gambia are about 46 times poorer than the poor in Algeria and Morocco. Yet current allocations give far less aid to The Gambia than to Algeria and Morocco.

It is sometimes claimed that the high proportion of aid allocated to low-poverty countries matters little, in the sense that public spending falls to offset aid increases. It is odd to dismiss aid because its impact is felt partly in increased private, rather than public, spending. The evidence from a 38-country sample is that an extra dollar of aid increases public spending by 33 cents in the average case;⁸⁹ the increase, of course, would be far more in highly-aided and very poor countries such as Malawi, Mozambique or Nicaragua, where aid is about 30% of GNP and covers almost all public expenditure.

Sector allocation and poverty

The much lower cost per workplace in agriculture, and its tendency to employ the poor and increase the reliability of their food, suggest that giving aid to agriculture and rural development is good for the poor if it raises output. Indian evidence that only agricultural growth is associated with substantial poverty reduction supports this.⁹⁰

The proportion of sectorally allocable aid reaching agriculture, forestry and fisheries, which fell sharply from the mid-1970s to only 20.2% in 1987-89, plummeted further to 12.5% in 1996-98 (Annex Table 2.5), in contrast to the 52% of workforce (and presumably over two thirds of the poor) mainly dependent on agriculture for livelihoods. The real value of net aid disbursed to agriculture in the late 1990s was only 35% of its level in the late 1980s.

Aid is often fungible and hence bad at promoting particular economic policies even with alleged conditionality, though it is good at supporting countries that already have policies conducive to achieving good returns on aid.⁹⁵ These findings have coincided with an agreement among OECD donors to coordinate and subordinate their aid to monitored poverty targets, that is, halving dollar poverty in 1995-2015, and relevant funding gaps, identified by each developing country. Five years after this agreement, no such aid partnerships existed. In 2000 several have at last begun to take shape, principally under the aegis of World Bank/International Monetary Fund (IMF) Poverty Reduction Strategy Papers and the eight country strategies for halving poverty by the Asian Development Bank (ADB). This can contribute substantially to the ambitious targets of halving poverty in 1995-2015 only if aid concentrates much more on reducing rural poverty through stimulating agricultural growth and especially food production, yield and employment. It is on this that the poor depend for their work, income, health and poverty reduction; and it is here that dramatic progress has been possible. However, progress has stalled and is in dire need of revival.

Annex

Table 2.1: Rural–urban differences in poverty (country-specific poverty lines)

| | Poverty Head Count Index | | | Poverty Gap Index | |
|----------------------------------|--------------------------|-------|-------------------|-------------------|-------|
| | Rural | Urban | Rural–urban Ratio | Rural | Urban |
| West and Central Africa | | | | | |
| Burkina Faso 1994 ^{a/} | 51.1 | 10.4 | 4.91 | | |
| Burkina Faso 1998 | 50.7 | 15.8 | 3.21 | | |
| Cameroon 1984 ^{b/} | 32.4 | 44.4 | 0.73 | | |
| Chad 1985-6 ^{b/} | 67.0 | 63.0 | 1.06 | | |
| Ghana 1987-8 ^{c/} | 41.9 | 27.4 | 1.53 | | |
| Ghana 1991-2 | 33.9 | 26.5 | 1.28 | | |
| Guinea-Bissau 1991 ^{b/} | 60.9 | 24.1 | 2.53 | | |
| Mauritania 1987 ^{a/} | 72.1 | 43.5 | 1.66 | | |
| Mauritania 1996 | 58.9 | 19.0 | 3.10 | | |
| Niger 1989-93 ^{b/} | 66.0 | 52.0 | 1.27 | | |
| Nigeria 1985 ^{a/} | 45.1 | 29.6 | 1.52 | | |
| Nigeria 1992 | 67.8 | 57.5 | 1.18 | | |
| Nigeria 1985 ^{b/} | 49.5 | 31.7 | 1.56 | | |
| Nigeria 1992 | 36.4 | 30.4 | 1.20 | | |
| Nigeria 1985 ^{c/} | 16.1 | 4.9 | 3.29 | | |
| Nigeria 1992 | 15.4 | 10.9 | 1.41 | | |
| Senegal 1991 ^{b/} | 40.4 | 16.4 | 2.46 | | |
| Sierra Leone 1989 ^{b/} | 76.0 | 53.0 | 1.43 | | |
| East and Southern Africa | | | | | |
| Ethiopia 1989-95 ^{a/} | 61.3 | 40.9 | 1.50 | | |
| Ethiopia 1994-7 | 45.9 | 38.7 | 1.19 | | |
| Kenya 1992 ^{b/} | 46.4 | 29.3 | 1.58 | | |
| Kenya 1992 ^{c/} | 46.3 | 29.3 | 1.59 | | |
| Kenya 1994 | 46.7 | 28.9 | 1.62 | | |
| Lesotho 1993 ^{a/} | 53.9 | 27.8 | 1.94 | | |
| Madagascar 1993-4 ^{b/} | 77.0 | 47.0 | 1.64 | | |
| Uganda 1992 ^{a/} | 59.4 | 29.4 | 2.02 | | |
| Uganda 1997 | 48.2 | 16.3 | 2.96 | | |
| Zambia 1991 ^{b/} | 88.0 | 46.0 | 1.91 | | |
| Zambia 1991 ^{c/} | 79.1 | 27.2 | 2.91 | 50.1 | 9.5 |
| Zambia 1996 | 74.9 | 34.0 | 2.20 | 37.8 | 11.4 |
| Zimbabwe 1991 ^{a/} | 51.5 | 6.2 | 8.31 | | |
| Zimbabwe 1996 | 62.8 | 14.9 | 4.21 | | |
| Zimbabwe 1990-1 ^{b/} | 31.0 | 10.0 | 3.10 | | |
| East and South Asia | | | | | |
| Bangladesh 1983-4 ^{c/} | 53.8 | 40.9 | 1.32 | 15.0 | 11.4 |
| Bangladesh 1991-92 | 52.9 | 33.6 | 1.57 | 14.6 | 8.4 |
| Bangladesh 1991-92 ^{b/} | 46.0 | 23.3 | 1.97 | | |
| Bangladesh 1995-96 | 39.8 | 14.3 | 2.78 | | |
| Cambodia 1993-4 ^{b/} | 43.1 | 24.8 | 1.74 | | |
| Cambodia 1997 | 40.1 | 21.1 | 1.90 | | |
| China 1978 ^{c/} | 33.0 | 4.4 | 7.50 | | |
| China 1990 | 11.5 | 0.4 | 28.7 | | |

(cont'd)

Rural-urban differences in poverty (country-specific poverty lines) (cont'd)

| | Poverty Head Count Index | | | Poverty Gap Index | |
|--|--------------------------|-------|-------------------|-------------------|-------|
| | Rural | Urban | Rural-urban Ratio | Rural | Urban |
| China 1994 ^{b/} | 11.8 | <2 | | | |
| China 1996 | 7.9 | <2 | | | |
| China 1998 | 4.6 | <2 | | | |
| China 1988 ^{f/} | 22.6 | 2.7 | 8.37 | 7.2 | 0.4 |
| China 1995 | 17.4 | 4.1 | 4.24 | 4.6 | 0.9 |
| India 1992 ^{b/} | 43.5 | 33.7 | 1.29 | | |
| India 1994 | 36.7 | 30.5 | 1.20 | | |
| India 1957-8 ^{g/} | 55.2 | 47.8 | 1.15 | 19.0 | 16.0 |
| India 1977-8 | 50.6 | 40.5 | 1.25 | 15.0 | 11.7 |
| India 1987-8 | 38.9 | 35.6 | 1.09 | 10.0 | 9.3 |
| India 1990-1 | 36.4 | 32.8 | 1.11 | 8.6 | 8.5 |
| India 1994-5 | 34.2 | 28.4 | 1.20 | 8.7 | 7.1 |
| India 1995-6 | 35.4 | 27.3 | 1.30 | 8.3 | 6.9 |
| India 1997 | 34.2 | 27.9 | 1.23 | 8.1 | 7.2 |
| Indonesia 1987 ^{b/} | 16.4 | 20.1 | 0.81 | | |
| Indonesia 1990 | 14.3 | 16.8 | 0.85 | 2.1 | 3.2 |
| Indonesia 1996 | 12.3 | 9.7 | 1.27 | | |
| Indonesia 1998 | 22.0 | 17.8 | 1.24 | | |
| Indonesia 1984 ^{c/} | 45.7 | 15.9 | 3.87 | 12.8 | 3.5 |
| Indonesia 1990 | 26.6 | 11.2 | 2.37 | 5.3 | 1.8 |
| Lao PDR 1993 ^{b/} | 53.0 | 24.0 | 2.21 | | |
| Malaysia 1973 ^{c/} | 55.3 | 44.8 | 1.23 | | |
| Malaysia 1989 | 19.3 | 14.3 | 1.35 | | |
| Malaysia 1987 ^{d/} | 24.7 | 7.3 | 3.39 | | |
| Mongolia 1995 ^{b/} | 33.1 | 38.5 | 0.86 | | |
| Nepal 1995-6 ^{b/} | 44.0 | 23.0 | 1.91 | | |
| Pakistan 1991 ^{b/} | 36.9 | 28.0 | 1.32 | | |
| Pakistan 1984-5 ^{d/} | 49.3 | 38.2 | 1.29 | | |
| Pakistan 1990-1 | 36.9 | 28.0 | 1.32 | 7.8 | 5.7 |
| Philippines 1961 ^{c/} | 64.0 | 51.0 | 1.25 | 19.0 | 13.9 |
| Philippines 1988 | 53.0 | 23.0 | 2.30 | | |
| Philippines 1994 ^{b/} | 53.1 | 28.0 | 1.90 | | |
| Philippines 1997 | 51.2 | 22.5 | 2.28 | | |
| Papua New Guinea 1996 ^{d/} | 39.4 | 13.5 | 2.92 | 12.8 | 3.4 |
| Sri Lanka 1985-6 ^{b/} | 45.5 | 26.8 | 1.70 | 18.0 | 21.8 |
| Sri Lanka 1990-1 | 38.1 | 28.4 | 1.34 | | |
| Sri Lanka 1985-6 ^{c/} | 31.7 | 16.4 | 1.93 | 7.7 | 3.5 |
| Sri Lanka 1990-1 | 24.4 | 18.3 | 1.33 | 5.3 | 4.1 |
| Thailand 1992 ^{b/} | 15.5 | 10.2 | 1.52 | | |
| Viet Nam 1993 ^{b/} | 57.2 | 25.9 | 2.11 | | |
| Latin America and the Caribbean | | | | | |
| Bolivia 1996 ^{e/} | 81.7 | 33.8 | 2.42 | 56.7 | 12.7 |
| Brazil 1990 ^{b/} | 32.6 | 13.1 | 2.49 | | |
| Brazil 1995 ^{e/} | 41.5 | 13.2 | 3.14 | 20.0 | 6.5 |

(cont'd)

Rural–urban differences in poverty (country-specific poverty lines) (cont'd)

| | Poverty Head Count Index | | | Poverty Gap Index | |
|---|--------------------------|-------|-------------------|-------------------|-------|
| | Rural | Urban | Rural–urban Ratio | Rural | Urban |
| Chile 1995 ^{e/} | 14.7 | 5.6 | 2.63 | 4.3 | 2.1 |
| Colombia 1978 ^{e/} | 38.4 | 12.1 | 3.17 | 16.6 | 4.6 |
| Colombia 1992 | 31.2 | 8.0 | 3.90 | 13.5 | 2.4 |
| Dominican Republic 1989 ^{b/} | 27.4 | 23.3 | 1.18 | | |
| Dominican Republic 1992 | 29.8 | 10.9 | 2.73 | | |
| Ecuador 1990 ^{c/} | 85.0 | 47.7 | 1.78 | | |
| Ecuador 1994 | 47.0 | 25.0 | 1.88 | | |
| Guatemala 1980 ^{c/} | 83.7 | 47.0 | 1.78 | | |
| Guatemala 1986-7 | 79.7 | 60.3 | 1.32 | | |
| Guatemala 1989 ^{b/} | 71.9 | 33.7 | 2.13 | | |
| Honduras 1989 ^{c/} | 58.0 | 51.0 | 1.14 | | |
| Honduras 1993 | 51.0 | 57.0 | 0.72 | | |
| Nicaragua 1993 ^{b/} | 76.1 | 31.9 | 2.39 | | |
| Panama 1997 ^{b/} | 64.9 | 15.3 | 4.24 | | |
| Paraguay 1991 ^{b/} | 28.5 | 19.7 | 1.45 | | |
| Paraguay 1995 ^{e/} | 45.3 | 7.5 | 6.04 | 21.5 | 3.0 |
| Peru 1994 ^{b/} | 67.0 | 46.1 | 1.45 | | |
| Peru 1997 | 64.7 | 40.4 | 1.60 | | |
| Trinidad and Tobago 1992 ^{b/} | 20.0 | 24.0 | 0.83 | | |
| Venezuela 1995 ^{e/} | 73.1 | 45.8 | 1.60 | 34.6 | 19.9 |
| Near East and North Africa | | | | | |
| Algeria 1988 ^{b/} | 16.6 | 7.3 | 2.27 | | |
| Algeria 1995 | 30.3 | 14.7 | 2.06 | | |
| Morocco 1984-5 ^{b/} | 32.6 | 17.3 | 1.88 | | |
| Morocco 1990-1 | 18.0 | 7.6 | 2.37 | | |
| Tunisia 1985 ^{b/} | 29.2 | 12.0 | 2.43 | | |
| Tunisia 1990 | 21.6 | 8.9 | 2.43 | | |
| Yemen 1992 ^{b/} | 19.2 | 18.6 | 1.03 | | |
| Eastern Europe and Former Soviet Union | | | | | |
| Estonia 1994 ^{b/} | 14.7 | 6.8 | 2.16 | | |
| Georgia 1997 ^{b/} | 9.9 | 12.1 | 0.82 | | |
| Kazakhstan 1996 ^{b/} | 39.0 | 30.0 | 1.30 | | |
| Kyrgyz Republic 1993 ^{b/} | 48.1 | 28.7 | 1.68 | | |
| Kyrgyz Republic 1997 | 64.5 | 28.5 | 2.26 | | |
| Romania 1989 ^{b/} | 5.9 | 1.2 | 4.92 | | |
| Romania 1993 | 23.4 | 17.0 | 1.38 | | |

Sources:

- a/ Demery 1999: data given in World Bank 2000a.
- b/ World Bank 2000b.
- c/ Lipton and Eastwood 1999: Table III.1 – see below for original sources.
- d/ de Haan and Lipton 1999: Table 4 – see below for original sources.
- e/ Wodon 1999: Table 1.9, World Bank staff estimates.
- f/ Khan 1998: Tables 6 and 10.
- g/ Jha 1999: Table 4.

Lipton and Eastwood 1999, original sources:

- Ghana: World Bank 1995e: 27.
- Nigeria: World Bank 1996a: 22-6.
- Kenya: Ayako and Katumanga 1997: 7.
- Zambia: McCulloch and Baulch 1999.
- Bangladesh: Jayarajah *et al.* 1996: 60.
- China: World Bank 1992b: ix, 23, 146-7.
- Indonesia: Jayarajah *et al.* 1996: 60.
- Malaysia: de Haan and Lipton 1999 and Shari 1992 (NB: data not the same as in Lipton and Eastwood).
- Philippines: World Bank 1995f: 3.
- Sri Lanka: World Bank 1995g: 7.
- Colombia: World Bank 1994b: 6.
- Ecuador: World Bank 1995h, Vol. 2: 7.
- Guatemala: World Bank 1995b, Annex 2: Table 1, data originally from CEPAL.
- Honduras: World Bank 1994c, Appendix: Table C12.

de Haan and Lipton 1999 - original sources:

- Malaysia: Ahuja *et al.* 1997: 14-15.
- Pakistan: World Bank 1995i: 52.
- Papua New Guinea: Ahuja *et al.* 1997: 14-15.

Notes:

(1) The poverty line

All data from Demery (1999), Wodon (1999), Khan (1998) and Jha (1999) are for national poverty lines. These are based on nationally determined nutritional requirements, with an assumption made about the share of non-food expenditure in the minimum necessary budget. This is also true of all data from Lipton and Eastwood (1999) and de Haan and Lipton (1999) with the following exceptions: for Nigeria, the poverty line is set at one third of mean per capita household expenditure; for Ghana, the poverty line is two thirds of mean per capita expenditure in the first year of the survey 1987-8; for Indonesia, the poverty line is USD 30 a day adjusted to PPP; for Guatemala and Malaysia, the nature of the poverty line is not given in the source.

Data from the World Bank (2000b) are for a national poverty line, but it is not clear how this is calculated in each case.

Malaysia data given in Lipton and Eastwood (1999) appear to be for poverty incidence of households, rather than a headcount. In all other cases the data are headcount data.

(2) Income or expenditure?

Poverty rates presented are based on income with the following exceptions:

Wodon (1999) and Jha (1999) are based on expenditure.

From Lipton and Eastwood (1999), data for Ghana, Nigeria, Kenya and Sri Lanka are based on expenditure. Ecuador data are based on income for 1990 and expenditure for 1994.

From de Haan and Lipton (1999), data for Pakistan and Papua New Guinea are based on consumption.

In a number of other cases, including all data from the World Bank (2000b), and data for Indonesia and Bangladesh in Lipton and Eastwood (1999), it is not clear whether income or expenditure is taken as the measure of household living standards.

(3) Definitions of urban and rural

The definitions of urban and rural used in each source are not clear. Almost all sources use a different poverty line for urban and rural areas, reflecting both different nutritional requirements and differences in the cost of living. Ghana is an exception.

It follows for the above that data cannot be compared across sources. However, the aim has been to provide more than one data point from a single source. Exceptions: data for Ecuador are from two different studies and use different measures of household living standards in each case.

Table 2.2: Poverty trends and profiles, with growth and redistribution

| ASIA AND THE PACIFIC (AP) | | | |
|---------------------------|----------------|---|--|
| Country | Period | Poverty Trends ^{1/} | Growth Performance ^{2/} |
| Bangladesh | 1984-96 | Sharp decline in rural Head Count Index (HCI); urban HCI fell faster so increase in rural-urban ratios. | Increase in output rates in 1980s and 1990s, but below target rate of 7% recommended for sustainable poverty reduction. |
| Cambodia | 1993-4 to 1997 | Decline in both urban and rural poverty. Slightly increased rural-urban HCI ratio. | Despite an increase in industrial output and tourism, agriculture is key to growth. But it is vulnerable to bad weather such as floods in 1996 which slowed growth. |
| China | 1978-95 | Decline in both rural and urban poverty in 1977-84, though urban poverty fell faster. Nearly fourfold increase in rural-urban HCI ratio in 1978-90. Rural poverty increased in 1985-9 and then decreased from 1990. | Economic reform resulted in high rates of growth, enabling large investments in social welfare. |
| India | 1970-89 | Faster decline in rural HCI than urban leading to a decline in rural-urban Poverty Gap Index (PGI) ratio. | Whereas the Green Revolution resulted in growth of agricultural output, manufacturing output suffered a bottleneck in the 1970s and 1980s. |
| Indonesia | 1976-95 | Fast falls, especially in rural poverty, led to a decline in rural-urban PGI ratio (1984-90). | Agriculture gained importance after the oil crisis in 1973; manufacturing suffered in the 1970s but has since achieved higher growth rates than agriculture. |
| Kazakhstan | 1996 | Trend data not available. Rural HCI higher than urban HCI. | Output stabilized in 1996 for the first time since independence. Good outlook as industry geared towards developing the natural resource base [World Bank ^{3/}]. |
| Kyrgyz Republic | 1993-7 | Increase in rural poverty, but decrease in urban poverty leading to an increase in rural-urban HCI ratio. | Data not available for this period. |
| Lao PDR | 1993 | Trend data not available. In 1993 rural HCI more than twice that of urban HCI. | Primarily a subsistence economy with slow growth. |
| Malaysia | 1970-90 | Both rural and urban poverty declined but at varying rates so poverty indicators diverged (1973-89). | Varied growth performance – a general slump in the early 1980s, but agricultural growth in 1976-87. Significant growth since 1987. |

Redistribution

Increase in rural-urban, intra-sectoral and overall inequality.

Poverty Profile^{3/}

In spite of decline in both, rural poverty incidence still higher than urban. Large variations in poverty rate by geographical area. Landlessness the foremost determinant of rural poverty.

Sharp fall in urban-rural inequality from 1978-83 with quasi-privatization of farmland. Moderate fall in urban inequality as well. Substantial rises in total, intra- and intersectoral inequalities in 1983-95 as the focus of reform shifted to the urban sector.

Rising rural-urban poverty ratios reinforced by rising intra-rural inequality after 1983 as township & village enterprises replaced agriculture as engine of rural growth.

Little change in urban-rural inequality; small rise in urban inequality; small decline in rural inequality.

Poverty is mainly rural. Gender, literacy, land ownership, employment status, caste and location closely associated with poverty.

Rises in rural, urban and rural-urban inequalities in 1976-78; A steady fall in the rural Gini but a U-shaped pattern for urban and overall Ginis since 1978.

Poverty is mainly rural but with large regional disparities.

Poverty concentrated in the south of the country, in large households and among the unemployed and pensioners.

Poverty fundamentally a rural phenomenon. Nearly 80% of the poor live in rural areas and the gap between urban and rural areas is growing.

Large urban-rural differential in poverty. Poverty is higher in the South, coincident with unfavourable nutrition and health indicators.

Falling total, inter-sectoral and urban inequalities; small rise in total inequality in the 1970s associated with a temporary rise in rural inequality.

(cont'd)

Poverty trends and profiles, with growth and redistribution

ASIA AND THE PACIFIC (AP) (cont'd)

| Country | Period | Poverty Trends ^{1/} | Growth Performance ^{2/} |
|------------------|---------|--|--|
| Mongolia | 1995 | Trend data not available. In 1995 urban HCI was slightly higher than that of rural HCI. | Liberalization boosted small-scale agricultural output and industry recovered after a decline in the early 1990s. Growth since 1994. |
| Nepal | 1995-6 | Trend data not available. In 1995/6 rural HCI was nearly twice that of urban HCI. | Good, stable GDP growth, but contribution of agriculture is declining due to weather and increasing importance of non-agricultural sectors. |
| Pakistan | 1979-91 | Rate of reduction of urban HCI no faster than rural HCI in 1984/5-1990/1. | Good growth performance resulting in food grain self-sufficiency and increased government development expenditure. |
| Papua New Guinea | 1996 | Trend data not available. Rural HCI nearly three times that of urban HCI in 1996. | Disappointing economic performance due to dependency on minerals sector and agriculture vulnerable to weather conditions such as <i>El Niño</i> . |
| Philippines | 1957-91 | Rural-urban ratios of both HCI and PGI increased as urban poverty fell faster (1961-88). | Industrialization in the 1980s, but more recently the agricultural sector has received more attention to improve output. |
| Sri Lanka | 1970-91 | Decline in rural HCI and PGI, but urban indices increased in 1985/6-1990/1 | Liberalization in the late 1970s led to increased public investment in agricultural development, irrigation, etc. |
| Thailand | 1962-92 | Trend data not available. In 1992 rural HCI was higher than urban HCI with rural-urban HCI ratio of 1.52. | Rapid industrial growth since the 1960s, but agriculture is still important in GDP growth. |
| Viet Nam | 1993 | Trend data not available. Rural HCI more than twice as large as urban HCI. | Survived economic transition well, with rapid economic growth. Industrial growth above target, but declining agricultural sector, despite its high employment. |

Redistribution

Poverty Profile^{3/}

Insignificant changes in overall, intra-rural and rural-urban inequality in 1979-85/6. Substantial annual fall in rural-urban inequality in 1985-6 to 1990-1 partly offset by rises in urban and rural Ginis leading to a sharp rise in overall Gini, despite rural-urban equalization.

Incidence and depth of poverty, along with social indicators, worse in rural than in urban areas; in remote than in more inaccessible rural areas; for women, and for people belonging to certain occupational castes.

Rural areas have higher poverty and worse human development indicators than urban areas. Among regions, rural South Punjab and Baluchistan poor relative to other provinces.

An inverted U-pattern for rural, urban and total inequality during the mid-1950s to mid-1980s. Sharp narrowing of the urban-rural gap during the mid-1960s to the mid-1970s. All components of inequality turned upwards since then.

Mainly rural. Most of the poor are engaged in the agriculture, fisheries and forestry sectors.

Fall in urban-rural and rural inequalities; urban inequality unchanged.

Poverty is mainly rural. Individuals are more likely to be poor if working members of the household are employed in agriculture.

A large rise in urban-rural inequality (73%) in 1981-92.

Most of the poor lived in the northeast and the north and the bulk of the poor are concentrated in rural areas. Poor households are mainly involved in agriculture.

A large majority of the poor, concentrated in rural areas, are farmers. The highest incidence of poverty is found in the North Central Coast. Ethnic minorities have a higher incidence of poverty than the national average.

Poverty trends and profiles, with growth and redistribution

WEST AND CENTRAL AFRICA (WCA)

| Country | Period | Poverty Trends ^{1/} | Growth Performance ^{2/} |
|---------------|---------|---|---|
| Burkina Faso | 1994-8 | Decline in rural poverty, increase in urban leading to a decrease in the rural-urban HCI ratio. | Year-to-year fluctuations due to rain-fed agriculture. Limited manufacturing growth because of lack of raw materials and the need to import fuel. |
| Cameroon | 1984 | Trend data not available. Higher urban HCI than rural HCI. | Good growth until 1985 when oil, coffee and cocoa prices declined. |
| Chad | 1985-6 | Trend data not available. Rural and urban HCI roughly equal. | An agrarian economy reliant on rains, which has stunted economic growth. |
| Ghana | 1988-92 | Big fall in the ratio of rural-urban poverty. | Growth low but constant; growth in output of food crops despite drought. |
| Guinea-Bissau | 1991 | Trend data not available. Rural HCI over twice as high as urban HCI. | Fluctuating growth due to reliance on agricultural sector. |
| Mauritania | 1987-96 | Both urban and rural poverty has declined, but urban poverty has fallen faster, resulting in a doubling of rural-urban HCI ratio. | Dual economy with a small modern sector and a traditional subsistence sector vulnerable to climate change. Growth has slowed. |
| Niger | 1989-93 | Trend data not available. Rural HCI slightly higher than urban HCI. | Good rains in 1988 and 1990 led to good growth; mineral sector suffered when world uranium prices depressed. |
| Nigeria | 1985-92 | Fall in rural poverty, increase in urban poverty leading to a decrease in rural-urban HCI ratios. | Steady increase in GDP due to recovery of oil prices and economic reform in the agricultural sector. Heavily dependent on oil prices. |
| Senegal | 1991 | Trend data not available. Rural HCI more than twice as high as urban HCI. | Economy recovered in 1990 after a poor farming season in 1988-9. Affected by poor groundnut harvest in 1990-91. |
| Sierra Leone | 1989 | Trend data not available. Higher rural than urban HCI. | Negative growth due to a large agricultural subsistence sector and decline of the mineral sector. |

Redistribution

Poverty Profile^{3/}

Rise in urban inequality offset by falls in rural and rural-urban inequality.

The poor are concentrated in rural areas. Geographic location is a strong indicator of poverty.

More than four fifths of the population and an even larger proportion of the poor live in rural areas.

Poverty is mainly rural but the gap with urban poverty is narrowing. Whole communities in the northern areas of Ghana are poor while poverty is lowest in the capital, Accra. Gender is an important dimension of poverty in Ghana, especially in the Northern Region.

Poverty is an overwhelmingly rural problem, with most of the poor living in the regions of Rural Norte, Rural Leste and Rural Sul.

Poverty appears more severe in rural areas (particularly in the east and the Senegal River Valley) than in urban areas. Nearly 30% of Mauritanian households are headed by women, partly explained by high divorce rates and increasing long-term migration.

Because of the population weighting, rural areas contribute more than urban areas to total poverty.

Mainly rural, but the share of urban poverty is increasing. The largest number of poor people is concentrated in northern regions.

Poverty in Senegal essentially a rural phenomenon, with over 80% of poor households living in rural areas.

Sierra Leone is one of the poorest countries in the world. In 1992, it had a per capita income of only USD 170. The great majority of the poor live in rural areas. Social indicators are among the worst in the world. Life expectancy is only 42 years, the second lowest in the world.

Poverty trends and profiles, with growth and redistribution

EAST AND SOUTHERN AFRICA (ESA)

| Country | Period | Poverty Trends ^{1/} | Growth Performance ^{2/} |
|------------|-------------------|--|---|
| Ethiopia | 1989-95 to 1994-7 | Greater decline in rural than urban poverty leading to decline in rural-urban HCl. | Largely an agricultural economy, growth dependent on rainfall. High output in 1992, a wet year, but since then low growth due to civil war. |
| Kenya | 1992-4 | Fall in the ratio of rural-urban HCl. | Negligible growth due to lack of rainfall, political disorder and foreign exchange crisis. Export smallholders successful, but high inequality of landholding has worsened conditions for the poor. |
| Lesotho | 1993 | Trend data not available. Rural HCl almost twice as high as urban HCl. | Manufacturing output strong. Reliant on remittances from migrant miners. Declining agricultural yields due to soil erosion and poor farming practices. |
| Madagascar | 1993-4 | Trend data not available. Rural HCl much higher than urban HCl. | Slow recovery after sluggish growth in the 1980s. Agriculture's share of GDP declining. |
| Uganda | 1992-97 | Greater decline in urban than rural poverty, resulting in an increase in rural-urban HCl. | Good growth performance due to improved security, but agricultural output strongly affected by drought. |
| Zambia | 1991-6 | Rural poverty fell while urban poverty increased; small decline in rural-urban HCl, larger fall in PGI. | Liberalization, investment in industry has been low resulting in negative growth rates. |
| Zimbabwe | 1991-6 | Increase in both urban and rural poverty, but urban most significant, resulting in halving of rural-urban HCl ratio. | Erratic growth pattern due to droughts affecting agriculture, but industrial growth significant and constant. |

Redistribution**Poverty Profile^{3/}**

Landless, refugees, those displaced due to war and demobilized soldiers are an important component of the poor in Ethiopia. Poverty is mainly rural.

The majority of the poor in rural areas are food and subsistence farmers and those who derive the bulk of their income from the informal sector. About one third of rural poor households are headed by widowed, divorced, or separated women with children.

Poverty mainly a rural phenomenon and the incidence is disproportionately high among households engaged in agriculture, informal business or casual labour. Boys suffer more than girls from higher malnutrition rate and lower school enrollment ratios.

Poverty is deeper in rural than in urban areas. Farmers (especially smallholders) are the poorest group in the country. Most of the poor are seven to 20 years old who do not attend school.

Rural poverty incidence and severity higher than in urban areas. Correlates of poverty (such as household size, dependency ratio and illiteracy) are higher for rural Uganda. Poor households tend to have older, less educated and (more likely) a woman as head of the household.

Rises in intra-rural equality

Rural poverty more prevalent, deeper and more severe than urban poverty. Increased likelihood of poverty in remote provinces and especially severe in remote districts.

Overwhelming majority of the poor live in rural areas. Poverty is most common and deepest in the low rainfall areas of Matabeleland South, Masvingo and Matabeleland North provinces.

Poverty trends and profiles, with growth and redistribution

LATIN AMERICA AND THE CARIBBEAN (LAC)

| Country | Period | Poverty Trends ^{1/} | Growth Performance ^{2/} |
|--------------------|-------------|--|---|
| Bolivia | 1996 | Trend data not available. Rural HCI more than twice that of urban HCI. | Agriculture a major engine of growth. Economic output increasing, but below target of 5.6% recommended for meaningful reduction in poverty. |
| Brazil | 1981-95 | Increases in rural and urban poverty (1990-95); greater increase in rural areas leading to an increase in rural-urban PGI ratio (1990-95). | Negative growth in early 1980s. Revival of growth by 1984, but recession once again in early 1990s. Agricultural sector largely neglected. |
| Chile | 1987-94 | Trend data not available. In 1995 rural HCI was almost three times higher than urban HCI. | High rates of growth in late 1980s, but slowed in 1990 due to anti-inflationary measures. |
| Colombia | 1978-92 | Decline in rural and urban poverty, but an increase in rural-urban HCI. | Stable growth. Agricultural growth has been negligible, with a poor performance in the 1990s due to trade liberalization. |
| Dominican Republic | 1989-92 | Increase in rural poverty, but sharp decline in urban poverty; twofold increase in rural-urban HCI. | Erratic growth with construction, tourism and communications being important engines. |
| Ecuador | 1990-94 | Sharp decline in both urban and rural poverty with a negligible increase in rural-urban HCI. | Trade liberalization caused tough competition for local manufacturers. |
| Guatemala | 1980-1986/7 | Decrease in rural poverty, increase in urban poverty. | Stagnation in early 1980s due to a drop in export prices and left-wing insurgency. Agriculture worse hit than industry. |
| Honduras | 1989-93 | Decline in rural poverty, increase in urban poverty leading to a decline in rural-urban PGI ratio. | Steady growth in output; manufacturing performance weaker than agricultural. |
| Nicaragua | 1993 | Trend data not available. Rural HCI more than twice that of urban HCI. | Agriculture recovered better than industry in the early 1990s after economic decline in the 1980s. |

Redistribution

Poverty Profile^{3/}

Rising inequality in 1981-90. Sharp decline in rural-urban inequality, though no change in rural inequality in 1990-95. Overall rise in inequality 10-20% in urban and rural sectors.

Poverty associated with a low level of education and more common among the indigenous population. In rural areas the poor are generally agricultural labourers or wage-earners with limited landholdings and no access to credit and basic infrastructure.

Inequality trend similar to Brazil. Sharp fall in urban sector inequality, large enough to swamp rising rural inequality.

More than half of all poor Brazilians live in the northeast. In spite of urbanization, rural and urban areas contribute equally to national poverty. Poverty disproportionately affects the young and a quarter of children under the age of five suffer from chronic malnutrition.

More than three out of four poor people live in rural areas. The rural poor are poorer than the urban poor. Important regional differences.

In 1992, rural poverty was almost three times urban poverty, and more than one in four children lived in poverty.

Poverty is higher in rural areas and among the indigenous people, especially those who live in the rural highlands (Sierra) and the Amazon region, than for the non-indigenous population.

Poverty is especially prevalent in rural areas in the north, northwest and southwest and occurs primarily among the poorly educated and indigenous members of the population. More than 90% indigenous population is poor.

Rise in both urban and rural inequality. Decline in inter-sector inequality.

Poverty is mainly rural.

Poverty is mainly concentrated in rural areas and the northern regions (Jinotega and Matagalpa) and the Segovias (Esteli, Madriz, and Nueva Segovia).

(cont'd)

Poverty trends and profiles, with growth and redistribution

LATIN AMERICA AND THE CARIBBEAN (LAC) (cont'd)

| Country | Period | Poverty Trends ^{1/} | Growth Performance ^{2/} |
|---------------------|--------|---|--|
| Panama | 1997 | Trend data not available. Rural HCI more than four times greater than urban HCI. | Growth due to exports and service sectors. Agriculture and manufacturing slow to adjust to international competition. Agriculture affected by El Nino. |
| Paraguay | 1991-5 | Massive increase in rural HCI, decrease in urban HCI leading to a fourfold increase in rural-urban HCI ratio. | Positive growth, but heavily dependent on agriculture, vulnerable to weather conditions and international commodity market [World Bank ^{3/}]. |
| Peru | 1994-7 | Decline in poverty greater in urban than rural areas leading to a slight increase in rural-urban HCI. | Strong investment-led economic recovery in mid 1990s. Boom 1993-5 due to dismantling of guerrilla groups and increased mining revenue, but agriculture hit by El Nino in 1997. |
| Trinidad and Tobago | 1992 | Trend data not available. Urban HCI slightly higher than rural HCI. | Recession in 1992-3 due to falling oil production. |
| Venezuela | 1995 | Trend data not available. Higher rural HCI than urban HCI. | Dependent on oil prices, manufacturing important. Agricultural decline since 1950s when oil extraction started. |

Redistribution**Poverty Profile^{3/}**

Poverty concentrated in rural areas, especially in indigenous areas.

Poverty relatively more prevalent in small cities and in rural areas, and associated with low education levels, female-headed households, language (monolingual Guarani speakers) and migration.

Poverty particularly high among the indigenous population. The poor are found largely among two occupational groups – the self-employed and private sector workers. Working in agriculture positively associated with poverty.

Poverty is evenly divided between urban and rural areas, though the severity of poverty is worse in urban areas, with high criminality.

Poverty trends and profiles, with growth and redistribution

NEAR EAST AND NORTH AFRICA (NENA)

| Country | Period | Poverty Trends ^{1/} | Growth Performance ^{2/} |
|---------|-------------------|---|---|
| Algeria | 1988-95 | A doubling of both urban and rural poverty. | Negative growth due to collapse in oil prices in 1985. Improvement since 1995. |
| Estonia | 1994 | Trend data not available. Rural HCI more than twice as high as urban HCI. | Economic recovery began in 1994 after independence in 1991. |
| Georgia | 1997 | Trend data not available. Urban HCI higher than rural HCI. | Decline in GDP growth in early 1990s, but picked up again in 1994-7 with small-scale privatization, and a law on the ownership of agricultural land, and the freeing of bread prices stimulating wheat production [IFAD 1999c]. |
| Jordan | 1984-5 to 1990-91 | Increases in both urban and rural poverty; greater increase in rural areas 1986-92. | Massive decline in output over this period, worsened by the Gulf Crisis. |
| Morocco | 1984-5 to 1990-91 | Decline in both urban and rural poverty, but urban poverty fell faster leading to an increase in rural-urban HCI ratio. | Improvements in growth performance when five year drought ended in 1985; but being an agricultural economy, growth erratic due to susceptibility to drought. |
| Romania | 1989-93 | Rapid increases in urban and rural poverty; urban poverty worse than rural, hence a reduction in rural-urban HCI ratio. | Negative growth after 1989 revolution. Macroeconomic programme in 1993 caused positive growth thereafter [IFAD 1999c]. |
| Tunisia | 1985-90 | Decline in both urban and rural poverty. No change in rural-urban HCI ratio. | Growth in manufacturing sector, but 1986 drought, locusts and regional tensions cause problems for agriculture and tourism. |
| Yemen | 1992 | Trend data not available. Rural HCI slightly higher than urban HCI. | Data not available. |

Note: HCI refers to headcount index or the incidence of poverty which is the number of poor people divided by the population.

Sources: 1) Refer to Annex Table 1.1.

2) Growth performance are taken from Economist Intelligence Unit Country Profiles unless otherwise stated.

3) World Bank website <http://www.worldbank.org/html/extldr/regions.htm>

Redistribution

Poverty Profile^{3/}

Most of the poor live in rural areas, but the share of the urban poor has increased.

Rural poverty tends to be more severe than urban poverty. Rural poor households have little or no formal income, i.e. those with unemployed and underemployed members.

Urban poverty is more widespread, deeper and more severe than rural poverty, concentrated in some regions and among those unable to work (the inactive, elderly or disabled) or the unemployed.

Sharp rises in rural and urban inequalities.

High inequality of access by gender to economic opportunities. The incidence of poverty is higher in rural areas but only one third of the poor live in rural areas.

Overall flat inequality with a slight fall in urban inequality.

Poverty is primarily a rural phenomenon.

Nearly half of the poor live with wage earners and the unemployed, while the rest reside in farm and pensioner households. Highest incidence of poverty among households headed by the unemployed and by farmers.

Poverty remains primarily a rural phenomenon. There is a marked disparity in poverty among regions: the north-west and the centre-west have the highest incidence of poverty.

Rural and urban HCI are roughly equal.

Table 2.3: Age-structure and ratio of persons aged 15-59 to others, 1959-2030

| | 1950 | | | 1960 | | | 1970 | | | 1980 | | |
|-------------|------|-----|------|------|-----|------|------|------|------|------|-----|------|
| | <15 | 60+ | R | <15 | 60+ | R | <15 | 60+ | R | <15 | 60+ | R |
| WCA | | | | | | | | | | | | |
| DR Congo | 43.6 | 5.6 | 1.03 | 44.0 | 4.7 | 1.05 | 44.3 | 4.5 | 1.05 | 45.1 | 4.6 | 1.01 |
| Ghana | 45.1 | 4.1 | 1.03 | 45.5 | 4.2 | 1.01 | 45.5 | 4.4 | 1.00 | 44.9 | 4.5 | 1.03 |
| Nigeria | 45.7 | 4.0 | 1.01 | 42.9 | 4.1 | 1.13 | 44.4 | 0.98 | 1.06 | 46.2 | 4.3 | 0.97 |
| ESA | | | | | | | | | | | | |
| Ethiopia | 44.2 | 4.6 | 1.05 | 44.5 | 4.1 | 1.06 | 45.0 | 4.3 | 1.03 | 46.6 | 4.8 | 0.95 |
| Kenya | 39.8 | 6.3 | 1.17 | 45.6 | 6.4 | 0.92 | 48.1 | 5.9 | 0.85 | 50.1 | 5.0 | 0.81 |
| Tanzania | 46.0 | 3.8 | 1.01 | 47.9 | 3.8 | 0.93 | 46.8 | 4.0 | 0.97 | 47.6 | 3.8 | 0.95 |
| AP | | | | | | | | | | | | |
| Bangladesh | 37.6 | 6.2 | 1.28 | 40.9 | 6.2 | 1.12 | 45.4 | 6.1 | 0.95 | 46.7 | 5.3 | 0.92 |
| China | 32.5 | 7.5 | 1.54 | 38.9 | 7.2 | 1.17 | 39.7 | 6.8 | 1.15 | 35.5 | 7.4 | 1.33 |
| India | 38.9 | 5.6 | 1.22 | 39.8 | 5.7 | 1.22 | 40.6 | 6.0 | 1.15 | 38.5 | 6.5 | 1.22 |
| Indonesia | 38.7 | 6.2 | 1.23 | 40.1 | 5.2 | 1.21 | 42.2 | 5.2 | 1.09 | 40.8 | 5.3 | 1.17 |
| Malaysia | 40.9 | 7.3 | 1.07 | 44.3 | 5.3 | 1.01 | 44.6 | 5.5 | 1.00 | 39.6 | 5.7 | 1.21 |
| Myanmar | 37.8 | 5.5 | 1.31 | 41.1 | 5.6 | 1.14 | 41.2 | 6.1 | 1.11 | 39.6 | 6.4 | 1.17 |
| Pakistan | 37.8 | 8.2 | 1.20 | 41.9 | 8.3 | 0.99 | 46.3 | 5.0 | 0.95 | 44.4 | 4.6 | 1.04 |
| Philippines | 43.6 | 5.6 | 1.03 | 46.7 | 4.9 | 0.94 | 45.4 | 4.3 | 1.01 | 41.9 | 4.5 | 1.15 |
| LAC | | | | | | | | | | | | |
| Brazil | 41.7 | 4.9 | 1.15 | 43.2 | 5.3 | 1.06 | 42.3 | 5.7 | 1.05 | 38.1 | 6.2 | 1.26 |
| Colombia | 42.6 | 5.0 | 1.10 | 46.4 | 5.0 | 0.95 | 45.8 | 5.4 | 0.95 | 42.7 | 5.7 | 1.07 |
| Mexico | 42.0 | 7.1 | 1.04 | 45.0 | 8.9 | 0.86 | 46.5 | 6.1 | 0.91 | 45.0 | 5.4 | 0.98 |
| NENA | | | | | | | | | | | | |
| Iran | 39.1 | 8.3 | 1.11 | 44.8 | 6.3 | 1.11 | 45.7 | 5.4 | 0.96 | 44.9 | 5.1 | 1.06 |
| Iraq | 44.8 | 4.3 | 1.04 | 46.1 | 4.0 | 1.00 | 46.6 | 4.0 | 0.98 | 46.0 | 4.3 | 0.99 |

Notes: <15: percentage of population aged 0 to 14. 60+: percentage of population aged 60 or over. R: persons aged 15-59 as a proportion of persons aged below 15 or over 60 (prime-age dependency ratio) R stops falling and starts rising – due to ageing of ‘cohorts’ saved from child mortality, and to falling fertility - between 1970 and 1980 in Brazil, China, Colombia, India, Indonesia, Kenya, Malaysia, Myanmar, Pakistan and the Philippines; between 1980 and 1990 in Bangladesh, Iraq, Kenya and Tanzania; 1990-2000 in Ghana, Iran and Nigeria; and 2000-2015 in DR Congo and Ethiopia. R stops rising and starts falling (due to the impact of the rising proportion of over-60s) only in some countries before 2030, and there not before 2015: Brazil, China, Colombia, India, Indonesia, Iran, Malaysia, Mexico, and Myanmar.

Source: UN (1999) Data from 2000 are medium projections.

| 1990 | | | 2000 | | | 2015 | | | 2030 | | |
|------|-----|------|------|------|------|------|------|------|------|------|------|
| <15 | 60+ | R | <15 | 60+ | R | <15 | 60+ | R | <15 | 60+ | R |
| 47.3 | 4.6 | 0.93 | 48.3 | 4.4 | 0.88 | 44.3 | 4.3 | 1.06 | 39.1 | 4.9 | 1.27 |
| 45.3 | 4.6 | 1.00 | 43.1 | 5.1 | 1.07 | 38.5 | 5.8 | 1.25 | 32.0 | 7.6 | 1.53 |
| 46.4 | 4.5 | 0.96 | 45.1 | 5.0 | 1.00 | 39.2 | 5.0 | 1.26 | 32.5 | 6.5 | 1.56 |
| 45.4 | 4.7 | 1.00 | 46.2 | 4.5 | 0.97 | 43.7 | 4.2 | 1.09 | 37.7 | 4.9 | 1.35 |
| 49.2 | 4.5 | 0.86 | 43.0 | 4.3 | 1.11 | 35.8 | 3.9 | 1.52 | 26.6 | 6.0 | 2.07 |
| 46.5 | 4.1 | 0.98 | 45.4 | 4.1 | 1.02 | 41.3 | 4.0 | 1.21 | 34.1 | 5.0 | 1.56 |
| 44.3 | 4.9 | 1.03 | 35.1 | 5.1 | 1.49 | 28.1 | 6.9 | 1.86 | 23.0 | 6.7 | 2.36 |
| 27.4 | 8.1 | 1.82 | 24.9 | 10.1 | 1.86 | 19.6 | 14.7 | 1.92 | 17.1 | 23.2 | 1.73 |
| 33.4 | 6.9 | 1.48 | 33.3 | 7.6 | 1.44 | 25.7 | 11.1 | 1.72 | 22.2 | 14.2 | 1.73 |
| 38.7 | 6.3 | 1.22 | 30.7 | 7.5 | 1.62 | 24.6 | 8.7 | 2.02 | 22.0 | 14.9 | 1.71 |
| 36.5 | 5.8 | 1.36 | 34.0 | 6.6 | 1.46 | 25.4 | 10.1 | 1.82 | 22.8 | 15.2 | 1.56 |
| 35.6 | 6.4 | 1.38 | 31.7 | 7.6 | 1.54 | 24.0 | 9.4 | 1.99 | 20.8 | 15.9 | 1.72 |
| 43.1 | 4.7 | 1.09 | 41.8 | 4.9 | 1.14 | 35.2 | 6.3 | 1.41 | 26.4 | 4.9 | 1.76 |
| 41.4 | 5.3 | 1.13 | 36.7 | 5.7 | 1.36 | 32.0 | 6.9 | 1.57 | 23.5 | 8.4 | 2.13 |
| 34.8 | 6.7 | 1.41 | 28.8 | 7.8 | 1.73 | 24.3 | 11.1 | 1.82 | 21.6 | 16.8 | 1.60 |
| 36.0 | 6.3 | 1.36 | 32.7 | 6.9 | 1.52 | 27.0 | 8.9 | 1.79 | 22.7 | 15.8 | 1.60 |
| 38.6 | 5.9 | 1.26 | 36.2 | 6.9 | 1.43 | 26.1 | 10.9 | 1.77 | 22.1 | 15.9 | 1.63 |
| 45.5 | 5.7 | 0.95 | 36.1 | 6.3 | 1.36 | 26.7 | 7.5 | 1.92 | 22.9 | 12.0 | 1.87 |
| 44.2 | 4.5 | 1.05 | 41.3 | 4.9 | 1.16 | 36.8 | 6.1 | 1.33 | 27.8 | 8.8 | 1.73 |

Table 2.4: Summary of research on poverty dynamics and main findings

| Country | Dataset(s) | Sample size | Time span of panel(s) | No. of waves in panel(s) |
|-----------------------------|---|------------------------|---------------------------|--------------------------|
| Burkina Faso ^{1/} | Rural Burkina Faso – ICRISAT | 150 households | 1983-4 to 1984-5 | 2 |
| Chile ^{2/} | Rural Chile – authors | 146 households | 1968-86 | 2 |
| China ^{3/} | South-West Rural China – State Statistical Bureau | 38 000 individuals | 1985-90 | 6 |
| Côte d'Ivoire ^{4/} | Cote d'Ivoire Living Standards Measurements Surveys – World Bank | 700 households | 1985-6, 1986-7 and 1987-8 | 2 |
| Ethiopia ^{5/} | Rural Ethiopia – Universities of Addis Ababa and Oxford | 1 411 households | 1994-5 | 3 |
| Hungary ^{6/} | Various ^{a/} | 1 744-5 945 households | 1992-6 and 1987-9 | 2, 5 |
| India ^{7/} | Various ^{b/} | 100-4 118 households | 1957-8 to 1984 | 3,4,8,9 |
| Indonesia ^{8/} | Indonesia – RAND Corp., University of California, Los Angeles and University of Indonesia | 30 000 individuals | 1993-94 to 1998 | 3 ^{c/} |
| Pakistan ^{9/} | Rural Pakistan – International Food Policy Research Institute (IFPRI) | 686-727 households | 1986-89, 1986-91 | 12, 5 |

| Form(s) of study | Welfare indicator(s) | Main findings |
|---|---|--|
| Impact of agro-climatic shocks on poverty dynamics | Income | Off-farm income increases inequality after a severe drought. |
| Mobility across poverty classes, trends in inequality | Income | More households moved out of poverty than into it. Chronic poverty strongly associated with residence in semi-arid region, being an ethnic minority, losing livestock and living in a large household. Upwards income inequality is greater the poorer the household. Inequality declined due to increased coverage of targeted public transfers. |
| Estimating, targeting and determinants of transient and chronic poverty | Consumption | Consumption variability accounts for a large share of poverty. Anti-poverty policies need greater emphasis on transient poverty. |
| Mobility across poverty classes; determinants of changes in household per capita expenditure levels | Expenditure | Very few, even the poorest, improved their standard of living amid general decline. In some socio-economic groups, the poor had a greater chance of escaping poverty. In rural areas, physical capital significant in affecting welfare changes. |
| Poverty and nutrition dynamics | Consumption and indices of adult body mass | Large seasonal variations in consumption and body mass index. One third to half of households moved out of poverty. Households do not smooth consumption much, but boost nutrition in favourable times. |
| Mobility across income deciles and relative poverty classes; impact of public transfers on poverty dynamics | Income, consumption | Growing inequality over time coupled with declining real income. Poverty persistence affects children more than the elderly. Cash benefits protected many, but promoted few out of poverty. |
| Methodological issues in targeting the chronically poor, economic and social intra- and inter-generational mobility, extent of mobility across deciles and poverty classes, estimate and characteristics of chronically poor, distributional dynamics | Income, consumption, food consumption, food share in household budget, access to land, occupation | Current consumption is not always a better indicator of chronic poverty than current income, but both perform much better than other common indicators such as food share and access to land. Agricultural labourers are at severe risk of poverty and their mobility out of agricultural labour is low. Despite greater upward relative mobility amongst poorer deciles, few escaped absolute poverty. The chronically poor are not necessarily the poorest. Land distribution and irrigation adoption affected income distribution, whereas Green Revolution technical change did not. |
| Impact of macro-shocks on welfare | Expenditure, employment, earnings, education, health care | Health and education investments in children have been hit, particularly amongst the poorest households. |
| Determinants of inequality and mobility across poverty classes, targeting chronically and transitorily poor using household characteristics | Income and expenditure | Non-farm income accounts for one third to one half (poorest quintile) of total income and, with livestock income, decreases overall inequality. Majority of poverty is transitory. |

(cont'd)

Summary of research on poverty dynamics and main findings (cont'd)

| Country | Dataset(s) | Sample size | Time span of panel(s) | No. of waves in panel(s) |
|-----------------------------|---|------------------|-----------------------|--------------------------|
| Peru ^{10/} | Peru LSMS – World Bank and Cuánto | 676 households | 1991-1996 | 3 |
| Philippines ^{11/} | Rural Philippines – collected by IFPRI et al. | 448 households | 1984-92 | 5 ^{d/} |
| Russia ^{12/} | Russia Longitudinal Monitoring Survey I – University of North California | 6 300 dwellings | 1992-94 | 4 |
| Rwanda ^{13/} | Rural Rwanda – Government of Rwanda | 270 households | 1982-83 | 4 |
| South Africa ^{14/} | Kwazulu-Natal Income Dynamics Survey – University of Cape Town, Natal, Wisconsin, and IFPRI | 1 400 households | 1993-98 | 2 |
| Zimbabwe ^{15/} | Rural Zimbabwe – Kinsey | 385 households | 1982-3 to 1997-8 | 10 |

Source: adapted from Yaqub 2000.

Notes:

- 1/ Reardon and Taylor 1996.
- 2/ Scott 1999; Scott and Litchfield 1994.
- 3/ Jalan and Ravallion 1998; 1999.
- 4/ Grootaert and Kanbur 1995; Grootaert *et al.* 1997.
- 5/ Dercon and Krishnan 1999
- 6/ Galasi 1998; Ravallion *et al.* 1995.
- 7/ Chaudhuri and Ravallion 1994; Dreze *et al.* 1992; Gaiha 1988; Gaiha 1989; Lanjouw and Stern 1991; Lanjouw and Stern 1993.
- 8/ Frankenberg *et al.* 1999.
- 9/ Adams and He 1995; Baulch and McCulloch 1998; 1999.
- 10/ Cumpa and Webb 1999.
- 11/ Bouis *et al.* 1998.
- 12/ Mroz and Popkin 1995.
- 13/ Muller 1997.
- 14/ Maluccio *et al.* 1999a.
- 15/ Gunning *et al.* 1999.
- a/ Hungarian Household Panel Survey: collected by Tarki; Hungarian Household Budget Survey: collected by the Central Statistical Office. Source: Yaqub 2000.
- b/ Rural Maharashtra and Andhra Pradesh, India: collected by ICRISAT; Palanpur village in Uttar Pradesh: collected by the authors; Rural India: collected by the National Council of Applied Economic Research.
- c/ Third wave covered only 25% sub-sample.
- d/ Four of the five waves were in 1984-5.

| Form(s) of study | Welfare indicator(s) | Main findings |
|---|--|--|
| Mobility across poverty classes | Expenditure | More households were upwardly mobile than downwardly mobile. |
| Intra-household resource allocations and contributions | Income, food intakes, education and health | Adolescents make major contributions to family welfare. |
| Poverty and occupational mobility | Income | Over half the dwellings moved out of income poverty and only one quarter of the very poor remained very poor. |
| Methodology, estimates and determinants of transient and chronic seasonal poverty | Consumption | Worst poverty crises are after dry season. Transient seasonal poverty important for households around the poverty line, but of little importance to the poorest of the chronically poor. |
| Social dynamics and poverty | Expenditure | Education and social capital yielded substantial household returns in 1998 due to a more efficient economy. The effect of social capital is significant, but smaller than that of education. |
| Income dynamics | Income | Households resettled on white farms have increased returns to their accumulated assets. Income increases are greatest amongst those with the lowest incomes at the beginning of the survey. |

Table 2.5: Aid to agriculture, forestry, fisheries (percentage of sectorally allocable aid)

| | 1987-9 | 1990-2 | 1993-5 | 1996-8 |
|-------------------|--------|--------|--------|--------|
| Multilateral | 24.0 | 15.9 | 15.2* | n.a. |
| DAC Countries | 16.1 | 13.7 | 11.6 | 11.9 |
| EU Members, Total | 15.4 | 12.5 | 12.3 | 11.0 |
| ALL Donors, Total | 20.2 | 15.3 | 12.1 | 12.5 |

*1993 and 1995 average; multilaterals not available separately for 1994 and 1996-8.

Source: OECD/DAC (2000).

Table 2.6: Agriculture/forestry/fisheries: percentage of total technical cooperation

| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|------|------|------|------|------|------|
| North Africa | | | | | | |
| DAC Countries | 22.8 | 17.8 | 13.7 | 13.2 | 12.2 | 12.0 |
| EU Members | 26.3 | 17.9 | 9.4 | 10.7 | 9.6 | 16.4 |
| Sub-Saharan Africa | | | | | | |
| DAC Countries | 21.7 | 18.5 | 16.6 | 16.2 | 15.5 | 12.2 |
| EU Members | 21.7 | 12.3 | 14.7 | 14.9 | 13.8 | 11.5 |
| Americas | | | | | | |
| DAC Countries | 18.9 | 24.5 | 17.5 | 15.3 | 15.7 | 12.1 |
| EU Members | 18.6 | 19.8 | 14.5 | 12.1 | 12.1 | 15.5 |
| Asia | | | | | | |
| DAC Countries | 13.0 | 14.3 | 11.9 | 11.2 | 12.1 | 9.2 |
| EU Members | 11.8 | 13.3 | 12.2 | 9.8 | 11.6 | 9.2 |
| Middle East | | | | | | |
| DAC Countries | 7.8 | 4.7 | 6.9 | 3.8 | 6.7 | 6.1 |
| EU Members | 4.9 | 1.7 | 5.0 | 1.4 | 5.5 | 4.6 |
| Total Technical cooperation as % of aid to developing and transition countries | | | | | | |
| | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
| EU members | 22.2 | 21.8 | 25.0 | 24.8 | 25.6 | 24.1 |
| DAC countries | 23.2 | 21.9 | 24.7 | 25.5 | 26.7 | 25.1 |

Source: OECD/DAC (2000).

Endnotes

- 1 Commonly used for international comparisons, this poverty line adjusts for differences across countries and times in PPP. At this line, a person obtains a 'global consumption bundle' worth USD 1 per person per day in constant purchasing power of 1993.
- 2 World Bank 2000b.
- 3 Ravallion 2000.
- 4 Harris and Todaro 1970.
- 5 Stark 1991.
- 6 Epstein 1973.
- 7 Connell *et al.* 1976.
- 8 Birdsall *et al.* 1995; Clarke 1995; Kanbur and Lustig 1999.
- 9 UN 1998: 31, 38.
- 10 Lipton 1977; 1982.
- 11 See note 1.
- 12 Shaffer 1999.
- 13 Glewwe and van der Gaag 1990.
- 14 Laderchi 1997.
- 15 Jodha 1988.
- 16 Sinha and Lipton 1999.
- 17 See Dercon 1998 for a discussion of cattle in Western Tanzania.
- 18 However, the poor in each grouping (a) are heterogeneous and (b) frequently draw livelihoods from several sources, especially where farmwork is highly seasonal or uncertain.
- 19 There are exceptions even here. In Guatemala, nearly three quarters of the poor live in rural areas, and in Nicaragua over two thirds (World Bank 1995b, 1995c).
- 20 Rao *et al.* 1988.
- 21 Nelson *et al.* 1997.
- 22 FAO Food Balance Sheets; Lipton 1983b.
- 23 FAOSTAT 2000; FAO Food Balance Sheets; Barrett 1994; Greeley 1987.
- 24 World Bank 1995c.
- 25 de Haan and Lipton 1999.
- 26 Sahn *et al.* 1999.
- 27 But not usually in sub-Saharan Africa, South India or Latin America: Harriss 1986; Lipton 1983a; Svedberg 1989.
- 28 On Asia see Lipton and Osmani 1997.
- 29 Sen 1981; Mitra 1978.
- 30 World Bank 2000e.
- 31 Vosti *et al.* 1991.
- 32 Tiffen *et al.* 1994.
- 33 World Bank 1993.
- 34 Lipton 1999.
- 35 Arunachal Pradesh, Nagaland and Uttar Pradesh have fewer than 900 women per 1000 men. By contrast, in China there is a bias against girls in allocation of health goods in a poorer province (Sichuan) but not in a richer province (Jiangsu) (Ahuja *et al.* 1997).
- 36 The differences (also the lowness of female participation rates in rural areas of some Muslim countries) are exaggerated by inaccurate reporting but are real, although less than official data suggest.
- 37 Rosenzweig and Schultz 1982.
- 38 Dev *et al.* 1991.
- 39 Lipton 1983a; Visaria 1980.
- 40 Krongkaew *et al.* 1994; Prescott and Pradhan 1997.
- 41 World Bank 1995d; Firdausy 1994; Balisacan 1994.
- 42 Wodon 1999.
- 43 World Bank 1995b.
- 44 Dev *et al.* 1991.
- 45 World Bank 1989.
- 46 Lipton 1983a.
- 47 World Bank 1999c.
- 48 Udry 1996.
- 49 Saito *et al.* 1994.
- 50 Quisumbing 1994.
- 51 This is clear for small farmers largely subsisting on their own food production, but less so for the rural poorest. These increasingly rely mainly on wage income, which normally lags behind price rises during inflation (Mellor and Desai 1985).
- 52 Sinha and Lipton 1999.
- 53 To avoid a hail of statistics, we give only fragmentary evidence for many points in this section. References (and much more evidence) are in Livi-Bacci and de Santis 1999 and Lipton 1983.
- 54 Allison *et al.* 1989.
- 55 These associations, which also apply in many countries alleged to be exceptions (e.g. in West Africa), show that the poverty/household-size link is not much offset by 'economies of scale in consumption' in big households. Such economies could hardly apply to the dollar-poor, over 70% of whose consumption is normally on food, where scale economies are infeasible (Livi-Bacci and de Santis 1999: 34-41).
- 56 Bloom and Williamson 1997.
- 57 The median developing country in 1980 had dollar poverty incidence of 18.9%; the sample median fall in fertility through the 1980s of four per 1000, if achieved in 1980 and sustained, would have cut this to 13.9% by 1990, with growth and distribution effects about equally responsible (Lipton and Eastwood 1999).

- 58 In countries with 'fair' data, 'moderate to large' falls in total fertility rates (TFR) of 1.5-2 or more happened since 1980 in Kenya, Rwanda, Zimbabwe, Botswana, South Africa, Côte d'Ivoire and Senegal, with 'smaller' falls of 0.5-1.5 in Malawi, Tanzania, Zambia, Cameroon, Burkina Faso, Ghana and Benin (Cohen 1998: 1431-5). Demographic and Health Survey (DHS) data, usually good, imply 'smaller' but clear falls in Northern Sudan (Cleland *et al.* 1994), and for women aged 15-34 in Namibia, Niger, Madagascar and Uganda (Kirk and Pillett 1998: 5). On weaker data, Ethiopia and Swaziland also show moderate to large falls and Eritrea, Lesotho, The Gambia and Mauritania smaller falls. Mali seems the only African country with 'fair' data with no perceptible TFR fall.
- 59 Rural disadvantage can also be addressed through heavy urbanization by persons of working age who can remit or bring home resources to their rural families. This is consistent with big, growing urban-rural gaps in the dependency ratio (Table 2.3). But, to the extent that it is happening, it is not permitting rural people to achieve parity with their urban neighbours in income, security from poverty, or access to health or education.
- 60 Gregson *et al.* 1994.
- 61 FAO/UNAIDS 2000.
- 62 Basu 1999.
- 63 Connell *et al.* 1976.
- 64 Gregson 1994.
- 65 Walker and Ryan 1990.
- 66 Adams and He 1995.
- 67 Ravallion and Jalan 1996.
- 68 Gaiha 1989.
- 69 A household is deemed to be chronically poor if its mean income is below the poverty line, while a household is transitorily poor if its mean income is above the poverty line but its annual income falls below the poverty line at least once during the period of analysis. The chronically poor may also be defined as those who have been poor for more than a certain number of periods and the transitorily poor as those who have been poor for fewer periods. Gaiha and Deolalikar (1993) apply the latter definition in their analysis of the Indian data.
- 70 Panel data involve the same households in each survey, tracking numbers and characteristics of people who move in and out (or further in and out) of poverty. Non-panel time-series involve random samples of households and track true trends in poverty incidence and characteristics. The two are not substitutes.
- 71 At the moment it is not possible to generalize the evidence in the poverty dynamics literature because studies vary too widely in terms of interests, methods and data. The range of interests across studies includes: relative versus absolute mobility; transient versus chronic poverty; changes in welfare levels associated with socio-economic characteristics of households versus changes associated with socio-economic 'shocks'; poverty dynamics over seasons versus dynamics over longer-run time frames; and targeting and other public policy issues.
- 72 Yaqub 2000.
- 73 See for example Walker and Ryan 1990; Reardon and Taylor 1996; Dercon and Krishnan 1999.
- 74 No time-series for urban and rural literacy separately are available anywhere in sub-Saharan Africa. See UNESCO Statistical Yearbooks 1965, 1970, 1980, 1990, 1994, 1998.
- 75 Sastry 1997.
- 76 The subsequent regional and country analyses draw upon the results presented in Annex Table 2.1.
- 77 Deininger and Squire 1998.
- 78 Milanovic 1998.
- 79 Aid is overseas development assistance to developing and transitional countries, either in grant form or as loans with an over 25% grant element. Net aid is gross aid minus capital repayments of past loan aid. Disbursements are aid paid by donors (as against 'commitments').
- 80 Randel *et al.* 2000.
- 81 Excluding South-East Asia but including China.
- 82 UNDP (2000): 218-222; World Bank 2000a: Ch. 11.
- 83 The 47 countries contained 4.2 billion people, of whom 1 billion consumed less than PPP USD 1-a-day.
- 84 Burnside and Dollar 1998.
- 85 White 1996.
- 86 Alesina and Dollar 1998.
- 87 UNDP 2000: 224-5, 170; World Bank 2000a: Table 1.1.
- 88 FAO State of Food and Agriculture 2000: 226.
- 89 Beynon 1999.
- 90 Datt and Ravallion 1996.
- 91 Beynon 1999.
- 92 Collier and Dollar 1999.
- 93 Beynon 1999.
- 94 Collier and Dollar 1999.
- 95 Dollar and Pritchett 1998.

