

The Nature and Evolution of Poverty

Poverty is pronounced deprivation in well-being. But what precisely is deprivation? The voices of poor people bear eloquent testimony to its meaning (box 1.1). To be poor is to be hungry, to lack shelter and clothing, to be sick and not cared for, to be illiterate and not schooled. But for poor people, living in poverty is more than this. Poor people are particularly vulnerable to adverse events outside their control. They are often treated badly by the institutions of state and society and excluded from voice and power in those institutions.

Poverty's many dimensions

This report accepts the now traditional view of poverty (reflected, for example, in *World Development Report 1990*) as encompassing not only material deprivation (measured by an appropriate concept of income or consumption) but also low achievements in education and health. Low levels of education and health are of concern in their own right, but they merit special attention when they accompany material deprivation. This report also broadens the notion of poverty to include vulnerability and exposure to risk—and voicelessness and powerlessness. All these forms of deprivation severely re-

strict what Amartya Sen calls the “capabilities that a person has, that is, the substantive freedoms he or she enjoys to lead the kind of life he or she values.”¹

This broader approach to deprivation, by giving a better characterization of the experience of poverty, increases our understanding of its causes. This deeper understanding brings to the fore more areas of action and policy on the poverty reduction agenda (chapter 2).

Another important reason for considering a broader range of dimensions—and hence a broader range of policies—is that the different aspects of poverty interact and reinforce one another in important ways (chapter 2). This means that policies do more than simply add up. Improving health outcomes not only improves well-being but also increases income-earning potential. Increasing education not only improves well-being—it also leads to better health outcomes and to higher incomes. Providing protection for poor people (reducing vulnerability in dealing with risk) not only makes them feel less vulnerable—it also allows them to take advantage of higher-risk, higher-return opportunities. Increasing poor people’s voice and participation not only addresses their sense of exclusion—it also leads to better targeting of health and education

Box 1.1 Poverty in the voices of poor people

Poor people in 60 countries were asked to analyze and share their ideas of well-being (a good experience of life) and “ill-being” (a bad experience of life).

Well-being was variously described as happiness, harmony, peace, freedom from anxiety, and peace of mind. In Russia people say, “Well-being is a life free from daily worries about lack of money.” In Bangladesh, “to have a life free from anxiety.” In Brazil, “not having to go through so many rough spots.”

People describe ill-being as lack of material things, as bad experiences, and as bad feelings about oneself. A group of young men in Jamaica ranks lack of self-confidence as the second biggest impact of poverty: “Poverty means we don’t believe in self, we hardly travel out of the community—so frustrated, just locked up in a house all day.”

Although the nature of ill-being and poverty varies among locations and people—something that policy responses must take into account—there is a striking commonality across countries. Not surprising, material well-being turns out to be very important. Lack of food, shelter, and clothing is mentioned everywhere as critical. In Kenya a man says: “Don’t ask me what poverty is because you have met it outside my house. Look at the house and count the number of holes. Look at my utensils and the clothes I am wearing. Look at everything and write what you see. What you see is poverty.”

Alongside the material, physical well-being features prominently in the characterizations of poverty. And the two meld together when lack of food leads to ill health—or when ill health leads to an inability to earn income. People speak about the importance of looking well fed. In Ethiopia poor people say, “We are skinny,” “We are deprived and pale,” and speak of life that “makes you older than your age.”

Security of income is also closely tied to health. But insecurity extends beyond ill health. Crime and violence are often mentioned by poor people. In Ethiopia women say, “We live hour to hour,” worrying about whether it will rain. An Argentine says, “You have work, and you are fine. If not, you starve. That’s how it is.”

Two social aspects of ill-being and poverty also emerged. For many poor people, well-being means the freedom of choice and action and the power to control one’s life. A young woman in Jamaica says that poverty is “like living in jail, living in bondage, waiting to be free.”

Linked to these feelings are definitions of well-being as social well-being and comments on the stigma of poverty. As an old woman in Bulgaria says, “To be well means to see your grandchildren happy and well dressed and to know that your children have settled down; to be able to give them food and money whenever they come to see you, and not to ask them for help and money.” A Somali proverb captures the other side: “Prolonged sickness and persistent poverty cause people to hate you.”

Source: Narayan, Chambers, Shah, and Petesch 2000; Narayan, Patel, Schafft, Rademacher, and Koch-Schulte 2000.

services to their needs. Understanding these complementarities is essential for designing and implementing programs and projects that help people escape poverty.

Measuring poverty in its multiple dimensions

Measuring poverty permits an overview of poverty that goes beyond individual experiences. It aids the formulation and testing of hypotheses on the causes of poverty. It presents an aggregate view of poverty over time. And it enables a government, or the international community, to set itself measurable targets for judging actions. In what follows, the chapter discusses the measurement of income poverty and the indicators of education and health—and then turns to vulnerability and voicelessness.

Income poverty

Using monetary income or consumption to identify and measure poverty has a long tradition. Though separated

by a century, Seebohm Rowntree’s classic study of poverty in the English city of York in 1899 and the World Bank’s current estimates of global income poverty share a common approach and a common method (box 1.2). Based on household income and expenditure surveys, the approach has become the workhorse of quantitative poverty analysis and policy discourse. It has several strengths. Because it is based on nationally representative samples, it allows inferences about the conditions and evolution of poverty at the national level. Moreover, since household surveys collect information beyond monetary income or consumption, the approach makes it possible to obtain a broader picture of well-being and poverty, investigate the relationships among different dimensions of poverty, and test hypotheses on the likely impact of policy interventions.

Poverty measures based on income or consumption are not problem free. Survey design varies between countries and over time, often making comparisons difficult. For example, some countries ask respondents about their food spending over the past month, while others do so

Box 1.2**Measuring income poverty: 1899 and 1998**

In a classic study first published in 1901, Seebohm Rowntree calculated that 10 percent of the population of the English city of York in 1899 was living in poverty (below minimum needed expenditures). As we enter the next century, the World Bank calculates that a fourth of the population of the developing world—about 1.2 billion people—is living in poverty (below \$1 a day). These two calculations of income poverty are separated by a century and have very different coverage. Nevertheless, the basic concepts and methods they embody have strong similarities.

Rowntree's approach

Rowntree's method was to conduct a survey covering nearly every working-class family in York to collect information on earnings and expenditures. He then defined poverty as a level of total earnings insufficient to obtain the minimum necessities for the maintenance of "merely physical efficiency," including food, rent, and other items. He calculated that for a family of five—a father, mother, and three children—the minimum weekly expenditure to maintain physical efficiency was 21 shillings, 8 pence; he proposed other amounts for families of different size and composition. Comparing these poverty lines with family earnings, he arrived at his poverty estimate.

The World Bank's approach

The World Bank has been estimating global income poverty figures since 1990. The latest round of estimation, in October 1999, used new sample survey data and price information to obtain comparable figures for 1987, 1990, 1993, 1996, and 1998 (the figures for 1998 are preliminary estimates). The method is the same as in past estimates (World Bank 1990, 1996d).

Consumption. Poverty estimates are based on consumption or income data collected through household surveys. Data for 96 countries, from a total of 265 nationally representative surveys, corresponding to 88 percent of the developing world's people, are now available, up from only 22 countries in 1990. Of particular note is the increase in the share of people covered in Africa from 66 to 73 percent, a result of extensive efforts to improve household data in the region.

Consumption is conventionally viewed as the preferred welfare indicator, for practical reasons of reliability and because consumption is thought to better capture long-run welfare levels than current income. Where survey data were available on incomes but not on consumption, consumption was estimated by multiplying all incomes by the share of aggregate private consumption in na-

tional income based on national accounts data. This procedure, unchanged from past exercises, scales back income to obtain consumption but leaves the distribution unchanged.

Prices. To compare consumption levels across countries, estimates of price levels are needed, and the World Bank's purchasing power parity (PPP) estimates for 1993 were used. These estimates are based on new price data generated by the International Comparison Program (ICP), which now covers 110 countries, up from 64 in 1985, and a more comprehensive set of commodities.

Poverty lines. The 1990 calculations of the international poverty lines had to be updated using 1993 price data and the 1993 PPP estimates. In 1990 national poverty lines for 33 countries were converted into 1985 PPP prices, and the most typical line among the low-income countries for which poverty lines were available was selected. In 1999 the same lines were converted into 1993 PPP prices, and the new line was obtained as the median of the 10 lowest poverty lines. That line is equal to \$1.08 a day in 1993 PPP terms (referred to as "\$1 a day" in the text). This line has a similar purchasing power to the \$1 a day line in 1985 PPP prices, in terms of the command over domestic goods. The upper poverty line (referred to as "\$2 a day") was calculated by doubling the amount of the lower poverty line, as in 1990, reflecting poverty lines more commonly used in lower-middle-income countries.

Estimates for 1998. To obtain consumption levels for 1998 where survey data were not yet available, estimated growth rates of per capita private consumption from national accounts statistics were used to update consumption data from the latest survey year to 1998. This meant assuming that the distribution of consumption did not change from the time of the last survey to 1998. The per capita private consumption growth rates came from estimates based on the model used for other World Bank forecasts (World Bank 1999j). Surveys were available for 1997 or 1998 only for Belarus, China, India, Jordan, Latvia, Nigeria, Pakistan, Panama, Russia, Thailand, and Yemen. So the 1998 figures should be considered tentative, and trends should be interpreted cautiously, particularly in light of the controversy surrounding Indian data (see box 1.8 later in the chapter).

Country-specific poverty lines. The \$1 and \$2 a day poverty estimates described here are useful only as indicators of global progress, not to assess progress at the country level or to guide country policy and program formulation. Country-specific poverty lines, reflecting what it means to be poor in each country's situation and not affected by international price comparisons, are used in country-level analysis.

Source: Chen and Ravallion 2000.

for the past week. One-month recall data tend to result in higher poverty estimates than one-week recall data. Converting the information on income or consumption collected in household surveys into measures of well-being requires many assumptions, such as in deciding how to treat measurement errors and how to allow for house-

hold size and composition in converting household data into measures for individuals. Poverty estimates are very sensitive to these assumptions (see, for example, the discussion in box 1.8, later in the chapter).²

Moreover, income or consumption data collected at the household level have a basic shortcoming: they cannot re-

veal inequality within the household, so they can understate overall inequality and poverty. One study that disaggregated household consumption by individual members found that relying only on household information could lead to an understatement of inequality and poverty by more than 25 percent.³ In particular, the conventional household survey approach does not allow direct measurement of income or consumption poverty among women. That is one reason why data on education and health, which can be collected at the individual level, are so valuable—they allow a gender-disaggregated perspective on key dimensions of poverty.

A key building block in developing income and consumption measures of poverty is the poverty line—the critical cutoff in income or consumption below which an individual or household is determined to be poor. The internationally comparable lines are useful for producing global aggregates of poverty (see box 1.2). In principle, they test for the ability to purchase a basket of commodities that is roughly similar across the world. But such a universal line is generally not suitable for the analysis of poverty within a country. For that purpose, a country-specific poverty line needs to be constructed, reflecting the country's economic and social circumstances. Similarly, the poverty line may need to be adjusted for different areas (such as urban and rural) within the country if prices or access to goods and services differs.⁴ The construction of country profiles based on these country-specific poverty lines is now common practice.

Once a poverty line has been specified, it remains to be decided how to assess the extent of poverty in a particular setting. The most straightforward way to measure poverty is to calculate the percentage of the population with income or consumption levels below the poverty line. This “headcount” measure is by far the most commonly calculated measure of poverty. But it has decided disadvantages. It fails to reflect the fact that among poor people there may be wide differences in income levels, with some people located just below the poverty line and others experiencing far greater shortfalls. Policymakers seeking to make the largest possible impact on the headcount measure might be tempted to direct their poverty alleviation resources to those closest to the poverty line (and therefore least poor).

Other poverty measures, which take into account the distance of poor people from the poverty line (the poverty gap) and the degree of income inequality among poor people (the squared poverty gap), can be readily calculated.

In comparing poverty estimates across countries or over time, it is important to check the extent to which conclusions vary with the selection of poverty measure.⁵

Health and education

Measuring deprivation in the dimensions of health and education has a tradition that can be traced back to such classical economists as Malthus, Ricardo, and Marx. Despite Rowntree's primarily income-based approach to measuring poverty, he devoted an entire chapter of his study to the relation of poverty to health and went on to argue that the death rate is the best instrument for measuring the variations in the physical well-being of people.⁶ Classifying his sample into three groups ranging from poorest to richest, he found that the mortality rate was more than twice as high among the very poor as among the best paid sections of the working classes. Calculating infant mortality, he found that in the poorest areas one child out of every four born dies before the age of 12 months. According to this argument, mortality could be used as an indicator both of consumption poverty and of ill-being in a broader sense.

The tradition of measuring deprivation in health and education is well reflected in the international development goals (see box 2 in the overview). But data on these nonincome indicators have their own problems. For example, infant and under-five mortality rates derived mostly from census and survey information are available for most countries only at periodic intervals.⁷ A complete vital registration system would be the best source for mortality data, but such a system exists in only a few developing countries. For the period between censuses or surveys, estimates of vital rates are derived by interpolation and extrapolation based on observed trends and models, such as life tables that estimate survival from one year to the next. Infant mortality rates are available for most developing countries for only one year since 1990, and the year differs because surveys are conducted at different times. The data situation is even worse for life expectancy, because it is often not measured directly.

Education data are also far from satisfactory. The most commonly available indicator, the gross primary enrollment rate, suffers from serious conceptual shortcomings. The greatest is that school enrollment is only a proxy for actual school attendance. Moreover, the gross primary enrollment rate can rise if grade repetitions increase. The much-preferred net primary enrollment rate (showing the ratio of enrolled primary-school-age children

to all primary-school-age children) is available for only around 50 developing countries for 1990–97—not enough to make reliable aggregations by region. A number of ongoing survey initiatives, however, are improving the quantity and quality of data on health and education.

Vulnerability

In the dimensions of income and health, vulnerability is the risk that a household or individual will experience an episode of income or health poverty over time. But vulnerability also means the probability of being exposed to a number of other risks (violence, crime, natural disasters, being pulled out of school).

Measuring vulnerability is especially difficult: since the concept is dynamic, it cannot be measured merely by observing households once. Only with household panel data—that is, household surveys that follow the same households over several years—can the basic information be gathered to capture and quantify the volatility and vulnerability that poor households say is so important. Moreover, people’s movements in and out of poverty are informative about vulnerability only after the fact. The challenge is to find indicators of vulnerability that can identify at-risk households and populations beforehand.

Many indicators of vulnerability have been proposed over the years, but there is now a growing consensus that it is neither feasible nor desirable to capture vulnerability in a single indicator. If the government provides an effective workfare program, for example, households may do less than they otherwise would to diversify their income or build up their assets. Similarly, a household that is part of a reliable network of mutual support may see less need for large buffer stocks of food or cattle. So a vulnerability measure based solely on household assets—or on income and its sources—may not reflect the household’s true exposure to risk (box 1.3).

Voicelessness and powerlessness

Voicelessness and powerlessness can be measured using a combination of participatory methods (box 1.4), polls, and national surveys on qualitative variables such as the extent of civil and political liberties (box 1.5). However, measuring these dimensions of poverty in an accurate, robust, and consistent way so that comparisons can be made across countries and over time will require considerable additional efforts on both the methodological and data-gathering fronts.

Multidimensionality and measuring progress

Defining poverty as multidimensional raises the question of how to measure overall poverty and how to compare achievements in the different dimensions. One dimension might move in a different direction from another. Health could improve while income worsens. Or an individual might be “income poor” but not “health poor.” Or one country might show greater improvement in health than in vulnerability—while another shows the converse.

This brings to the fore the relative value of the different dimensions: how much income are people willing to give up for, say, a unit of improvement in health or in voice? In other words, what weights can be assigned to the different dimensions to allow comparisons across countries, households, or individuals and over time? There are no easy answers.

One approach to addressing comparability is to define a multidimensional welfare function or a composite index. An alternative is to define as poor anybody who is poor in *any one* of the dimensions—without attempting to estimate tradeoffs among the dimensions—or anybody who is poor in *all* dimensions, and to define the intensity of poverty accordingly (box 1.6). This report does not try to define a composite index or to measure tradeoffs among dimensions. Instead, it focuses on deprivation in different dimensions and, in particular, on the multiple deprivations experienced by the income-poor. This is a necessary first step in developing a comprehensive multidimensional framework.

How should indicators be selected to monitor progress? The international development goals are a good starting point. But in practice, these goals will have to be adapted (by lengthening or shortening the time span, for example) and modified (increasing the number of dimensions), depending on context. The specific goals will have to emerge from a participatory process in which governments and civil society agree on priorities. This process is already under way in many countries, and multilateral organizations are helping with resources and technical assistance (box 1.7).⁸

Investing in measurement and monitoring

Measurements of poverty thus must cover many dimensions. So far, the income and consumption dimension has received most attention. Thanks to efforts over the past 20 years by such international agencies as the United Nations, the World Bank, and the regional development

Box 1.3 Measuring vulnerability

Since vulnerability is a dynamic concept, its measurement centers on the variability of income or consumption or on the variability of other dimensions of well-being, such as health or housing. In much of the literature on risk, this variability is measured by the standard deviation or coefficient of variation of income or consumption. From the perspective of poor people, this measure is flawed in several ways:

- It gives equal weight to upward and downward fluctuations. Yet poor people are concerned primarily with downward fluctuations.
- It has no time dimension. Given 10 fluctuations, the coefficient of variation is the same whether good and bad years alternate or five bad years are followed by five good ones. Yet bunched downward fluctuations are more difficult for poor people to cope with.
- A scenario with many small and one large fluctuation may yield the same coefficient of variation as a scenario with equal moderate fluctuations. Yet poor people are likely to be hurt more by the first scenario.

The coefficient of variation is, moreover, a measure after the fact. Needed are indicators that make it possible to assess a household's risk exposure beforehand—information both on the household and on its links to informal networks and formal safety nets:

- *Physical assets.* A household's physical assets—those that can be sold to compensate for temporary loss of income—are a measure of its capacity to self-insure. What matters is not just the total value of the assets, but also their liquidity. Thus knowledge of the functioning of asset markets is needed to determine the usefulness of the assets as insurance.
- *Human capital.* Households with limited education tend to be more subject to income fluctuations and less able to manage risk—for example, through access to credit or multiple income sources.
- *Income diversification.* The extent of diversification of income sources has often been used to assess vulnerability. In rural settings analysts might look at nonfarm income, which tends to fluctuate less than farm income, thus providing a measure of protection against weather-related risks. But income diversification can be a misleading indicator of risk exposure. A single low-risk activity could be preferable to multiple high-risk activities that are strongly covariant. So more diversification is not necessarily less risky. Diversification needs to be evaluated in the context of the household's overall risk strategy.
- *Links to networks.* Family-based networks, occupation-based groups of mutual help, rotating savings and credit groups, and other groups or associations to which a household belongs—all part of the household's social capital—can be a source of transfers in cash or kind in the event of a calamity. An as-

essment of vulnerability should be based not only on the observed transfers but also on the household's expectation about the assistance it will receive in a crisis. It is this expectation that determines the household's decisions about engaging in other risk management activities. Unfortunately, household surveys rarely include direct information on networks or on expectations of assistance.

- *Participation in the formal safety net.* A household's vulnerability is reduced if it is entitled to social assistance, unemployment insurance, pensions, and other publicly provided transfers—and if it can benefit from workfare programs, social funds, and similar mechanisms. So information on such programs and their rules of eligibility is also important in assessing vulnerability and risk exposure.
- *Access to credit markets.* Similarly, a household's vulnerability is reduced if it has access to credit for consumption smoothing.

Clearly, assessing vulnerability is more complex than measuring poverty at a point in time. The length of time over which vulnerability is to be assessed is of great importance and may well differ across people and circumstances. Conventional annual measures of income or consumption may often be too long. Furthermore, measuring vulnerability requires data on household assets (physical, human, and social capital) in combination with data on formal safety nets, the functioning of markets, and the economic policies that determine a household's opportunity set and the range of activities it can pursue to manage risk. Many of today's household surveys do not provide the needed information.

Cross-sectional surveys need to expand their standard expenditure modules by adding questions on assets, links with networks, perceptions of sources of emergency assistance, and participation in formal safety nets. One World Bank survey has taken a step in this direction: the recent Local-Level Institutions Surveys combine asset data with detailed questions on households' links with local associations. Some Living Standards Measurement Surveys have also begun to incorporate modules on social capital. Ultimately, such enriched cross-sectional surveys need to be combined with panel surveys, monitoring the same households over time, to allow direct observation of how households deal with shocks.

Vulnerability to nonincome risks can be measured by the prevalence of these risks (crime, natural disasters, and so on) in special modules of household surveys. A program sponsored jointly by the Inter-American Development Bank, World Bank, and Economic Commission for Latin America and the Caribbean, the Program for the Improvement of Surveys and the Measurement of Living Conditions (known as Mecovi for its Spanish acronym) is incorporating such modules in specific countries in Latin America (the questionnaire can be found in IDB 2000).

Box 1.4 Measuring voice and power using participatory methods

In the *Voices of the Poor* study, in small group discussions, poor people discussed the range of institutions important in their daily lives and then identified the criteria that were important in rating institutions. Once criteria were identified and agreed on, groups rated institutions on these criteria using pebbles, beans, or other local material. Characteristics included trust, participation, accountability, ability to build unity, responsiveness, respect, fairness and caring, and listening and loving. Poor people defined these criteria in clear and simple terms before scoring institutions.

Box 1.5 Measuring governance: participatory methods and cross-country surveys

Can countrywide information on voice and participation be obtained systematically to assess their role in development and to compare countries? A recent study brought together a database covering 178 countries to assess the wider issue of governance, with voice and accountability measured by indicators of civil liberties, political rights, the transparency of the legal system, and the existence of independent media.

The data came from two types of sources: polls of experts on the country or region (including agencies specializing in risk rating, opinion surveys, and political analysis) and cross-country surveys of residents by international organizations and NGOs. Indicators from the two types of data tend to correlate strongly, increasing confidence in the results. The study found a strong positive association between voice and accountability and five other clusters of governance indicators and three development outcomes: per capita income, infant mortality, and adult literacy (Kaufmann, Kraay, and Zoido-Lobaton 1999).

The study also highlighted major weaknesses in existing databases on voice, empowerment, and governance. Margins of error in the results are wide. Significant investment is needed in developing and undertaking surveys, with comparable methods across countries, to collect data on this important dimension of poverty and well-being. National surveys on voice and empowerment would complement participatory assessments. In designing the surveys, care would have to be taken to ensure that they are capable of capturing differences by region, gender, ethnicity, and so on. Such differences are important not just in material poverty but in voice and empowerment as well.

banks, 85 percent of the developing world's population lives in countries with at least two household income or expenditure surveys. These surveys need to be improved greatly and made more accessible to the public. Efforts such as the Living Standards Measurement Surveys at the World Bank and Mecovi⁹ in Latin America (see box 1.3)

need to be supported. But the efforts need to go much farther than this, focusing on improving information on education and health indicators. The Demographic and Health Surveys need to be continued and expanded. As important are efforts to expand and improve the very small database on indicators of vulnerability and on voicelessness and powerlessness.

The evolution of poverty

What are the magnitudes and patterns of poverty in the developing world? How has poverty evolved over the past decade? The answers to these questions are important in framing the challenge of attacking poverty.

The rest of this chapter describes global trends in the income (consumption), education, and health dimensions of poverty and shows the large diversity of outcomes—across dimensions, regions, countries, communities, households, and individuals. The differences in performance reflect differences in growth, in the distribution of assets, in the quality and responsiveness of state institutions, in the degree of inclusiveness in societies (lower social barriers for women, ethnic minorities, and the socially disadvantaged more generally), and in how countries and people manage risks.

Highlighting the diversity in outcomes is important for at least two reasons. It allows the identification of successes and failures in poverty reduction and thereby enhances the understanding of what causes poverty and how best to reduce it. And it brings to the fore the fact that aggregate trends can hide significant differences in poverty outcomes—for different ethnic groups, regions, and sectors within a country, for example. Awareness of these differences will help policymakers set priorities, concentrating actions where they are most needed.

Global and regional patterns: income poverty and social indicators

Between 1987 and 1998 the share of the population in developing and transition economies living on less than \$1 a day fell from 28 percent to 24 percent (table 1.1). This decline is below the rate needed to meet the international development goal of reducing extreme income poverty by half by 2015 (see box 2 in the overview).

Because of population growth, the number of people in poverty hardly changed. But there are large regional variations in performance. East Asia and the Middle East

Box 1.6 Multidimensionality: dealing with aggregation

There are several possible approaches to aggregating measures of the different dimensions of poverty and well-being.

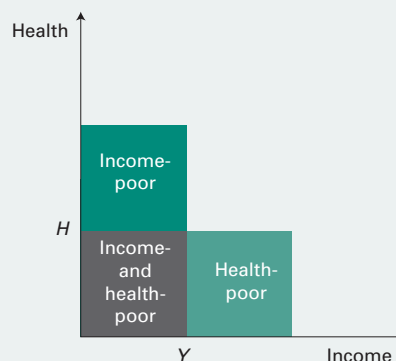
Welfare function. A welfare function approach includes various dimensions of well-being and defines poor people as all individuals below a specified minimum level of total welfare (Tsui 1995, 1997; Bourguignon and Chakravarty 1998). The welfare function approach allows for tradeoffs, using individuals' own choices for comparing situations and for assessing how much improvement is needed in one dimension to maintain welfare if another dimension worsens. The difficulty is finding a suitable welfare function for comparisons between nonmarket elements of individual welfare. While using a money metric and total expenditure is appropriate for assessing how many additional eggs or apples a person would have to consume to accept less rice, it is less reliable for such important dimensions of welfare as social exclusion and political voicelessness. Moreover, choosing appropriate "weights" to form a single aggregate of these nonmarket elements of individual welfare from existing data has so far proved to be an insurmountable challenge.

Composite index. An alternative to using weights estimated from people's observed choices is to simply impose weights, as a simplistic, special-case application of the welfare function approach. There have been several well-known efforts, such as the physical quality of life index (combining the literacy rate, the infant mortality rate, and life expectancy; Morris 1979) and the human development index (UNDP 1999a). While easy to use, these indexes do not really solve the intractable weighting problem because they assign arbitrary (usually equal) weights to each component (Ravallion 1997b).

Alternative aggregation rules. If the objective is to measure the number of poor people, another possibility is to count as poor everybody who is poor in any one of the dimensions (see all shaded

areas in figure). This method adds value because it goes beyond income. But it can be criticized because it would imply, for example, that a person who has very high income but is uneducated is poor. An alternative is to count as poor everybody who is poor in all dimensions (see dark shaded area in figure). In both cases the complications of making comparisons remain when one wants to measure not only the extent but also the intensity of poverty of individuals with multiple deprivations or with deprivations in different dimensions.

Alternative aggregation rules to measure the multiple dimensions of poverty



Note: H is the threshold defining the health-poor, and Y that defining the income-poor.

Box 1.7 Uganda's poverty reduction goals

The recent poverty reduction strategy paper for Uganda presents a clear statement of the poverty reduction goals that the government has set. The goals focus on reducing absolute income poverty to 10 percent by 2017 and achieving universal primary enrollment (along with higher primary completion rates and educational achievement) by 2004–05. The government also set a series of other human development goals for 2004–05:

- Reducing the under-five mortality rate to no more than 103 per 1,000 live births.

- Cutting HIV prevalence by 35 percent.
- Reducing the incidence of stunting to 28 percent.
- Reducing total fertility to 5.4 births per woman.

The poverty reduction strategy paper outlines the government's approach to achieving these goals, with well-developed interventions in four broad areas: creating a framework for economic growth and transformation, ensuring good governance and security, directly increasing the ability of poor people to raise their incomes, and directly improving the quality of life of poor people.

Source: IDA 2000.

and North Africa have reduced their numbers in poverty—East Asia dramatically so. But in all other regions the number of people living on less than \$1 a day has risen. In South Asia, for example, the number of poor people rose

over the decade, from 474 million to 522 million, even though the share of people in poverty fell from 45 percent to 40 percent. In Latin America and the Caribbean the number of poor people rose by about 20 percent.

Table 1.1
Income poverty by region, selected years, 1987–98

Region	Population covered by at least one survey (percent)	People living on less than \$1 a day (millions)				
		1987	1990	1993	1996	1998 ^a
East Asia and Pacific	90.8	417.5	452.4	431.9	265.1	278.3
Excluding China	71.1	114.1	92.0	83.5	55.1	65.1
Europe and Central Asia	81.7	1.1	7.1	18.3	23.8	24.0
Latin America and the Caribbean	88.0	63.7	73.8	70.8	76.0	78.2
Middle East and North Africa	52.5	9.3	5.7	5.0	5.0	5.5
South Asia	97.9	474.4	495.1	505.1	531.7	522.0
Sub-Saharan Africa	72.9	217.2	242.3	273.3	289.0	290.9
Total	88.1	1,183.2	1,276.4	1,304.3	1,190.6	1,198.9
Excluding China	84.2	879.8	915.9	955.9	980.5	985.7

Region	Share of population living on less than \$1 a day (percent)				
	1987	1990	1993	1996	1998 ^a
East Asia and Pacific	26.6	27.6	25.2	14.9	15.3
Excluding China	23.9	18.5	15.9	10.0	11.3
Europe and Central Asia	0.2	1.6	4.0	5.1	5.1
Latin America and the Caribbean	15.3	16.8	15.3	15.6	15.6
Middle East and North Africa	4.3	2.4	1.9	1.8	1.9
South Asia	44.9	44.0	42.4	42.3	40.0
Sub-Saharan Africa	46.6	47.7	49.7	48.5	46.3
Total	28.3	29.0	28.1	24.5	24.0
Excluding China	28.5	28.1	27.7	27.0	26.2

Note: The poverty line is \$1.08 a day at 1993 PPP. Poverty estimates are based on income or consumption data from the countries in each region for which at least one survey was available during 1985–98. Where survey years do not coincide with the years in the table, the estimates were adjusted using the closest available survey and applying the consumption growth rate from national accounts. Using the assumption that the sample of countries covered by surveys is representative of the region as a whole, the number of poor people was then estimated by region. This assumption is obviously less robust in the regions with the lowest survey coverage. For further details on data and methodology see Chen and Ravallion (2000).

a. Preliminary.

Source: World Bank 2000s.

Two regions fared particularly badly. In Europe and Central Asia the number in poverty soared from 1.1 million to 24 million. In Sub-Saharan Africa the number of poor people increased from an already high 217 million to 291 million over the same period, leaving almost half the residents of that continent poor.

These variations in regional performance are leading to a shift in the geographical distribution of poverty. In 1998 South Asia and Sub-Saharan Africa accounted for around 70 percent of the population living on less than \$1 a day, up 10 percentage points from 1987 (figure 1.1).

While these numbers provide a sense of broad trends, they should be treated with caution in light of the shortcomings of the data mentioned above and the fact that

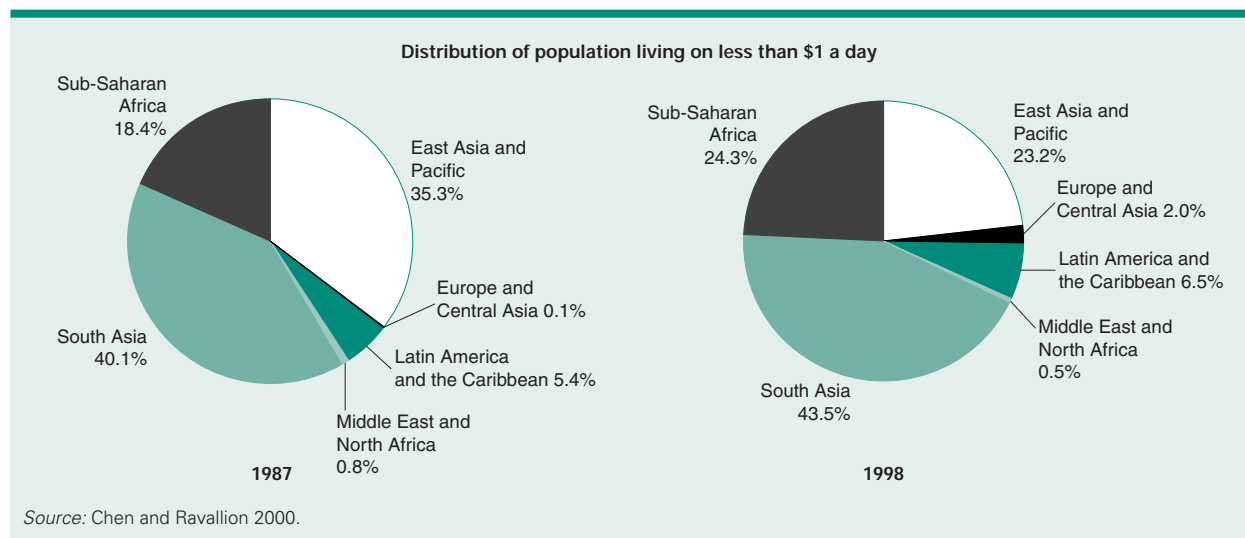
figures for 1998 are tentative because of the limited number of surveys available (see box 1.2).

Relative poverty. The poverty estimates in table 1.1 are based on a poverty line that reflects what it means to be poor in the world's poorest countries (see box 1.2). This definition judges poverty by standards common in South Asia and much of Sub-Saharan Africa, regardless of the region for which poverty is being measured. An alternative definition of poverty—expounded by the British sociologist Peter Townsend, among others—is a lack of the resources required to participate in activities and to enjoy living standards that are customary or widely accepted in the society in which poverty is being measured.¹⁰

Table 1.2 presents estimates of poverty based on a combination of absolute and relative poverty concepts. The

Figure 1.1

Poverty in the developing world is shifting toward South Asia and Sub-Saharan Africa



poverty estimates are based on the same data and procedures as those in table 1.1, but a different poverty line. A country-specific poverty line was used, equal to one-third of a country's average consumption level in 1993 at 1993 purchasing power parity (PPP), if that figure is higher than the \$1 a day poverty line. Otherwise, the \$1 a day line was used. The effect of using a relative poverty line—instead of the \$1 a day poverty line—is that poverty is now much higher in regions with higher average consumption. It is also higher in regions with greater inequality. In Latin America, for example, where roughly

15 percent of the population was below the \$1 a day poverty line, more than 50 percent of the population was under the relative poverty line. Similarly, in the Middle East and North Africa and in Europe and Central Asia poverty estimates are much higher by the relative poverty criterion. But the time trends remain unchanged.¹¹

Social indicators. Social indicators in developing countries have improved on average over the past three decades. For example, infant mortality rates fell from 107 per 1,000 live births in 1970 to 59 in 1998. But the decline between 1990 and 1998 was only 10 percent, while

Table 1.2

Relative income poverty by region, selected years, 1987–98

Region	Regional average poverty line (1993 PPP dollars a day)	Share of population living on less than one-third of average national consumption for 1993 (percent)				
		1987	1990	1993	1996	1998 ^a
East Asia and Pacific	1.3	33.0	33.7	29.8	19.0	19.6
Excluding China	1.9	45.1	38.7	30.8	23.2	24.6
Europe and Central Asia	2.7	7.5	16.2	25.3	26.1	25.6
Latin America and the Caribbean	3.3	50.2	51.5	51.1	52.0	51.4
Middle East and North Africa	1.8	18.9	14.5	13.6	11.4	10.8
South Asia	1.1	45.2	44.2	42.5	42.5	40.2
Sub-Saharan Africa	1.3	51.1	52.1	54.0	52.8	50.5
Total	1.6	36.3	37.4	36.7	32.8	32.1
Excluding China	1.8	39.3	39.5	39.3	38.1	37.0

Note: See text for a definition of the poverty line.

a. Preliminary.

Source: Chen and Ravallion 2000.

meeting the international development goal would have required 30 percent.

These aggregate figures mask wide regional disparities. Life expectancy in Sub-Saharan Africa in 1997 was still only 52 years—13 years less than the developing world average—and 25 years—a full generation—less than the OECD average. One of the main causes is the still unacceptably high infant mortality rate in Sub-Saharan Africa, 90 per 1,000 live births. The rate is also very high in South Asia (77). Those levels are a far cry from the OECD average of 6 per 1,000. The AIDS crisis has aggravated the situation, leading to rising infant mortality in several African countries. Between 1990 and 1997 the infant mortality rate rose from 62 to 74 in Kenya and from 52 to 69 in Zimbabwe. Maternal mortality also remains exceptionally high in the region: of the 12 countries in the world with rates exceeding 1,000 deaths per 100,000 live births, 10 are in Sub-Saharan Africa.

Regional differences are equally obvious in education indicators. South Asia improved its gross primary enrollment rate from 77 percent to more than 100 percent in 1982–96. But Sub-Saharan Africa's rate remained unchanged at 74 percent (between 1982 and 1993 it actually declined). Other education indicators confirm the importance of regional differences. Almost the entire decline in the illiteracy rate in the developing world has been in East Asia. By contrast, the number of illiterate people increased by 17 million in South Asia and by 3 million in Sub-Saharan Africa.¹² Sub-Saharan Africa also has the lowest net primary enrollment rate.

Variations in poverty across countries

Detailed studies using national income poverty lines and national-level social indicators show equally large variations in poverty performance across countries within each region.

In Europe and Central Asia the proportion of the population living on less than \$2 a day (at 1996 PPP) ranges from less than 5 percent in Belarus, Bulgaria, Estonia, Hungary, Lithuania, Poland, and Ukraine to 19 percent in Russia, 49 percent in the Kyrgyz Republic, and 68 percent in Tajikistan.¹³ Among seven African countries with data spanning the 1990s, four (Burkina Faso, Nigeria, Zambia, and Zimbabwe) experienced an increase in poverty, matching the regional pattern for the decade, while three (Ghana, Mauritania, and Uganda) had a decline (table 1.3).¹⁴ Available national poverty estimates for Latin Amer-

ica show that between 1989 and 1996 the incidence of poverty fell in Brazil, Chile, the Dominican Republic, and Honduras—and rose in Mexico and República Bolivariana de Venezuela.¹⁵ In another group of countries for which only urban surveys were available, poverty rose in Ecuador, stayed nearly unchanged in Uruguay, and fell in Argentina, Bolivia, Colombia,¹⁶ and Paraguay.

In East Asia poverty trends in the 1990s were influenced by the impact of the recent economic crisis. Indonesia, the Republic of Korea, and Thailand all suffered increases in poverty, though to differing degrees (see chapter 9).¹⁷ In Indonesia one recent study estimated that poverty increased from around 11 percent in February 1996 to 18–20 percent in February 1999. Since then, poverty appears to have declined considerably, though

Table 1.3
Income poverty in seven African countries, various years

Country and period ^a	Area	Share of population below the national poverty line ^b (percent)	
		Year 1	Year 2
Burkina Faso 1994, 1998	Rural	51.1	50.7
	Urban	10.4	15.8
	Total	44.5	45.3
Ghana 1991/92, 1998/99	Rural	45.8	36.2
	Urban	15.3	14.5
	Total	35.7	29.4
Mauritania 1987, 1996	Rural	72.1	58.9
	Urban	43.5	19.0
	Total	59.5	41.3
Nigeria 1992, 1996	Rural	45.1	67.8
	Urban	29.6	57.5
	Total	42.8	65.6
Uganda 1992, 1997	Rural	59.4	48.2
	Urban	29.4	16.3
	Total	55.6	44.0
Zambia 1991, 1996	Rural	79.6	74.9
	Urban	31.0	34.0
	Total	57.0	60.0
Zimbabwe 1991, 1996	Rural	51.5	62.8
	Urban	6.2	14.9
	Total	37.5	47.2

a. The dates in this column correspond to year 1 and year 2.

b. Nutrition-based poverty lines. Comparisons between countries are not valid.

Source: Demery 1999; Ghana Statistical Service 1998.

it is still substantially higher than precrisis levels.¹⁸ Trends in China in 1996–98 are sensitive to the choice of welfare measure. Income poverty measures based on the \$1 a day or national poverty line show continued decline. But a consumption-based poverty measure shows a stalling in poverty reduction between 1996 and 1998, suggesting that poor households, especially in rural areas, have been saving an increasingly large share of their incomes.¹⁹ The most recent data for Vietnam show that between 1993 and 1998 the incidence of poverty, based on a national poverty line, fell from 58 percent to 37 percent.²⁰

Poverty reduction also varied in South Asia in the 1990s. Bangladesh turned in a good performance despite its worst floods in living memory, with GDP growth of 4.5 percent in 1998–99, thanks to a bumper rice crop after the floods. The concerted relief efforts by the government, NGOs, and donors—and the ongoing food-for-work programs—limited the loss of life and the impact of the floods on poverty. Pakistan and Sri Lanka made little or

no progress in poverty reduction in the 1990s.²¹ For India, there is an ongoing debate on the accuracy of the statistics. It provides a telling example of how difficult it is to track poverty over time, even within countries (box 1.8).

Variations in poverty within countries

Country aggregates of different dimensions of poverty provide a useful overview of performance. But they hide as much as they reveal. There are distinct patterns of poverty within countries, and different groups within a country can become better or worse off.

Poverty in different areas within a country can—and does—move in different directions. In Burkina Faso and Zambia rural poverty fell and urban poverty rose, but the urban rise dominated and overall poverty rose (see table 1.3).²² In Mexico, while overall poverty declined—though modestly—between 1989 and 1994, there were large variations across regions within the country.²³ In China rapid income growth has been accompanied by ris-

Box 1.8 **Tracking poverty in India during the 1990s**

Recent data from India's National Sample Surveys (NSS) suggest that the pace of poverty reduction slowed in the 1990s, particularly in rural areas. This occurred against a backdrop of strong economic growth (GDP growth of 6.1 percent a year during 1990–98), according to the national accounts (NAS). There are signs of rising inequality nationally in the NSS data, due in large part to rising average consumption in urban areas relative to rural areas, though with some signs of higher inequality in urban areas. However, an important factor in the slow rate of poverty reduction was slow growth in average consumption, as measured by the NSS.

Closer examination shows that NSS consumption is an increasingly smaller fraction of private consumption as estimated in the NAS. NSS consumption has declined relative to NAS consumption during the past three decades; the two were much closer in the 1950s and 1960s (Mukherjee and Chatterjee 1974). If the average consumption figures from the NSS are replaced by the average consumption figures from the NAS, and everybody's consumption is adjusted proportionately, poverty would show a downward trend during the 1990s (as found by Bhalla 2000).

But comparing NSS and NAS data is a complex matter, involving differences in coverage, recall biases in the NSS, price imputations (for example, for home-produced consumption and in-kind wages in the NSS and for nonmarketed output in the NAS), and sampling and nonsampling errors in both. Thus, without examining why the differences between the two have widened, adjusting the NSS mean upward to equal the NAS mean would be an arguable procedure. For one thing, it is not clear why the average consumption data from the NSS would be wrong but not the inequality data, the as-

sumption made when everybody's consumption is adjusted proportionately. For example, it cannot be ruled out a priori that non-response and nonsampling errors in measuring consumption may differ among income groups. Also, Visaria (2000) finds the differences between the NSS and NAS to be considerably less if one week rather than one month is used in the NSS as the reference period for consumption. Srinivasan (2000) presents a detailed discussion of these issues (Srinivasan and Bardhan 1974 present earlier discussions of these issues.)

There is also evidence that part of the observed trend in rural poverty in the earlier part of the 1990s may result from using inadequate price deflators for rural areas. As a result, "it is likely that the decline in rural poverty rates has been understated in the official poverty counts. Indeed, we are led to suggest as a working hypothesis that, between 1987–88 and 1993–94, there was no great difference in the rate of decline of urban and rural poverty, at least according to the headcount measure" (Deaton and Tarozzi 1999, pp. 34–35).

It is plausible that the NSS-based poverty numbers are underestimating the rate of poverty reduction in India. The issues involved are important not only because of the Indian poverty figures' weight in global poverty trends, but also because similar problems are likely to arise elsewhere. India has a stronger statistical tradition than most poor countries. And it is not simply a matter of getting accurate estimates of poverty. Such surveys are a key resource for identifying the characteristics of poor people and thus are a vital input for focusing policy. Research in this area is a high priority.

ing inequality between urban and rural areas and between provinces.²⁴

Poverty tends to be associated with the distance from cities and the coast, as in China, Vietnam, and Latin America.²⁵ In China many of the poor reside in mountainous counties and townships. In Peru two-thirds of rural households in the poorest quintile are in the mountain region, while fewer than a tenth are in the coastal region.²⁶ In Thailand the incidence of poverty in the rural northeast was almost twice the national average in 1992, and although only a third of the population lives there, it accounted for 56 percent of all poor.

Differences in health and education between low- and high-income households

Social indicators in many countries remain much worse for the income-poor than for the income-nonpoor—often by huge margins. In Mali the difference in child mortality rates between the richest and poorest households is equal to the average gain in child mortality rates recorded over the past 30 years.²⁷ In South Africa the under-five mortality rate for the poorest 20 percent is twice as high as the rate for the richest 20 percent, and in Northeast and Southeast Brazil, three times as high.

The picture is the same for malnutrition. A study of 19 countries found that stunting (low height for age—an indicator of long-term malnutrition), wasting (low weight for height—an indicator of short-term malnutrition), and being underweight (low weight for age) are higher among poor people in almost all countries.²⁸ But the differences between poor and nonpoor tend to be smaller in countries with high average rates of malnutrition.²⁹

The incidence of many illnesses, especially communicable diseases, is higher for poor people, while their access to health care is typically less. In India the prevalence of tuberculosis is more than four times as high in the poorest fifth of the population as in the richest, and the prevalence of malaria more than three times as high.³⁰ In 10 developing countries between 1992 and 1997, only 41 percent of poor people suffering from acute respiratory infections were treated in a health facility, compared with 59 percent of the nonpoor. In the same period only 22 percent of births among the poorest 20 percent of people were attended by medically trained staff, compared with 76 percent among the richest 20 percent.³¹ Although HIV/AIDS initially affected the poor and the rich almost equally, recent evidence indicates that new infections occur disproportionately among poor people.

Similar disparities show up in access to schooling and in educational achievement. In some poor countries most children from the poorest households have no schooling at all. A study of Demographic and Health Survey data found 12 countries in which more than half the 15- to 19-year-olds in the poorest 40 percent of households had zero years of schooling: Bangladesh, India, Morocco, Pakistan, and eight countries in Sub-Saharan Africa. In contrast, the median number of years completed by 15- to 19-year-olds in the richest 20 percent of households was 10 in India and 8 in Morocco. In other countries the gap in educational achievement was much smaller: one year in Kenya, two in Ghana and Tanzania, and three in Indonesia and Uganda.³² In Mexico average schooling was less than 3 years for the poorest 20 percent in rural areas and 12 years for the richest 20 percent in urban areas.

Primary enrollment rates show similar gaps. The enrollment rate for 6- to 14-year-olds is 52 percentage points lower for the poorest households than for the richest households in Senegal, 36 percentage points lower in Zambia, and 19 percentage points lower in Ghana. The gaps are also large in North Africa (63 percentage points in Morocco) and South Asia (49 percentage points in Pakistan).³³

Within-country differences in social indicators also exist between urban and rural areas, across regions, and across socioeconomic classes. In China there has been a widening rural-urban gap in health status and health care use. While the rural population's use of hospital services declined 10 percent between 1985 and 1993, the urban population's increased by 13 percent.³⁴ In Russia the increase in mortality during the transition has been concentrated among younger males, and stunting of children, relatively high for an industrialized country, has been most prevalent in rural areas and among poor people.³⁵

Gender disparities

One of the key variations within a country is the different achievement of women and men. The allocation of resources within households varies depending on the age and gender of the household member. But estimating the number of poor men and women independently is difficult, if not impossible, because consumption data are collected at the household level.³⁶ Even so, available health and education data indicate that women are often disadvantaged.

A recent study of 41 countries shows that female disadvantage, defined as the gap between male and female primary enrollment rates, varies enormously. In Benin, Nepal, and Pakistan the male-female gap in the primary enrollment rate is more than 20 percentage points, and in Morocco, 18. But in Brazil, Indonesia, Kenya, Madagascar, the Philippines, and Zambia the enrollment rates of boys and girls are almost the same.³⁷ The gender gap in education is often lower for the richest households and highest for the poorest households. In India the gender gap in enrollment rates is 4.7 percentage points for children from the wealthiest 20 percent of households, compared with 11 percentage points for children from the poorest 20 percent of households.³⁸

Disparities by caste, ethnicity, and indigenous status

There may also be groups that face particular social barriers. Disadvantaged in many developing and developed countries and transition economies, ethnic minorities and racial groups often face higher poverty.³⁹ The indigenous populations have a much higher incidence of income poverty in a sample of Latin American countries for which data are available.⁴⁰ Schooling attainments for these disadvantaged groups are also lower than for other groups. The indigenous groups in Guatemala have 1.8 years of schooling, and the nonindigenous 4.9 years.⁴¹ In Peru indigenous people were 40 percent more likely to be poor than nonindigenous groups in 1994 and 50 percent more likely in 1997.⁴² In rural Guatemala children of indigenous mothers are more likely than those of nonindigenous mothers to be stunted.⁴³ In the inner cities of the United States white married couples have an incidence of poverty of 5.3 percent, while black or Hispanic single-mother households have an incidence of more than 45 percent.⁴⁴

Evidence for India shows that scheduled castes and scheduled tribes face a higher risk of poverty.⁴⁵ These are among the structural poor who not only lack economic resources but whose poverty is strongly linked to social identity, as determined mainly by caste.⁴⁶ They also have worse social indicators. Among rural scheduled caste women in India the literacy rate was 19 percent in 1991, half that for the country, and among scheduled caste men, 46 percent, compared with 64 percent for the country.⁴⁷ When several disadvantages are combined—being a woman from a socially excluded group in a backward region—the situation is worse. In Uttar Pradesh, one of India's

poorest states, only 8 percent of rural scheduled caste women are literate, a third the rate for rural women in Uttar Pradesh. But new research suggests that literacy rates of rural scheduled caste women are on the rise across India. Although only 31 percent of rural scheduled caste or scheduled tribe girls in the primary school age group were enrolled in school in 1986–87, 53 percent were by 1995–96.⁴⁸

Volatility at the household level

Studies of income poverty changes for the same households over time show significant movement in and out of poverty. While some groups are chronically below the poverty line, other groups face a high risk of falling into poverty some of the time. Studies for China, Ethiopia, Russia, and Zimbabwe find that the “always poor” group is smaller than the “sometimes poor” group.⁴⁹ However, these results should be treated with caution because observed changes reflect measurement errors as well as real changes.⁵⁰

One immediate question is whether some types of households are more likely to suffer from chronic (rather than transitory) poverty. The answer differs from country to country, but asset holdings often play a key role. In China a lack of physical capital is a determinant of both chronic and transitory poverty, but household size and education of the head of household determine the likelihood of chronic but not of transitory poverty.⁵¹

In the transition economies of Europe and Central Asia economic mobility has increased, but chronic poverty is emerging as a key issue.⁵² Whether a household joins the ranks of the new poor or the new rich depends very much on its characteristics, especially its links with the labor market. The transition has increased the disadvantage of “old poor” (pensioners, families with large numbers of children, and single-parent families) and given rise to “new poor” (long-term unemployed, agricultural workers, young people in search of their first job, and refugees displaced by civil conflict).⁵³ In Poland the chronically poor constitute a distinct segment of the population. Larger households, those working on farms, and households dependent on social welfare are most at risk of staying poor.⁵⁴ Russia has seen the emergence of new poor during the transition. In the early 1990s new groups of poor formed as a result of the erosion of real wages and pensions and the impact of unemployment,⁵⁵ and poverty is becoming longer in term and more resistant to economic recovery.⁵⁶

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This chapter has shown that progress in income poverty reduction and human development varies widely across regions, countries, and areas within countries. It has also shown the existence of significant gaps in performance by gender, ethnicity, race, and social status.

Much of the difference in performance across regions and countries can be attributed to differences in economic growth (chapter 3). The growth collapses in many countries in Africa and the former Soviet Union had a devastating impact on poverty. The economywide crises and natural disasters in East Asia, Latin America, Sub-Saharan Africa, and Europe and Central Asia also led to important setbacks in poverty reduction (chapter 9). By contrast, the spectacular growth performance in China resulted in a sharp drop in income poverty. In the rest of East Asia, despite the financial crisis, steady growth rates also translated into significantly lower poverty over the 1990s.

But the initial inequalities and the pattern of growth also account for the differences in performance in poverty reduction in its multiple dimensions as some geographic areas and social groups are left behind. In some cases initial differences include unequal access to assets, markets, and infrastructure and an uneven distribution of skills (chapters 3, 4, and 5). The differences in health and education among and within countries,

for example, also reflect the extent to which state institutions are responsive and accountable to poor people (chapter 6). In other cases social barriers linked with gender, ethnicity, race, and social status help perpetuate income poverty and low levels of health and education among the socially disadvantaged (chapter 7). Policy biases against labor-intensive sectors such as agriculture and light manufacturing at the national (chapter 4) or international (chapter 10) level and skill-biased technological change (chapter 4) can result in lower reductions in income poverty at similar growth rates. This chapter has also noted that there can be large volatility in incomes of households. This brings to the fore the importance of understanding the sources of risk that households face and the mechanisms best suited to managing those risks (chapters 8 and 9).

Finally, this chapter has argued that the experience of poverty goes beyond material deprivation and low levels of health and education. The inability to influence the decisions that affect one's life, ill treatment by state institutions, and the impediments created by social barriers and norms are also dimensions of ill-being. Another is vulnerability to adverse shocks, natural disasters, disease, and personal violence. This broader conception of poverty leads to a deeper understanding of its causes and a broader range of actions for attacking it. These are outlined in chapter 2 and developed in more detail in subsequent chapters.