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Slipping into poverty: a neglected issue in anti-poverty strategies

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The question of targeting welfare programmes has received considerable attention in developing countries, particularly in the context of economic reforms. But what is little appreciated is that poverty reduction is not simply a matter of reducing the deprivation of the current poor. To sustain the process, it is also important to ensure that the vulnerable non-poor do not slip into poverty.

Take the case of India. Its ongoing adjustment programme puts great emphasis on enhancing the cost-effectiveness of different policy instruments, as has been the case with the reform programmes in several other poor developing countries, such as Jamaica, Sri Lanka and Zambia. The main reason for such emphasis is the avowed need to achieve macroeconomic stability by eliminating the deficit in the government budget. As elsewhere, it is welfare programmes intended to fight poverty that have become the soft targets for budget cuts. Government expenditures are said to be in excess of revenues due to, among other things, what are called *targeting errors*. These errors occur while implementing any welfare programme either because of its failure to reach the target population – for instance, the poor – or due to excessive coverage and the consequent leakage of benefits to the non-poor. Apart from the inevitable administrative and working expenses incurred on any programme, it is the 'errors of inclusion' arising from excessive coverage of benefits that are said to involve explicit unwarranted costs in the government budget.

The workings of a democracy in a multiethnic society like India are such as to impose the need for coalitional politics; in order to compete for the popular vote, political parties must build broad coalitions that can articulate the interests of large swaths of the population. In pursuit of such coalitions, Indian political parties have avowed to carry out economic reform programmes without any adverse impact on the poor, who constitute a majority of the country's voters. To avoid alienating this large bloc of voters, successive Indian governments have therefore placed great emphasis on reducing the fiscal deficit primarily by minimizing leakage of benefits to the non-poor.

Such a strategy overlooks the need for an exhaustive safety net not only for the poor, but also the vulnerable. Consider, for instance, the experience of revamping the Indian public distribution system, which sells food grains at subsidized prices to the population. Its emphasis, until the mid-1990s, was on universal coverage. Since then, however, it has been reformed so as to eliminate the non-poor from the beneficiary net, yet with little attention being paid to covering all of the needy poor.

And what about the vulnerable non-poor, who risk sliding into poverty for a variety of reasons, including lack of credit or illness? Available micro evidence from India, Kenya, Peru and Uganda suggests the need for exploring policy options for extending a measure of social protection to the vulnerable non-poor as well.

To illustrate this point, let us look at micro data from the Indian state of Andhra Pradesh. About 65% of the households in 36 villages in the districts of Nalgonda, Khammam and East Godavari in Andhra Pradesh were poor 25 years ago. Thanks to an array of government programmes, 14% of households managed to move out of poverty. One would expect a concomitant reduction in aggregate poverty in these villages. Surprisingly, though, poverty continues to be about the same after a quarter-century of development efforts. The reason is that, over the same period, about 12% of non-poor households have moved *into* poverty due to financial and health crises. These households needed suitable policy support, for instance in terms of timely access to credit and medical facilities (Krishna et al., 2004a). Similar findings are reported from 20 villages in western Kenya. During the past 25 years, 19% of households in these villages managed to cross the poverty line. But this progress does not get reflected in the aggregate poverty ratios for these villages because a similar proportion of households fell into poverty for reasons like ill health, medical care and expenses on funeral rites (Krishna et al., 2004b).

What these examples show is that sustained poverty reduction cannot be achieved simply by a set of safety net interventions *only* for the current poor. It is equally important to put in place appropriate policies for the vulnerable non-poor in order to prevent their descent into poverty. This calls into question the wisdom of narrow targeting of programmes. A suitable, multi-pronged strategy for poverty reduction requires an appreciation of the asymmetric causes for mobility into and out of poverty – and appropriate strategies to prevent the former and promote the latter.

References:

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