

# Understanding and Addressing Persistent Poverty

## The Longitudinal Observatory & the Agrarian Policy Laboratory

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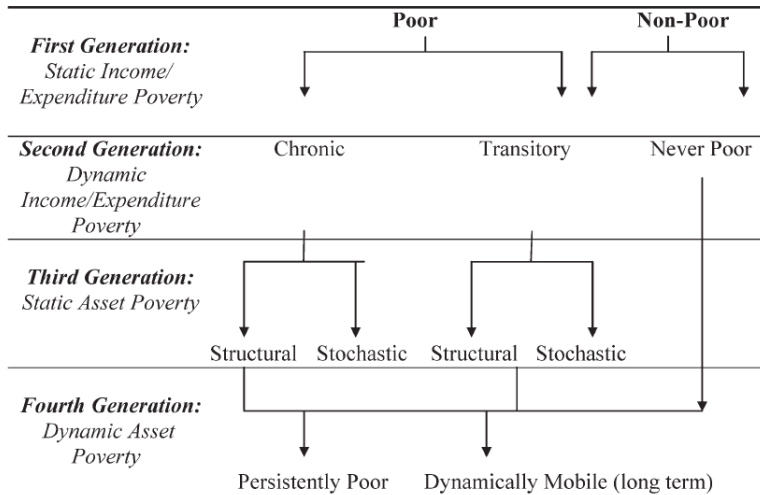
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## Summary

- Using longitudinal data to unpack poverty & income distribution dynamics
  - From static to dynamic poverty measures
  - A South African example
- Preliminary indicators of persistent poverty in CLS-WIL
  - Vocabulary tests and inter-generational transmission of poverty
  - Legally insecure land ownership & rural vulnerability
- What is to be done about persistent poverty—results from the agrarian policy laboratory
  - Cash versus asset transfers to address rural poverty
  - Evidence from South Africa
  - Innovation agenda for competitive small-scale agriculture

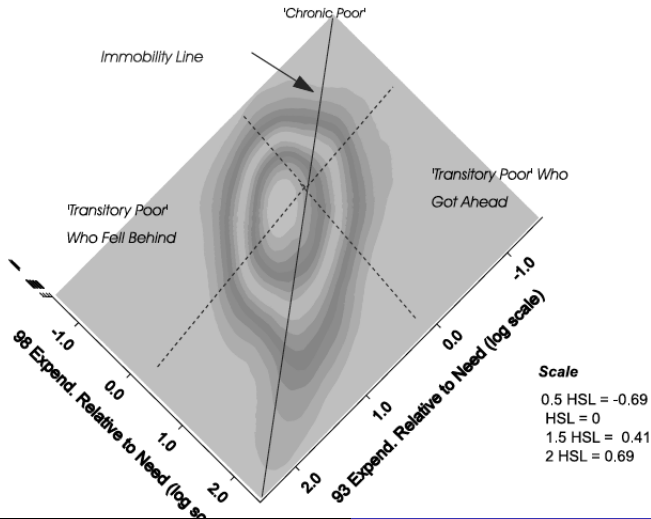
# Longitudinal Data & Poverty Dynamics

Carter & Barrett, *J of Dev Studies*, 2006



# South African Poverty Dynamics, 1993-1998

Second Generation Approach: Carter & May, *World Dev*, 2001



# South African Poverty Dynamics, 1993-1998

## Second Generation Approach

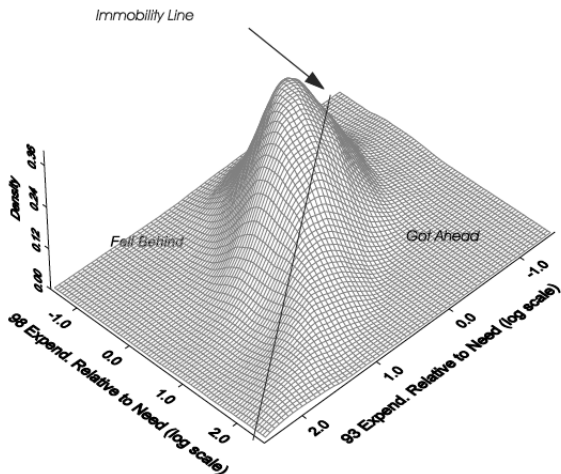


Figure 3. Joint distribution of well-being, 1993-98.

# South African Poverty Dynamics, 1993-1998

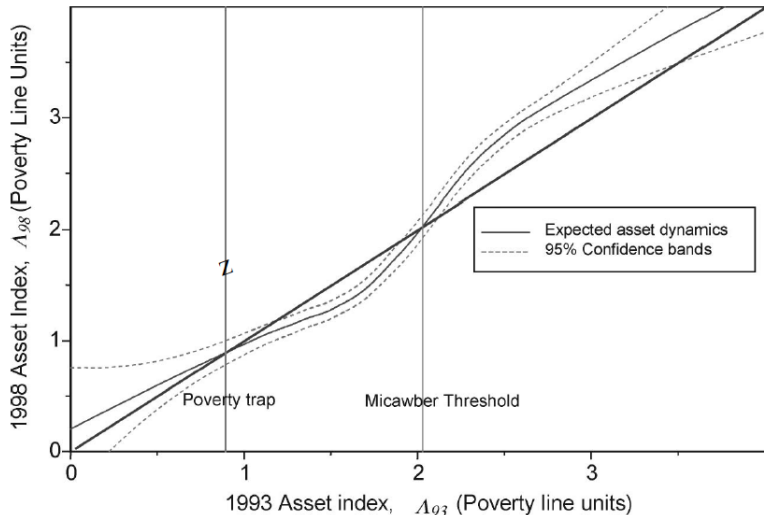
Third Generation Approach: Carter & May, *World Dev*, 2001

**Table 1.** Decomposing poverty transitions in South Africa (per cent surveyed households)

		1998	
		Poor 43%	Non-poor 57%
1993	Poor 27%	<b>18% Chronically poor, of which:</b> <ul style="list-style-type: none"> <li>● 8% dual entitlement failures***</li> <li>● Structurally poor/ ≤92%</li> </ul>	<b>10% Got ahead, of which:</b> <ul style="list-style-type: none"> <li>● 58% Stochastically mobile*</li> <li>● Structurally mobile ≤42%</li> </ul>
	Non-poor 73%	<b>25% Fell behind, of which:</b> <ul style="list-style-type: none"> <li>● 15% Stochastically mobile**</li> <li>● Structurally poor/ ≤85%, of which 51% had entitlement losses</li> </ul>	<b>48% Never poor</b>

## South African Poverty Dynamics, 1993-1998

Fourth Generation Approach: Adato, Carter & May, *J of Dev Studies*, 2006



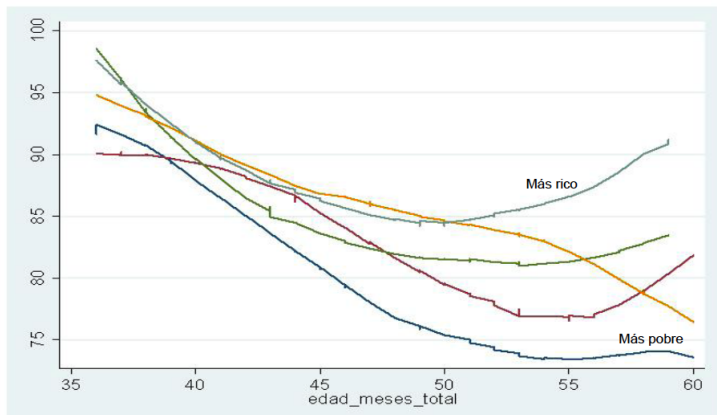
## Persistent Poverty in CLS-WIL Baseline?

- Several striking results already visible in first round CLS-WIL baseline data:
  - From a similar cognitive starting point at birth, by age 5 parental wealth strongly predicts child advancement (& capacity?)—implies the poor will tend to stay poor, and the rich, rich
  - Rural insecurity and vulnerability
    - Exposure to shocks
    - Insecure land ownership (CLS-WIL data and massive displacements)
  - Neither of these bode well for future poverty dynamics
  - At the risk of getting ahead of ourselves, let's ask what might be done



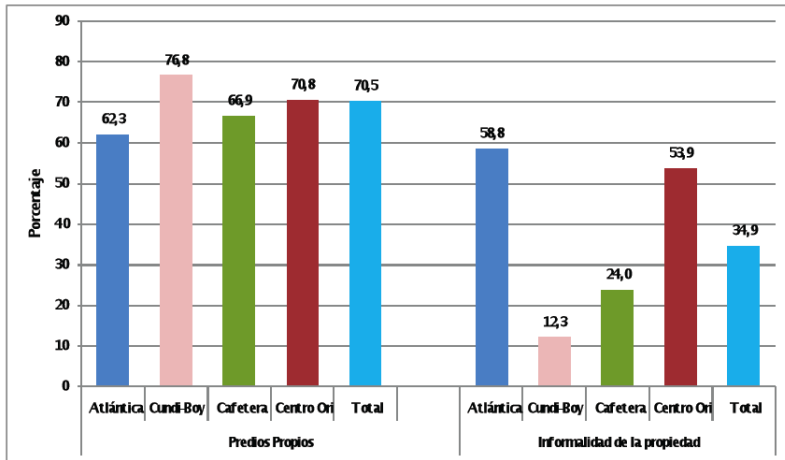
## Early Signs of Intergenerational Transmission of Poverty

**PUNTAJE TVIP ESTANDARIZADO POR EDAD  
ZONA URBANA SEGUN QUINTIL DE RIQUEZA**



# Rural Insecurity and Vulnerability

## INFORMALIDAD DE LA TIERRA



# What Is to Be Done?

## Options

- What is the best response to halt the spread of long-term chronic poverty that spills over from one generation to the next?
  - 'Save the Children' through Cash Transfers
    - Mexico's Progressa Conditional Cash Transfer program has been very influential in part because of careful randomized impact evaluation
    - South Africa simultaneously implemented an unconditional cash transfer program called the Child Support Grant (CSG)
  - Boost Parents' Productivity through Asset Transfers
    - Poverty trap/asset threshold logic
    - Potential to 'crowd-in' co-investment, reducing public cost
    - South Africa's Land Redistribution for Agricultural Development (LRAD) introduced in 2001
- Let's look at evidence on program effectiveness

# What Is to Be Done?

Evidence Agüero, Carter & Woolard 2010; Kesswell & Carter 2010.

- The upfront direct costs of LRAD are some 5-times that of early childhood (36 months) CSG payments
- The asymptotic income increases are, however, 15 times higher than the expected income increases from improved child nutrition
- The LRAD income increases also accrue much earlier
- We may be understating full impact of CSG-induced health increases
- We also do not know whether the income increases generated by LRAD spill-over into improvements in child health and nutrition
- Challenges us all to rethink asset versus cash transfers
- *But, can small scale farming really work?*

# An Innovation Agenda for Small-scale Agriculture

For more information: <http://i4.ucdavis.edu>

- There appear to be no on-farm economies of scale to disadvantage small-scale farms,
- But, ample evidence that off-farm markets (inputs, technology, capital, risk, & outputs) disadvantage small farms
- A number of experiments in agrarian laboratory to see if these problems can be resolved—let me mention one:
- Interlinking credit and insurance to boost small farm productivity & competitiveness
  - Lenders (especially micro-lenders) allergic to riskiness of small-scale farmers
  - Small-scale farmers in turn reluctant to borrow under high collateral, high risk contracts
  - Result can be highly unproductive agriculture
  - Can ag (index) insurance solve both supply and demand problems & increase productivity?