Bangladesh Development Studies
Vol. XXXX, B, Sept.-Dec. 2017, Nos.3&4

Addressing the Structural Sources of Risk and Vulnerability for the Resource Poor

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Exposure to asymmetrical risk forces the poor into a precarious existence, leaving them permanently vulnerable to a variety of shocks which limit their capacity to save, constrain their livelihood options and bind them in a state of poverty or near poverty. This level of poverty is not measured by their location slightly above or below an arbitrarily constructed subsistence line, but by their degrees of vulnerability to a variety of risks originating in a market driven economic system. As a result, households may periodically move above the poverty line but could easily regress below it in the face of shocks. This paper sets out to explore the sources of asymmetrical risk, which leave some people more vulnerable than others, and to relate these asymmetries to the structurally derived variations in their socio-economic circumstances. Vulnerability that originates in ethnicity, gender and climate is also an important factor in exposure to asymmetrical risk. This paper limits its focus to a discussion of vulnerabilities originating in the inequitable economic opportunity structures, which circumscribe the lives of the poor. The paper initially examines the nature of such vulnerabilities and how this may serve to trap particular segments of the population in conditions of insecurity and poverty. It then goes on to relate these to the unjust socio-economic circumstances which create and perpetuate them.

Keywords: Resource Poor, Vulnerability, Inequity, Poverty, Structural Change

I. UNDERSTANDING VULNERABILITY

Within a globalised market driven world, all households are exposed to economic shocks that impact on their livelihood. This paper is premised on the argument that within the prevailing global order such shocks are asymmetrically distributed. It is the income and resource poor (poor for short) who remain particularly risk prone and vulnerable to shocks. Due to exposure to asymmetrical risk, the poor are compelled to live precarious lives which leave them permanently vulnerable to a variety of shocks which limit their capacity to

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save, constrain their livelihood options and bind them in a state of poverty or near poverty. This level of poverty is not measured by their location slightly above or below an arbitrarily constructed subsistence line, but by their degrees of vulnerability to a variety of risks originating in a market driven economic system. As a result, households may periodically move above the poverty line but could regress below it due to their vulnerability to shocks.

Large numbers of households, in a range of developing countries (DCs), hover between a US$1.25 and a US$2 poverty line (World Bank 2013b, also see Annex Table I). A recent re-classification of the poverty line in India from a dollar a day to US$1.25 moved 189 million people below the poverty line. It is arguable that the quality of life and the existential insecurities which divide those who live on slightly less than a dollar a day and those who live on US$2 are not significantly differentiated in their vulnerability to risk.

This paper sets out to explore the sources of asymmetrical risk, which leave some people more vulnerable than others to cope with shocks and to relate these asymmetries to the structurally derived variations in their socio-economic circumstances. Vulnerability that originates in ethnicity, gender and climate is also an important factor in exposure to asymmetrical risk. This paper limits its focus to a discussion of vulnerabilities originating in the inequitable economic opportunity structures which circumscribe the lives of the poor. The paper initially examines the nature of such vulnerabilities and how this may serve to trap particular segments of the population in conditions of insecurity, which compel them to float in and out of poverty. It then goes on to relate these traps to the unjust socio-economic circumstances which create and perpetuate them.

In order to identify appropriate policy responses to deal with asymmetrical risk, it is necessary to diagnose the nature and dynamics of human vulnerability. To this end, we need to identify particular areas of disadvantage which condition the vulnerability of people. Whilst such a list can be enlarged, for the purposes of this paper, we will focus on the areas indicated below. We will subsequently discuss what may be done to correct some of these disadvantages:

1. Educational disparities
2. Health disadvantages
3. Inequitable ownership of productive assets
4. Asymmetrical exposure to market forces
5. Unjust governance.

II. SOURCES OF VULNERABILITY

2.1 Educational Disparities

Education is recognised to be critical for enhancing earning opportunities and thereby reducing the vulnerabilities of all people. It, however, does not always follow that a person with little or no education, at the lower end of the income scale, is more vulnerable than a person with 5 years of schooling. The less educated person is readily available for all forms of manual labour which expands and provides flexibility to their earning opportunities. Wages may remain so low as to keep such a person below or close to the poverty line.

Better educated people, now endowed by higher levels of expectation, may exclude themselves from the "indignity" of manual labour. But the low level and, in most cases, quality of their education also narrow their market opportunities for work, which they reckon is more appropriate to their qualifications. Moving up the educational scale to 10 years of schooling and the attainment of qualifications associated with graduating from secondary school further expands a person's horizon of expectations. However, employment opportunities in the higher tiers of the market are much more selective in relation to the quality of knowledge and skills derived from a particular level of education.

Inequality remains an important outcome of the educational process. Those without education are exposed to perennial insecurity, due to the large numbers of their kind competing for work and their resultant low earnings. However, those with some education, possibly of low quality, face their own special insecurities in a market driven system. The issue of leveling educational opportunities, therefore, remains of considerable importance. The importance of educational inequities was originally less recognised in the human development (HD) discourse. The Human Development Reports (HDRs) rightly re-refocused public policy priorities towards education and health as two of the principal disadvantage that constrain human development. It was recognised that lack of education and ill-health severely disadvantaged the life chances of large numbers of people in the developing world and condemned them to lives of poverty and insecurity. In the two decades since the HDR was launched in 1990 under the leadership of Mahbubul Haq and the intellectual inspiration of Amartya Sen, we have witnessed significant improvements in most countries in some of the key indicators associated with HD.

In Table I, we present trends in the HD indicators, reported by the HDR. Virtually, in every country, whether denominated by region or development category, significant advances in HD status have been reported. The most backward region in the world in 1980, South Asia, has registered the fastest rate of improvement by 2012. Since the HDI includes a limited set of variables such as life expectancy and years of schooling as proxies for health and education status, juxtaposed to gross national income per capita, the HDI indicators are hardly a definitive measure of improvements in health and education. It does, however, serve its purpose of facilitating inter-country comparisons.

TABLE I

HUMAN DEVELOPMENT INDEX TRENDS

Human Development Index groups	1980	1990	2000	2005	2007	2010	2012	Annual Average HDI growth		
								1980-1990	1990-2000	2000-2012
Regions										
Arab States	0.443	0.517	0.583	0.622	0.633	0.648	0.652	1.56	1.21	0.94
East Asia and the Pacific	0.432 c	0.502 c	0.584	0.626	0.649	0.673	0.683	1.51	1.51	1.31
Europe and Central Asia	0.651 c	0.701 c	0.709	0.743	0.757	0.766	0.771	0.74	0.12	0.70
Latin America and the Caribbean	0.574	0.623	0.683	0.708	0.722	0.736	0.741	0.83	0.93	0.67
South Asia	0.357	0.418	0.470	0.514	0.531	0.552	0.558	1.58	1.19	1.43
Sub-Saharan Africa	0.366	0.387	0.405	0.432	0.449	0.468	0.475	0.58	0.44	1.34
Least developed countries	0.290 c	0.327 c	0.367	0.401	0.421	0.443	0.449	1.22	1.15	1.70
Small island developing states	0.530 c	0.571 c	0.600 c	0.623	0.658	0.645	0.648	0.75	0.50	0.65
World	0.561 c	0.600	0.639	0.666	0.678	0.690	0.694	0.68	0.64	0.68

Source: *Human Development Report, 2013*, Table 2. [c]Based on fewer than half the countries in the group or region.

What the HDI does not capture is the inequitable access to HD within countries where the less privileged have been least able to improve their health and education status. This problem at the aggregate level has been usefully addressed through the introduction of the inequality adjusted HDI index which attempts to capture the asymmetrical access to health, education and income. Table II estimates the reduction in the value of the HDI index, measured through the extent of the loss attributable to inequality in access to years of schooling, health outcomes and income.

TABLE II

INEQUALITY ADJUSTED HUMAN DEVELOPMENT INDEX, 2012

Human Development Index groups

Regions	HDI Value	Inequality adjusted HDI value		Inequality adjusted life expectancy index		Inequality adjusted education index		Inequality adjusted income index	
		Value overall 100 percent		Value overall 100 percent		Value	Loss in percent	Value overall 100 percent	
		Value	Loss in percent	Value	Loss in percent			Value	Loss in percent
Arab States	0.652	0.486	25.4	0.669	16.7	0.320	39.6	0.538	17.5
East Asia and the Pacific	0.683	0.537	21.3	0.711	14.2	0.480	21.9	0.455	27.2
Europe and Central Asia	0.771	0.672	12.9	0.716	11.7	0.713	10.5	0.594	16.3
Latin America and the Caribbean	0.741	0.550	25.7	0.744	13.4	0.532	23.0	0.421	38.5
South Asia	0.558	0.395	29.1	0.531	27.0	0.267	42.0	0.436	15.9
Sub-Saharan Africa	0.475	0.309	35.0	0.335	39.0	0.285	35.3	0.308	30.4
Least developed countries	0.449	0.303	32.5	0.406	34.6	0.240	36.2	0.287	26.1
Small island developing states	0.648	0.459	29.2	0.633	19.2	0.412	30.1	0.370	37.2
World	0.694	0.532	23.3	0.638	19.0	0.453	27.0	0.522	23.5

Source: *Human Development Report, 2013*, Table 3.

In the area of education, Table II indicates that the highest degrees of inequality are registered for South Asia and Sub-Saharan Africa. Significantly, it is South Asia which has recorded the fastest rate of improvement in its HD indicators, with SSA recording the second fastest rate, at least during the twenty-first century. What is common to each of these regions is the prevalence of wide disparities in the access to education, due to disparities in the number of years of schooling available to the income deprived and the salience of quality education for the elite. In contrast, Europe and Central Asia, which includes the states that were once part of the socialist system, report the least degrees of inequity, largely because of the wider scope for more years of schooling through ready access to quality public education. East Asia and Latin America fall in between these two extremes but demonstrate significantly greater opportunities for more years of schooling than South Asia or SSA. In South Asia, for example, significant inequality prevails in India (45.4 per cent Index loss), Pakistan (45.2 per cent), Bangladesh (39.4 per cent) and Nepal (43.6 per cent), compared, for example, to

Vietnam (17.1 per cent), China (23 per cent) and Thailand (18 per cent) in East Asia.

The inequities in the educational system of the above countries from South Asia are further accentuated by the prevalence of a segmented educational system with quality private schools, as well some state schools in Sri Lanka and Bangladesh. The elite schools mostly serve the better off households, whilst the majority of the population, particularly in the rural areas, remains captive in poor quality state or private schools. The inequitable nature of the education system in India is captured by Jean Dreze and Amartya Sen in their publication about India's development, *An Uncertain Glory*. To quote Dreze and Sen, "The Indian educational system is extraordinarily diverse in a peculiar way, with a comparatively tiny group of children from privileged classes enjoying high often outstanding educational opportunities and the half of the population being confined to educational arrangements that are in many different ways poor or deficient."

A large number of students in India have certainly improved their educational status in terms of school enrolment and years of schooling. But these improvements conceal significant disparities in the quality of education, as measured by the global Programme for International Student Assessment (PISA) tests of educational performance. Thus, for example, if we compare India's two top performing states in terms of educational status, Tamil Nadu scores 351 on the mathematical literacy scale and 348 on the scientific literacy scale (Walker 2011). In the PISA scale, this places Tamil Nadu at one above the bottom state, Kyrgyzstan. This may be compared with the PISA score of 600 for Mathematics and 575 for Science for Shanghai in China, which places the city at the top of the global scale, well ahead of Finland which has the best performing scores in the developed world. What is also significant about the school system in Shanghai is the uniformly high quality of schooling, available to all classes of children. The fact that Shanghai has the best quality of educational outcomes in the world does not indicate that all provinces of China boast similarly high standards but it does indicate that the highest possible standards can be attained within a developing country.

The importance of realising greater equity in the education system, through both increasing years of schooling and by upgrading the quality of public education serving the lower income families, cannot be over-emphasised. Quality education is important in its own right but it is also of instrumental importance in

influencing the opportunities available to the income deprived. One of the more severe poverty traps originates in the lack of access to sufficient education, since this may perpetuate itself inter-generationally. A study of the World Bank on *Measuring Inequality of Opportunity in Latin America and the Caribbean (*World Bank 2009), reports on the significance of the education of the parents in influencing the levels of disadvantage of their children. A part of the study, focusing on inequality of opportunity in educational achievement in five countries, Argentina, Brazil, Chile, Mexico and Peru, points out that poor educational performance, measured under the PISA score for reading and mathematics, was strongly linked to *mother's lack of education* and *father's occupation*, which tended to be rural based as an agricultural or fishery worker. These disadvantaged students were also likely to be attending schools located in a village or small town (less than 15,000 population). The location, education and occupation of the parents is itself a measure of their levels of income which remains the all encompassing deficiency in influencing educational outcomes, just as the poor education of the child eventually will go on to influence their life time opportunities.

The Latin American study does, however, also point out that an adverse inheritance for children can be compensated by investments and policy interventions, targeted to improve educational competencies. The consequential improvement in educational skills of the disadvantaged serves to narrow gaps in educational attainment and to thereby improve subsequent earning opportunities. Thus, for example, Brazil, which recorded the second lowest levels of competence in the PISA tests among the 5 countries, has also been the most effective in narrowing the attainment gap between the most and the least advantaged groups. This improvement originated in substantial investment by the Brazilian government in improving schools and education quality in backward areas and/or serving low income communities.

In an increasingly knowledge oriented world, the educationally disadvantaged will remain more vulnerable to risk which originates not just from their absolute but also relative deprivation in a competitive market driven economic universe. In such a world, the critical policy intervention will be to narrow these educational disparities, so that the playing field of opportunity can be leveled. The approach in most European and some East Asian countries, including Singapore, of establishing a common school system, may be more appropriate for reducing educational disparities. In a society where children of all

classes have to attend public schools, the elite themselves become stakeholders in raising the quality of state schools.

A common school system, where opportunities for privileged private education are minimised, may not be possible today in most countries in Latin America, South Asia and and sub-Saharan Africa (SSA). High levels of social disparity prevail, where the ruling elites in these countries prefer to send their children to better quality private schools where their head start in life can be perpetuated. In such circumstances, large investments, as into the case of Brazil, will have to be made in massively upgrading the quality of public and even private schools serving lower income households. In many cases, public education expenditure/GDP ratios, particularly in South Asia, will have to be doubled, mostly through investments in public education, with a corresponding transformation in the quality of governance of those state schools. Bringing about such a transformation in public education may be more politically feasible than a move to a common schools system. However, all states genuinely committed to democratising opportunity may look towards a common schools system as an aspirational goal.

2.2 Health Disadvantages

All people remain at risk of ill health. However, vulnerability to such risks is largely a function of income, and the levels as well as efficacy of public provisioning are likely to compensate for income deficiencies. The HDR's have reported *life expectancy* as the aggregator of health status for a country. As in the case of education, the HDR indicators for health point to significant inter-regional and inter-country variations. Table II presents information on the downward adjustment in the health index, on account of inequity in health status. Across the world, the inequity adjusted losses are the most severe in SSA, followed by South Asia, with Europe and Central Asia reporting the lowest losses. However, in South Asia, the region as a whole reports a lower level of loss compared to India which not only has a higher per capita income as well as HDI but also higher per capita public expenditure on health than most of its neighbours.

Narrowing of health disparities within both Nepal and Bangladesh has helped to improve the average health indicators of both countries vis-á-vis India. Dreze and Sen have adversely compared India's health status to that of Nepal and Bangladesh. In the case of under-5 mortality, India has a rate of 66 per 1,000 live

births compared to Bangladesh's figure of 52 and Nepal's of 48. Such mortality rates for most South Asian countries are considerably higher than the rates in their East/South East Asian neighbours such as China (19), Thailand (14), Vietnam (24) and Indonesia (39) and well behind South Asia's outlier, Sri Lanka (15) (UNDP 2013).

Inequalities in health outcomes, measured as a single HDR indicator of longevity, are further reflected in nutritional outcomes where South Asia lags behind other regions, including SSA. Here the largest country in South Asia, India, appears to have a higher proportion of children under 5 who are under-nourished (43 per cent) compared to the region's average of 42 per cent and a higher proportion of infants with low birth weight (28 per cent) compared to the region's average of 27 per cent (Dreze and Sen 2013). This poor average performance of a country which today reports the world's third largest GDP (in PPP terms), in relation to its health indicators, demonstrates that neither aggregate wealth nor high growth rates, ensure better or more equitable health outcomes.

It may be noted that India's high GDP growth and consequential enhancement in public revenues have enabled its government to provision, on average, much higher per capita public expenditure on health than was possible for governments in Nepal and Bangladesh. Such higher levels of expenditure should have yielded superior health outcomes compared to its neighbours. The country outcomes suggest that public expenditures in India are less efficiently used and governed than among its neighbours, which would occasion some surprise in these countries where their poor governance is occasion for robust domestic debate.

Health care disparities in India are also more inequitably distributed both across India and in delivering services to lower income households. These inequities are captured by looking at the disparities in health indicators within India as between states. This is less satisfactory than measures based on income or social indicators, but it does capture the wide dispersal of health outcomes within India. Here again the states vary according to their ability to deliver health services to a large segment of the income poor within their domain.

Health outcomes appear to originate in the policies/programmes, expenditure priorities and quality of governance of health programmes. Bangladesh, which invests a much lower volume of public expenditure per capita on health care than India, has, for some years, benefitted from more effective and equitably dispersed

public health programme. Drawing on household data for 2010, we observe that 96 per cent of under-5 children were categorised as *fully immunised* (World Bank 2013a). More significantly, 95 per cent of poor children were also reported to be *fully immunised*. Full immunisation covers access to BCG, DPT 1-3, Polio 1-3, Hepatitis B and Measles. Coverage in these respective areas remains in the range of 95 to 98 per cent, with virtually no disparity in coverage between *poor* and *non-poor* or between boys and girls.

In contrast, India's overall immunisation coverage is as low as 44 per cent (Dreze and Sen 2013). Coverage for DPT (72 per cent), BCG (87 per cent), Polio (70 per cent), Measles (74 per cent) and Hepatitis (37 per cent) are also well below those for Bangladesh. This largely owes to inequitable dispersal of immunisation coverage as between states and between the poor and less poor. Thus, for example, India's best performing states, Tamil Nadu (81per cent), Kerala (75 per cent) and Himachal Pradesh (74 per cent), all well below the Bangladesh average of 96 per cent, are far ahead of states such as Bihar (33 per cent), Rajasthan (27 per cent) or Uttar Pradesh (23 per cent) in full immunisation coverage (Dreze and Sen 2013).

Bangladesh's strong and universal coverage in immunisation and its outcomes is not necessarily matched by gains in dietary outcome or in more equitable levels of nutrition. Levels of moderate calorie deficiency declined from 44.3 per cent in 2000 to 38.4 per cent in 2013 and severe deficiency declined from 20 per cent to 16 per cent in the same period (World Bank 2013b). However, dispersal of the proportion of underweight children for the lowest income quintile in 2011 was 50 per cent compared to 20 per cent for the highest quintile. What is significant is that Bangladesh's proportion of underweight children in even the second lowest income quintile in 2011 was 42 per cent, which was below India's national average of 43 per cent.

Health insecurity has improved over the years in most countries, with the spread of public health interventions, so that the incidence of a variety of popular illnesses originating in deficient preventive and protective measures has been reduced. Thus, for example, the once fatal disease of malaria related deaths have been substantially reduced, if not eliminated, in East/South East, South Asia and Latin America (UNDP 2013). In contrast, many countries of SSA remain highly vulnerable to death by malaria. Similarly, deaths due to cholera have been virtually eliminated across much of the world, except in Haiti and SSA, where it is present in some countries such as Sudan, Somalia, Senegal and Guinea Bissau.

The advantage of such protective public health measures through immunisation interventions can be universalised, reaching across income groups, spatial and identity divides if governments are willing to prioritise and invest in such interventions. However, preventative measures associated with public health measures to ensure access to uncontaminated drinking water and improved household sanitation are more problematic both as to cost and administration. For all the improvements which have been registered through immunisation initiatives, access to uncontaminated water is scarcer in South Asia, though it is significantly worse for SSA. Eighty-one per cent of households in Bangladesh report access to safe drinking water (BIDS, BBS and UNICEF 2013). About 64 per cent of household in Bangladesh had access to sanitary facilities in 2011 compared to 38.9 per cent in 2001(BIDS, BBS and UNICEF 2013). Here, again, such improvements have been registered through the spread of public health and NGO sponsored interventions to extend sanitation to households among the income deprived.

The above discussion indicates that health risks originating in popular diseases have been significantly reduced for all classes; 60/70 years ago, even families in the then well-off households in India and Bangladesh died of cholera, TB and even of malaria as did many colonialists who bore the "white man's burden" bringing "civilisation" to Africa and Asia. However, with medical advances, such diseases were relegated to the poor who remained exposed to cholera, TB, malaria or small pox and died in episodic epidemics of these diseases. Public health interventions, backed by advances in epidemiology, have largely served to change the fortunes and risks to the poor in many countries, though, as we have noted in a number of countries including India, these popular diseases still remain a source of greater risk to the poor. However, it is now recognised that moderate enhancements in investments in public health care and some measure of improved governance of this system can greatly reduce, if not end, such health risks, thereby reducing an important source of vulnerability for the poor.

What remains unsatisfactorily addressed is the growing need and costs of tertiary health care. Public health deficiencies are more likely to afflict the less affluent who may thereby be exposed to illnesses which required hospitalisation. It is in this area that public provisioning remains seriously deficient and keeps the poor vulnerable to health risks.

More modern afflictions such as cardiovascular diseases, diabetes and cancer have become more democratic in their incidence. In an earlier era, perhaps many poor overworked peasants died of cardiac arrest, without their illness ever being diagnosed. Today, such a possibility of death from unknown causes is less likely. However, this may not minimise the risks associated with cardiovascular diseases and diabetes which have been on the increase across the developing world. Whilst the higher rates still remain in Europe and Central Asia (492 deaths per 100,000 people), SSA (447) and South Asia (260) are not far behind (UNDP 2013). The high rates for Europe and Central Asia are greatly enhanced by the higher rates for Central Asia and the Russian Federation. In these countries, life style factors would be the main source of the disease but improved and affordable tertiary care in most of Europe has mitigated the risk in contrast to lower quality tertiary care in Central Asia. In South Asia and SSA, the rising death toll indicates many of those afflicted with this "rich man's" disease die because they do not have access to quality care, or, in most cases, cannot afford such care. Those with less means, who have access to a cardiac care facility, and survive, may be bankrupted by the costs of such care.

The no less significant risks for the poor, whether from traditional or modern causes of ill health, are the resultant incapacity of the victim to contribute income to the sparse budget of the family, so that episodes of ill health add to household expenses and also reduce income. Thus, episodic ill health emerges as one of the principal sources of poverty traps, where poverty is perpetuated, in the absence of public provisioning or publicly supported insurance which can relieve the cost burden of the poor.

2.3 Inequitable Ownership of Productive Assets

Productive assets provide the main currency which enable people to participate in the market economy. Much attention has been given in recent years by the international development community (IDC) as well as the policy makers to the importance of the market in promoting development. However, much less attention is given to who participates in the market and on what terms. In all countries faced with endemic poverty and indeed in many middle-income countries, inequitable access to wealth and knowledge disempowers the excluded from participating competitively in the marketplace. Such inequities are particularly applicable where the excluded have little command over productive assets. Asset poverty remains a significant source of income poverty. Rural poverty, for example, originates in insufficient access to land, water and water

bodies for the less privileged segments of rural society (Sobhan 2010). Those of the land poor who live in urban areas command little in the way of urban property, and have virtually no access to corporate assets.

Inequities in title and access to agrarian assets do not derive from the competitive play of the market but from the injustices of history. In many countries, title to land was mostly appropriated through the exercise of power or access to political patronage rather than in the market. Ownership of land has thus been used as a source of social authority as well as a political resource. Retention of land, in such circumstances, is not just about its income earning potential but as a measure of political power and position in the social hierarchy. These inequities in the right to land are perpetuated through the malfunctioning of land and capital markets which do not make land readily available to those who most need it, or provide them with capital on affordable terms to buy such land. Within such a socio-economic context, the concept of freely functioning land markets for the sale or lease of land remains of limited policy relevance.

Landlessness and land poverty remains ubiquitous across much of the developing world where the bulk of the poor originate in the rural areas. Inequitable access to land forces many poor households to enter into tenurial relations with land owners, which reinforce relations of domination and dependence that aggravate the insecurities of the landless.

Such an inequitable access to productive assets in the rural economy has kept agricultural performance in many developing countries well below its full productive potential. For example, small and even subsistence farmers in South Asia have proven to be both more productive than larger farmers and have played a major role in stimulating the growth of crop production over the last four decades (Bayes and Hossain 2009). Moreover, most of the expenditure of these small farmers, drawing upon income derived from their meagre assets, serves to stimulate secondary activity in the rural economy (Bayes and Hossain 2009). This has contributed to the significant growth of the non-farm economy which has reportedly contributed to the reduction of income poverty in some South Asian countries (World Bank 2013a). However, neither markets nor public priorities have adequately recognised the contribution of these small farmers who remain exposed to a variety of risks which condemn them to lives of insecurity.

Where there is a dichotomy between the owners of land and the actual tiller of the land, this serves as a disincentive to both investment of capital and to more productive effort on the land (Sobhan 1993). In such circumstances, the

prevailing dispensation governing access to land lacks not just economic justification but moral as well as social legitimacy. Furthermore, the prevailing structures of land ownership remain inimical to the construction of a functioning democratic order that remains contingent on reducing the relations of domination and dependence which, in turn, define relations between the land rich and land poor.

Lack of access to capital and property assets in the urban sector serves as a measure of urban poverty. Lack of landed assets by the poor in the urban areas is a reflection of market failure. The homeless remain willing to pay market prices not just for land and housing but also for the accompanying utilities in the form of water, sewerage, sanitation, gas and electricity as well as for more just law enforcement. Neither private providers nor the state have been able to fully, or in most cases even minimally, respond to this effective demand from the urban poor. Where the homeless mostly tend to be displaced immigrants from the rural areas, lack of access to property rights leaves them without a legal identity. The urban poor thus remain insecure, disempowered and without a real stake in the society where they live. This is dangerous not just to civic peace but to the sustainability of democratic institutions.

Hernando de Soto (2000) has addressed the issue of rights to land in his widely cited work, *The Mystery of Capital*. De Soto argues that large volumes of congealed capital remain within the control of urban squatters/slum dwellers across the developing world, which can be converted into economically serviceable capital by vesting these powerless communities with legal title to the sites occupied by them. Legal title to such untitled land can be used as collateral to raise capital from the market to enhance the productive capacity of these communities which could have a transformative impact on poverty as also on economic growth. De Soto, drawing on his ideas, was instrumental in the UN setting up the *High Level Commission on the Legal Empowerment of the Poor* (HLCLEP), of which he was the co-chair with former US Secretary of State, Madeleine Albright. Work of considerable merit came out of the HLCLEP, which made a variety of recommendations on enhancing the power of the poor (2009). Unfortunately, neither de Soto's advocacy at the national level nor the UN report has done much to operationalise these ideas for promoting legal empowerment of the poor.

One of the practical problems associated with the de Soto argument is that investing formal legal title on a poor person occupying high value real estate or

even exercising usufructuary rights over agricultural land can be a double edged weapon. Once a legal title to such land is assigned to the squatter, they immediately become vulnerable to take over by the same property developers who would seek to buy out the squatter. The poor or those with limited assets are always vulnerable to the pressure of market forces and may end up landless, where they once enjoyed occupancy rights. The market thus emerges as one of the principal sources of risk for the asset poor.

While the de Soto agenda for investing the poor with legal title is well taken, it should be recognised that an even larger proportion of the poor have no access at all to land over which they could claim any entitlement. The increasing trend towards landlessness in South Asia, for example, is driven by market forces which compel those owning below subsistence holdings to sell or lease out their lands, because they need alternative sources of livelihood to survive. Across South Asia, landless, sub-marginal (below 0.2 hectare (ha)) and marginal (below 1 ha) holdings account for 87 per cent of holdings in Bangladesh, 43 per cent in India, 75 per cent in Nepal, 41per cent in Pakistan and 60 per cent in Sri Lanka (Sobhan 2010). This large proportion of rural households, owning little land and fewer means to exploit its full potential, live lives of great insecurity and remain vulnerable to the forces of demography, inheritance laws and the market.

Within this community of the rural poor, the most insecure remain those without any land, whether for a homestead or for cultivation. These households reside and work occasionally as the tenants at will on the lands of bigger landowners, under varying tenancy arrangements. In much of Latin America, the land poor now mostly work as wage labour on the corporate plantations or the estates of the elite (Sobhan 1993). In contrast, in South Asia, the landless or land poor work, mostly as tenants at will, on the lands of bigger landowners or even minifundista land owners who lease out their small holdings and seek wage employment for survival.

In much of South Asia, such tenancy arrangements remain impermanent since landowners, big or small, are reluctant to assign anything which could be identified by prospective agrarian reformers as permanent tenancy rights. Land based poverty is, thus, a permanent form of insecurity, where the land poor remain trapped in a downward spiral. Their marketable surpluses remain small. When they enter the market, they do so on unequal terms, where they sell their products at the lowest tiers of the value chain. They remain vulnerable to weather

induced risks yielding poor harvests or loss of working capacity due to ill health. The most severe shocks experienced by the land poor originate from the vagaries of the market where even a good harvest can become a source of impoverishment due to low prices, which then expose them to indebtedness as the first step towards total landlessness. Possible measures for addressing the insecurities of the land poor are explored in the concluding section.

2.4 Asymmetrical Exposure to Market Forces

Within the prevailing property structures of society, the resource poor remain excluded from the more dynamic sectors of the market, particularly where there is scope for benefiting from the opportunities provided by globalisation. The fast growing sectors of economic activity are usually located within the urban economy where the principal agents of production tend to be the urban elite who own the corporate assets which underwrite the faster growing sectors. Even in the export-oriented rural economy, in those areas linked with the more dynamic agro-processing sector, a major part of the profits is generated through the chain of value addition accrue to those classes who control corporate wealth.

The poor, therefore, interface with the dynamic sectors of the economy only as primary producers and wage earners at the lowest end of the production and marketing chain where they sell their produce and labour, under severely adverse conditions. This unequal relationship exposes the primary producer to lives of great insecurity where they are vulnerable not just to market induced shocks but also to rent extraction from those above them in the market chain. Extortion from non-market predators such as corrupt officials, political bosses and local criminals remains a further hazard.

Primary producers remain captive in these poverty traps at the bottom of the chain, because they have little scope for sharing in the opportunities, provided by the market economy for value addition to their labours, largely due to institutional failures. As long as the primary producer remains an isolated individual, who interfaces with economically more powerful or better organised buyers as well as manufacturers, the producer will remain condemned to participate in an unequal relationship, held captive at the bottom of the production chain. The incapacity of primary producers to come together through collective action, to enhance their bargaining capacity in the market place, represents a form of institutional failure.

2.4.1 Failures in the Capital Market

Capital markets also fail the poor and thereby limit their capability to participate in the more dynamic segments of the market. Capital markets have failed to provide credit to the poor even though they have in recent years demonstrated their creditworthiness, through their low default rates in the microcredit market, in spite of the high rates of interest charged by the microfinance institutions (MFIs). The microcredit market has originated from the non-profit sector as a response to the failure of the formal credit market and has remained segmented from the formal capital market. Microcredit has served to meet the subsistence needs of the poor, but is not designed to empower them to participate in the macro-economy. The poor, therefore, remain impounded in the ghetto of the micro-economy. Structural constraints in the way of market injustice leave the resource poor with little scope for graduation into a level of entrepreneurship where they could compete with those who dominate the macro-economy. Microcredit has, however, alleviated poverty and reduced the vulnerability to risk for many of its members, but it provides no silver bullet to eliminate poverty or to withstand the hazards of the market.

Nor do formal capital markets provide the financial instruments needed to attract the savings of the poor and transform these into investment assets in the faster growing corporate sector. This market failure extends to the failure by the insurance companies to provide appropriate insurance products to meet the specific needs of the resource poor in the urban and rural sector. These market failures originate in institutional failure on the part of formal corporate financial institutions to restructure their organisations to equip them to respond to the effective demand for capital and financial services by the poor.

2.4.2 Market Injustice

In most developing countries, markets impact adversely on the opportunities for the poor whether they are small farmers, landless labourers, micro-entrepreneurs or wage workers in garment factories. The market is not some abstraction working neutrally between all competitors, rich and poor. Markets in any country work according to the prevailing institutional arrangements which include asymmetrical access to information, resources and interface with the political economy governing the country.

The poor participate in the market economy largely as producers and service providers at the lower end of the production and market chains where they sell

their produce and labour under severely adverse conditions. In contrast, those who buy the produce of the poor, whether as traders or agro-processors, tend to be more affluent, with stronger bargaining power in the market.

In such circumstances, as globalisation widens the market opportunities for both the agricultural products and manufactures of the developing world, little of its benefits percolate to the poor. Today, for example, a rapidly expanding global market for garments has opened up opportunities for the textile and garment manufactures of Bangladesh, India, Nepal, Pakistan and Sri Lanka. Yet, the small cotton growers of India and Pakistan or the young women working in the garment factories across many countries in the developing world hardly share in the rewards from the growth of this market. Table III shows that wage levels in real terms have declined over the last decade in 10 out of 15 exporting countries. Significantly, in 4 of the 5 countries, China, India, Indonesia and Vietnam, where real wages have increased their economies and exports have tended to be more diversified, so that higher growth across a broader cross-section of the economy has pushed up real wages (UNRISD 2010).

TABLE III

MONTHLY REAL WAGES IN 15 OF THE TOP 21 APPARELEXPORTERS TO THE UNITED STATES IN 2001 CURRENCY

	Monthly real wage in 2001 currency		% change
	2001 USD, PPP	2011 USD, PPP	
Bangladesh	93.67	$91.45	-2.37
Cambodia	161.89	126.26	-22.01
China	144.86	324.90	+124.29
Dominican Republic	293.52	223.83	-23.74
El Salvador	332.44	294.14	-11.52
Guatemala	397.62	345.75	-13.05
Haiti	104.42	154.78	+48.22
Honduras	359.47	327.98	-8.76
India	150.20	169.67	+12.96
Indonesia	134.90	186.64	+38.35
Mexico	755.14	536.57	-28.94
Mexico (Min Wage)	199.32	205.55	+3.12
Peru	335.93	393.43	+17.12
Philippines	249.25	233.39	-6.36
Thailand	360.33	337.12	-6.44
Vietnam	182.43	254.78	+39.66

Source: Center for American Progress/Worker Rights Consortium.

Bangladesh, in contrast, has a less diversified economy where RMG accounts for 75 per cent of total commodity exports. It is not surprising that the trend in real wages of its garment workers has been downwards, falling from US$94 in 2001 to US$91 per month in 2008, the lowest wage rate in the world. More detailed studies show that between 1994 and 2008, real wages in this sector have contracted across all 7 grades of pay at rates, ranging from 42 per cent to 5 per cent per year.

The gains form value addition, generated by the close to 4 million workers who work in Bangladesh's garment industry and live lives of great insecurity. These workers, mostly women, have no service contracts; can be fired at will whenever there is a business downturn, work under highly unsafe working conditions. In Bangladesh, recently around 1,300 women, working in 4 garment factories, located in a manifestly unsafe building, known as *Rana Plaza* in Dhaka, died when the poorly constructed 8 storied structure collapsed over their heads. On the morning of the disaster, many of the workers in these enterprises did not want to enter such an unsafe building but were compelled, under threat of being fired, to do so by their RMG employers who had to meet export deadlines. The insecurity and poverty traps which circumscribe the lives of these women can be summed up in the words of one of these women, crippled for life, "what could I do, I have to go to work or how would my children be fed."

Whilst Bangladesh's garment entrepreneurs may be able to enjoy first world life styles at the expense of their vulnerable women workers, the principal gains from the value addition process are appropriated by the global retail giants, such as Walmart and J.C. Penny, who source their products from these insecure enterprises. The same shirt which is exported to Walmart from Bangladesh at US$5, fob is eventually retailed in their US stores at US$30/40. Given the intense competition, even the US$5 offered to Bangladesh's garment entrepreneurs is proving difficult to retain.

2.4.3 Poor as Primary Producers and Price Takers

The most numerous and weakest players in the market tend to be the rural poor, whether as subsistence farmers or landless workers. The concentration of poverty in the rural areas originates in the vulnerabilities of its rural population. The logic of the market for the small farmers is universal, whether they produce subsistence or cash crops. Isolation, ignorance and poverty delimit the market opportunities of the small farmers. Debts incurred during the growing season

have to be repaid to input suppliers, traders, shopkeepers, landlords as well as generous friends and relations. Isolation and the pressure of time make it difficult for the growers to explore wider market opportunities or ascertain the best available price offered by the market. Problems of delivering the output to more distant markets are also costly and problematic, particularly for those living in remote areas or serviced by a weak transport infrastructure. In such circumstances, for the small and marginal farmers (SMFs), the most proximate market remains the local trader who is at hand either on their door step or at the local market.

In the case of cash crops such as cotton, oilseeds, sugarcane or tobacco or even marketed food grains, a local agro-processing industry may be the most ready source of procurement. But these local enterprises can exercise monopsony power to set unfavourable terms of trade for the farmer or to even contract the crop from him in advance. In landlord-dominated areas, producers may be obligated by debt or sharecropping compulsions to deliver their produce to their landlord who exercises monopsony power over their credit and input markets. Traders may also manipulate the local market to deprive small primary producers of a fair price.

This unequal relationship is further accentuated by the uncertainties of the market place. Price fluctuations, driven by market forces, may drive down prices below remunerative levels for small farmers. The small producer's compulsion to generate incomes for their subsistence as well as their lack of holding power, due to inaccessibility of credit or storage capacity, drives them to sell at whatever price is offered by the market. The small producers are driven back to the same market at a later date as buyers, when market prices may have risen. Many small and marginal farmers (SMFs) are driven into bankruptcy and forced to sell their lands, due to the vagaries of the market. When prices rise, their unequal exposure to the market rarely permits them to reap its full rewards which are largely appropriated by the trading intermediaries.

A study of the trade regime, facing SMF in Pakistan, provides a clearer idea of the injustices inflicted on SMF through the political economy which underwrites their market regime. All these trades remain unequal. The SMF have to accept whatever the trader, landlord or mill owner offers, which tends to be well below the procurement price, where this is offered by the government or public agencies for such crops. The SMF can rarely avail of these support prices because of their dependence on the traditional buyers, whether out of debt

obligations or ties of social obligation or merely lack of information. The Pakistan study estimates that these market distortions reduce the income of the *extremely poor farmers* by 7.4 per cent and the *poor farmers* by 6.4 per cent. Even non-poor farmers face an income loss of 5.6 per cent due to such distortions in their market.

Market distortions do not just impact on output markets but also on procurement of vital inputs, including access to credit, where the market tends to serve farmers in general, but the poorer farmers in particular, on inequitable terms. The Pakistan study shows that 28 per cent of the *extremely poor farmers* are compelled to buy their inputs from the landlord, compared to 2.7 per cent of *non-poor farmers*. The *extremely poor* pay relatively higher prices compared to the *non-poor* for a variety of inputs such as fertiliser, pesticides and irrigation water so that, on average, they pay 12 per cent more than they would, had they been able to access the least cost suppliers.

The Pakistan experience is replicated in other South Asian countries and across the world. In India, the *National Commission on Enterprises in the Unorganised Sector* (NCEUS) reported on the vicious circle of poverty which holds SMF captive. Their poverty originates in lack of land. The marginal farmer owns less than 0.4 ha of land. The small farmers own less than 1 ha. The SMF account for 80 per cent of ownership holdings in India but own only 43.5 per cent of the land, though it contributes the lion's share of farm output (51 per cent). The SMF are, indeed, more productive than the medium and large farmers. However, the average income per capita for the small farmer is Rs. 1,659 (US$ 37.86) per month compared to Rs. 4,626 (US$ 105.57) per month for the medium farmer and Rs. 9,667 (US$ 197.79) for the large farmer (NCEUS 2007). These inequities represent the outcome, both of lack of ownership of assets and unequal participation in the market. Above all, the most elemental limitation on the range of options available to small producers is contingent on their staying power, which is constrained by debt, contractual obligations, health care, or other mandatory needs, but above all, by the compulsions of hunger and survival for their family.

2.5 Unjust Governance

2.5.1 Undemocratic Democracies

In a more just world market, injustice may expect to be corrected through a more justly governed society. Unfortunately, this inequitable and unjust social

and economic universe is compounded by a system of unjust governance which discriminates against the income poor and other socially vulnerable groups and effectively disenfranchises them from the political benefits of a democratic process. The excluded, whether they tend to be women, the resource poor or minorities, remain excluded from the policy concerns of the ruling elite, voiceless in the institutions of governance and, hence, underserved by available public services. Where such services are at all accessible to the excluded, they pay high transaction costs for these services. The agencies of law enforcement insufficiently protect the excluded and frequently oppress them for personal gain as well as on behalf of the elite. The judicial system, in most countries, denies the excluded elementary justice because of their poverty as well as the social bias of most judiciaries. The institutions of democracy remain unresponsive to the needs of the excluded, both in the design of their policy agendas and the selection of their electoral candidates.

In such a social universe, the excluded remain tyrannised by state as well as money power and have to seek the protection of their oppressors within a system of patron-client relationships, which perpetuates the prevailing hierarchies of power. Where the democratic process prevails the excluded are denied adequate access to office in the political parties or representation in the systems of democratic governance from the local to the national level. Representative institutions tend to be monopolised by the affluent and socially powerful who then use their electoral office to enhance their wealth, and thereby perpetuate their hold over power.

In unjustly governed and less democratic societies, institutional discrimination extends to other vulnerable communities which include women and various minorities as defined by their identity. These communities are exposed to an added disability in accessing opportunities and public services. In some cases, particular communities such in the *Dalits* of India have recognised their voting power in particular states such as Bihar and Uttar Pradesh and have used this to capture a greater share of political power. This has, to some extent, reduced the more egregious forms of social discrimination they once faced and has somewhat improved their access to public services and economic opportunities. These social gains have not translated into correcting the structural injustices in the distribution of opportunities which have not only constricted the lives of the *Dalits* but of the poor across India. Thus, access to power by *Dalit*-led political forces has merely created new hierarchies, even within these

communities, with a new elite emerging from within their communities to harvest the fruits of *Dalit* power.

In such an inequitable and politically unjust environment, the benefits of democracy remain the privilege of the elite supported by small collectives of sectional power exercised by such groups as trade unions of public employees providing some essential public service. In contrast, the needs of the excluded, whether for decent work or improved human development, remain unrecognised. Even where the excluded register their disenchantment at the polling booths by voting a succession of incumbent regimes out of office, as happens frequently across South Asia, the political parties tend to remain largely unresponsive in heeding the political voice of what may be the largest segment of their voting population (CSDS 2008). In such circumstances, the political parties which are contesting for power should be offering a new set of policies and a new style of governance to their respective voters. In practice, government after government across South Asia has continued to offer a broadly unchanged set of policy prescriptions which are today in some discredit across much of the developing world and, recently, even in the developed world.

2.5.2 Democratic Responses to the Voices of the Poor

It is not surprising that in most South Asian countries, with a functioning democratic process, there has been a high turnover of regimes through the polling booths. In India, at least, incumbent regimes exposed to periodic risk of eviction have become more sensitive to the needs of the excluded. Investments in major projects to address the demand for work, better education and most recently for food security have inspired legislation for guaranteeing the right to work through the *Mahatma Gandhi Rural Employment Guarantee Programme* (MGREGP), the *Compulsory Education Act* and most recently through imminent legislation for guaranteeing food to around 80 per cent of the population. These developments represent greater sensitivity to the rights of the less privileged but fail to address the more deep seated structural injustices which divide Indian society. It remains to be seen if such measures of social protection as the MGREGP can transcend the anger and frustrations of the people of India at the corruption and injustices which permeate their society and can guarantee the re-election of the ruling coalition.

In recent years, we have also witnessed a growing political awareness of social injustice and responsiveness to the concerns of the poor and excluded in

Latin America. This region was and indeed still reports the highest levels of inequity. As shown in Table III, the loss on account of the inequality adjusted income index in 2012 for Latin America and the Caribbean was 38.5 per cent, higher than in SSA (30.4 per cent) and over double that of South Asia (15.9 per cent). However, in recent years a range of countries, which include Argentina, Bolivia, Brazil, Chile, Ecuador, Uruguay, Paraguay and Venezuela, have witnessed significant political changes through the electoral process. Political leaders and parties, drawing largely on the support of constituencies of the hitherto less privileged or at least, as in the case of Chile, have been persuaded to be more responsive to the needs of the less privileged, have been elected to power. These regimes have attempted to reach out to the hitherto neglected groups by reprioritising their policy and allocative agendas. This change in priorities is reflected in the improvement in the inequality adjusted index for life expectancy (13.4 per cent) and education (23 per cent), in this case, Latin American numbers are significantly better than for South Asia and SSA, where deprivation of the poor in the areas of both health and education remains more pronounced.

These political changes in Latin America have yet to transform the structural parameters of the society and economy sufficiently to realise a significant narrowing in the disparities which drive these societies. However, in certain countries such as Venezuela and Bolivia, there has indeed been a discernable shift in the social balance of power, with the ascendancy of working class and indigenous communities acquiring a voice in policy making which had hitherto remained unheard.

In an unequal world, in most countries of the developing world, those in greatest deprivation, including the income deprived, tend to be women or minorities defined by their caste, religious or ethnic identities, who remain the most vulnerable to unjust governance. They remain vulnerable to risks from political upheaval, weak law enforcement and social predation. In many countries, broader coalitions of the poor have used their voting power and the capacity to resort to collective action to assert their rights. In contrast, smaller, marginalised communities of ethnic/tribal minorities or residents of less accessible areas have been largely excluded from the mainstream of development. The voting and collective power of such groups tends to be weak, so they remain voiceless, more exposed to oppression and least benefitted from development opportunities. It is these groups which remain captive in the most inflexible poverty traps.

Such marginalised groups are now making themselves heard mostly through resort to violence. The most backward areas of India, inhabited largely by indigenous communities, have become the epicentre of armed insurgencies led by "Maoist" groups, which have led to escalating violence and loss of life. There has been some response by the successive elected regimes in India to correct the deprivations of these groups through both enhanced public investment and affirmative action. However, the structural sources of their deprivation and sense of alienation, which include appropriation of their lands by big corporate entities to exploit the natural wealth of these remote regions, remain unaddressed. Unjust societies, or even pockets of particularly unjust governance, which contribute to the perpetuation of poverty, are, thus, likely to remain sources of potential unrest until action is taken to correct the structural injustices which create and reproduce these conditions.

III. BUILDING A SECURE FUTURE

3.1 Agendas for Change

For moral, political and social reasons, corrective actions are needed to reduce the vulnerability of the deprived to life's risks and to thereby move them not just out of but beyond poverty. Our suggested approach challenges the traditional approach to reducing vulnerability through expansion of social protection underwritten by social provisioning for those most at risk. As we have argued earlier, vulnerability is not just an issue of income poverty or even insufficient access to health care. Vulnerability and its attendant by-product of poverty remain symptoms and not the source of a problem that originates in the unjust nature of the societies, which create and perpetuate these ills. Our suggested approach to attacking vulnerability will be to explore agendas for:

(a) Universalising social protection through social provisioning. We recognise that realising structural change will involve a longer drawn out and more intractable process. While this process of change gets underway, we must continue to address the symptoms of injustice which perpetuate poverty and enhance insecurity through greater measures of social provisioning.

(b) Moving beyond the resort to social provisioning by initiating structural changes which elevate the excluded from living out their lives exclusively as wage earners and tenants forever exposed to the tension of dependency on the

bounty of employers and landowners. Some policy and institutional interventions to reduce risk and vulnerability are suggested below:

- Invest the excluded with the capacity to own productive assets.
- Minimise the degrees of market risk associated with their position at the bottom of the market chain by enabling them to move upmarket through sharing in the value addition process.
- Make more equitable access to assets and markets.
- Make access to quality education and health care more equitable.
- Ease the tension of exclusion by empowering the excluded through democratising democracy and providing them with greater access to the institutions of governance such as justice, public services and law enforcement.
- The empowerment of the excluded largely originates in their isolation which, within a highly inequitable society, enhances their vulnerability to both market forces and unjust governance. Any move to reduce the vulnerability of the excluded must, therefore, be built upon strengthening their capacity for collective action. Institutions for promoting asset ownership and realising a higher share of value addition by the excluded must be designed to build and sustain their capacity for collective action. Similarly, enhanced participation of the excluded in the democratic process and sharing in the benefits of governance must be built around their capacity for collective action.

IV. CONCLUSION: THE POLITICAL ECONOMY OF STRUCTURAL CHANGE

As part of any agenda for providing sustainable security to the excluded and deprived, in order to reduce, if not end their vulnerability, priority will have to be given to expanding ongoing programmes of social protection. However, as we have argued, if our goal is to locate such programmes within a broader agenda for structural change, then, as in the European model, social protection must acquire both depth and breadth to a level where it realises qualitative change in the lives of the vulnerable. In spite of noticeable advances in provisioning of social protection, nowhere across the developing world can it be claimed that the

lives of its beneficiaries have been qualitatively improved, whether under the MGREGP in India or even the *Bolsa Familia* programme in Brazil. A measure of such qualitative change would be to provide visible evidence that those most at risk of entrapment in poverty no long feel vulnerable against the risks of want, disease, inadequate education and lack of earning opportunities.

Social protection programmes need to move beyond the protection of individual risks to address the more substantive market driven risks which originate from the structural injustices of society. We have put forward a body of ideas designed to reduce such vulnerabilities which can provide the basis for further debate and elaboration. Individual countries may draw on these ideas to calibrate their agendas for structural change to the specific institutional arrangements and underlying political economy of their respective societies.

All change, including a more structurally focused programme of social protection, needs to address the issues of political economy which will underwrite such a process of change. We will need to identify agents of change whether among political parties, NGOs, the corporate sector or among the poor themselves. We will also need to assess the willingness of governments to commit and engage themselves in realising change, their capacity to mobilise financial resource and invest political capital to underwrite such change. We will need to gauge the strength of the social forces and political constituencies who may oppose or can be mobilised in support of change.

Our agendas for change have acquired a new urgency in the wake of the ongoing crisis which is consuming the global economy. A world order which has elevated the values of the casino into the central dynamic of the capital market is threatening the livelihood of millions of vulnerable people around the world. We do not presume to challenge this order. However, we do seek to build a development process which is less dysfunctional, less unfair and more serviceable to the needs of millions of ordinary people. We believe that providing assets and enhancing the scope for income gain for millions of people, located at the bottom of the pyramid, will strengthen the resilience of our economies to cope with such global downturns. Liberating the productive potential of these millions, by investing them with resources and skills, will stimulate, internalise and sustain the growth process across the developing world. Transforming these millions into owners of wealth, equipped with the capacity to access the upper

tiers of the market, will invest them with a sense of empowerment they have rarely known.

A social order, where millions of people remain condemned to lives of insecurity, poised on the margins of subsistence; where the quality of their education condemns them to a life of toil, and in a context when an episode of ill health could drive their entire family into destitution-that order is not sustainable. In an economic order, where millions of young women are condemned to earn fifty dollars a month, whilst a handful of people can aspire to first world life styles, because such low wages make their enterprises more export competitive, is not sustainable. A political order where those with wealth can use it to capture and perpetuate themselves in power, while millions of those who vote them to power have no opportunity, either to share this power or to determine how its fruits are consumed, is unsustainable. Such a world is exposed to its own societal insecurities where particular countries with weaker coping capacities remain more vulnerable to political shocks which can destabilise the social order. Within our globalised world, such risk-prone societies can, in turn, become threats to regional stability and even global security.

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Annex

TABLE A.I
POVERTY SITUATION IN SELECTED REGIONS AND COUNTRIES

Country	Reference Year	Per cent of Population below US$1.25-a-day	Per cent of Population between Poverty Line US$1.25 and US$2.00-a-day
East/Southeast Asia			
Cambodia	2007	28.3	28.2
China	2005[a]	15.9	20.4
Indonesia	2009[a]	18.7	32.0
Lao PDR	2008	33.9	32.1
Philippines	2006	22.6	22.4
Thailand	2009	12.8	13.7
Vietnam	2008	13.1	25.3
South Asia			
Bangladesh	2005[b]	49.6	31.7
India	2005[a]	41.6	34.0
Nepal	2004	55.1	22.5
Pakistan	2006	22.6	38.4
Sri Lanka	2007	7.0	22.1
Sub-Saharan Africa			
Angola	2000[c]	54.3	15.9
Congo, Dem. Rep.	2006	59.2	20.4
Ethiopia	2005	39.0	38.6
Ghana	2006	30.0	23.6
Kenya	2005	19.7	20.2
Liberia	2007	83.7	11.1
Mali	2006	51.4	25.7
Mozambique	2008	60.0	21.6
Nigeria	2004	64.4	19.5
Senegal	2005	33.5	26.9
South Africa	2000	26.2	16.7
Tanzania	2007	67.9	20.0
Uganda	2009	37.7	26.8
Zambia	2004	64.3	17.2
Zimbabwe		-	-
Latin America			
Bolivia	2007[d]	14.0	10.7
Brazil	2009[d]	3.8	6.1
Colombia	2006[d]	16.0	11.9
Nicaragua	2005[d]	15.8	16.1

Source: *World Development Report 2012*.

Notes: (a) Population weighted average of urban and rural estimates.
(b) Adjusted by spatial Consumer Price Index (CPI) data.
(c) Covers urban areas only. d. Based on per capita income averages and distribution data estimated from household survey data.