



Combating Poverty and Inequality UNRISD Flagship Report, 2010

In contrast to the experiences of countries that were successful historically in reducing poverty, contemporary poverty reduction strategies have increasingly focused on “targeting the poor”. How can poverty reduction and social development strategies be better integrated into wider development processes and economic policy frameworks? How do universal approaches to social services and social protection promote more equitable and sustainable development outcomes? And why is it essential to take politics and power relations into account in order to reduce poverty and inequality?

Poverty reduction is a central feature of the international development agenda. A number of key social development objectives were agreed by world leaders at the Millennium Summit, with the goal of significantly reducing poverty by 2015. What then accounts for the persistence of poverty when concern for its reduction has been high on the policy agenda? What processes and policies are required to achieve the agreed goals? Why have some countries been more successful than others in combating poverty? How should economic and social policies, and politics, be organized to produce good anti-poverty outcomes?

The forthcoming UNRISD flagship report, *Combating Poverty and Inequality*, provides important new evidence that should both contribute to progress up to 2015, and also stimulate discussion of longer term poverty reduction strategies beyond this date. The report is grounded in extensive research on contemporary approaches to poverty reduction, including those reflected in the MDGs and Poverty Reduction Strategy Papers (PRSPs), and draws out crucial insights and implications for policy.

Many contemporary approaches treat poverty and inequality as residual outcomes of wider growth processes that can be addressed through discrete and targeted policy interventions. They often fail to consider key institutional, policy and political dimensions that may be both causes of poverty and inequality, and obstacles to their reduction. Such approaches run counter to the evidence from countries that have successfully reduced poverty over relatively short time periods. The report shows instead that progress occurred principally through state-directed strategies which combined economic development objectives with active social policies in ways that were complementary and synergistic. It also shows how poverty outcomes are shaped by complex interconnections of ideas, institutions, policies and practices in the social, economic and political spheres.

The report is structured around the following main issues, which, it argues, are the critical elements of a sustainable and inclusive development strategy:

- **patterns of growth and structural change** (whether in the agricultural, industrial or service sectors) that generate and sustain jobs that are adequately remunerated and accessible to all, regardless of income or class status, gender, ethnicity or location;
- **comprehensive social policies** that are grounded in universal rights and that are supportive of structural change, social cohesion and democratic politics; and
- **protection of civic rights, activism and political arrangements** that ensure states are responsive to the needs of citizens and the poor have influence in how policies are made.

Key Messages

- **Economic growth is important, but alone it does not necessarily reduce poverty and inequality.** Employment represents a channel through which additional income generated by growth can be widely distributed throughout a population. Where poverty has been reduced successfully and sustainably, governments used policy interventions to facilitate employment-centred structural transformations of their economies. They invested substantially in infrastructure; channelled

credit to specific productive activities; and pursued well-managed industrial and agricultural policies, as well as social policies that improved the skill levels and welfare of the population.

- **Equality and redistribution matter for poverty reduction.** The MDGs and PRSPs do not directly address inequality. It is often assumed that absolute poverty or income level, rather than distribution, matter. However, high levels of inequality make it difficult to reduce poverty even when economies are growing; and poor countries are generally more unequal than rich ones. Poverty and inequality are part of the same problem. Inequality manifests itself in relation to wealth and income status, health and education outcomes, gender and ethnicity, as well as access to employment and social services. There is a strong case for redistributive policies to address these dimensions of the poverty problem.
- **Social policy is an integral part of the development strategies of countries that have transformed their economies and reduced poverty relatively quickly.** A number of welfare policies are feasible and affordable for countries at fairly low levels of income. For social policy to be effective as a transformative instrument against poverty and inequality, it must transcend its residual role of safety net and engage with broad public policy issues of distribution, protection, production and reproduction. Successful countries have tended to invest substantially in education and skills development, as well as in health and social protection. Social policies must also address the unpaid work that goes into sustaining families, households and societies by investing in infrastructure and basic services, and thus reducing the unpaid care work done largely by women.
- **The linkages between policies and institutions in the social, economic and political spheres must be recognized** if poverty is to be fought effectively. Poverty reduction is not just about having the right economic policies; it is also about pursuing appropriate social policies and types of politics that elevate the interests of the poor in public policy. Similarly, policy coherence goes beyond effective implementation and coordination. Securing the benefits of potential synergies between policies requires conscious design of both economic and social policies, backed by sufficiently powerful coalitions to ensure their implementation.
- **Politics matters for poverty reduction.** The protection of civic rights, active and organized citizens, well-organized and representative political parties, and effective states with redistributive agendas are all important for sustained progress towards poverty reduction. The participatory framework of the PRSPs (often “consultation” without the power to effect real change) is of limited effectiveness in the absence of these conditions. Strategies to reduce poverty and inequality require institutionalized rights that allow citizens to organize and contest public policies as autonomous actors; political parties that are embedded in broad social coalitions; social pacts that give a broad range of groups voice and influence in shaping development policies and outcomes; and democratic regimes that are sufficiently competitive to allow for periodic alternations in power and prevent ruling parties from becoming complacent.
- **There is no one right way to poverty reduction.** Most countries that have been successful adopted heterodox policies that reflected their national conditions, rather than fully embracing market-conforming prescriptions. Countries and peoples must be allowed the policy space to adopt different models of development where aspects of livelihood and food security, land reform, cultural rights, gender equity, social policy and associative democracy figure prominently.

The report is based on UNRISD research; 41 background papers; in-depth case studies in Botswana, Brazil, Costa Rica, India, Kenya, Malaysia, South Africa and Taiwan Province of China; and country overview papers on China, Finland, Ireland, the Republic of Korea, Mozambique, Singapore, Sri Lanka, Viet Nam and the former Soviet Union.

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Contact: Yusuf Bangura, Research Coordinator, UNRISD, Palais des Nations, 1211 Geneva 10, Switzerland. Email: Flagship2010@unrisd.org, Phone: +41 (0)22 917 2896.