



REPUBLIC OF RWANDA

**RWANDA
VISION 2020
REVISED 2012**



FOREWORD


The Vision 2020 is a reflection of our aspiration and determination as Rwandans, to construct a united, democratic and inclusive Rwandan identity, after so many years of authoritarian and exclusivist dispensation. We aim, through this Vision, to transform our country into middle - income nation in which Rwandans are healthier, educated and generally more prosperous. The Rwanda we seek is one that is united and competitive both regionally and globally.

To achieve this, the Vision 2020 identifies six interwoven pillars, including good governance and an efficient State, skilled human capital, vibrant private sector, world class physical infrastructure and modern agriculture and livestock, all geared towards prospering in national, regional and global markets.

This Vision is a result of a national consultative process both at inception, between 1997 and 2000 and in 2012 when the Vision was revised. The discussions and debates involved Rwandans from all walks of life, including leadership from all levels in the business community, government, academia and civil society.

More than a decade since implementation of the vision began, the results speak for themselves. Out of the 47 indicators in the original Vision 2020; 26% (12) have already been achieved. The successes come as a result of a collaborative effort between Rwanda and our partners. It is a demonstration of what can be achieved when we give value to ourselves and the work we do, when we strive to find solutions from the strengths of our culture. The efforts and determination of the Rwandan people have necessitated revision of our targets upwards to match our growing ambition and to demonstrate our unwavering resolve to make a better livelihood for all Rwandans.

Vision 2020 is a shared purpose for all Rwandans. We need to constantly remind ourselves how our work – in our individual capacities, communities, business and public institutions – contributes towards realizing this Vision. Like all achieving societies whose success is generally inspired by a shared purpose, our Vision 2020 constitutes a bond that holds Rwandans as a people determined to build a better future.



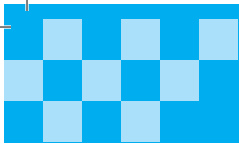
I am certain that Vision 2020 will continue to inspire us to achieve our goals, and that our Vision is clearly and powerfully stated – thus setting in motion the vital energy and the sense of urgency needed for its realization. I thank all Rwandans and Friends of Rwanda who will play their part to making our Vision realizable.

Paul KAGAME

President of the Republic of Rwanda

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1. INTRODUCTION


How do Rwandans envisage their future? What kind of society do they want to become? How do they construct a united and inclusive Rwandan identity? What are the transformations needed to emerge from an unsatisfactory social and economic situation? These are the main questions Rwanda Vision 2020 addresses.

Vision 2020 was a result of a national consultative process that took place in Village Urugwiro between 1998-1999. There was a broad consensus on the necessity for Rwandans to clearly define the future of the country. This process provided the basis upon which this Vision was developed.

Since then Rwanda has made much progress towards attaining these objectives and even surpassed some of the targets. In 2011, with less than 10 years towards the realization of the Vision, it was necessary to assess the relevance of the indicators and targets and ensure that they continue to reflect the ambition and the progress of the country towards attaining its long term development goals. This culminated in a revision of the original Vision 2020 targets through a consultative process where the revised targets were adopted at the 9th Leadership retreat in February 2012. The original Vision 2020 contained 47 indicators and targets, which have been revised to a total of 48.

The guiding rationale for the revision was based on the following:

- 1. Aligning targets to level of low middle income countries:** an analytical comparison has been made of Rwanda and middle income countries and adjustments made where necessary. The most notable change is the adjustment of Gross Domestic Product (GDP) per capita to meet the changing thresholds of middle income countries. The existing Vision 2020 target for GDP per capita has been revised from USD 900 to USD 1240. The current threshold for lower middle income countries is USD 1,006 to USD 3,975, upper middle income; USD 3,976 to USD 12,275; and high income; \$12,276 or more. Meeting this target will ensure Rwanda moves into the lower middle income category by 2020.
- 2. Harmonizing with the more ambitious seven year government program (7YGP) targets:** Some 7YGP targets were found to be more ambitious than those contained in the Vision 2020. These include



among others; the target for percentage of population below poverty line which is 20% in 7YGP while it was 30% in Vision 2020; the target for access to electricity in 7YGP which is at 70% while it was 35% in the Vision 2020.

- 3. Inclusion of indicators and targets for climate change, governance, ICT and regional integration:** The Vision 2020 already considered these as important areas in the six pillars; this is now reinforced with high level indicators such as; biodiversity, citizen satisfaction with service delivery and rule of law, and the degree of openness reflected by the proportion of trade to GDP.
- 4. Some targets already achieved requiring more ambition:** out of the original 47 indicators in the Vision 2020, 12 (26%) are already achieved and 16 (34%) are well on-track to be achieved among which average GDP growth rate, agricultural production (kcal/day/person), infant mortality rate, secondary school transitional rate, malaria-related mortality, admission rate to tertiary education among others. More ambitious targets have been set for the set of indicators already achieved.



2. CURRENT SITUATION AND THE CHALLENGES

2.1. Historical perspective

Although Rwanda has made significant progress from the devastation that marked the nation in the immediate aftermath of the 1994 genocide against the Tutsis, it still remains with significant challenges amongst which are 44.9 % of the population still living under the poverty line. In order to fully understand the present situation, it is important to appreciate Rwanda in a historical perspective.

Since the 11th century, Rwanda existed as a nation founded on a common history of its people, shared values, a single language and culture, extending well beyond the current borders of the country. The unity of the Rwandan nation was also based on the clan groups and common rites with no discrimination based on ethnicity.

The colonial power, based on an ideology of racial superiority and in collaboration with some religious organizations, exploited the subtle social differences and institutionalized discrimination. These actions distorted the harmonious social structure, creating a false ethnic division with disastrous consequences.

The history of Rwanda can be summarized by the following key events:

- The 1884 Berlin Conference placed the Kingdom of Rwanda under German rule as part of Deutsch Ostafrika (German East Africa);
- During the subsequent partition of Africa in 1910, a big part of Rwanda was annexed to neighboring countries. This caused the loss of 1/3 of the Rwandan internal market and a large part of its natural resources;
- Following the 1st World War and the defeat of Germany, Rwanda was given to Belgium as a trustee territory under the authority of the League of Nations;
- After the 2nd World War, the League of Nations became the United Nations and Rwanda became a UN Mandate trust territory, under Belgian administration, until 1962;
- During the colonial period, the Belgian administration applied contemporary Darwinian theories, thereby deeply dividing the people of Rwanda. This unfortunate development can be seen as laying the foundations for periodic mass killings even after independence was gained in 1962, culminating in the 1994 genocide.

- The RPF put an end to the 1994 genocide and thereafter formed the Government of National Unity (GNU) and the Transitional National Assembly (TNA) in coalition with other political parties to define a new future for Rwanda through democratic institutions.


This historical legacy goes some way to explain the challenges that Rwanda faced back in 2000 when the initial Vision 2020 was elaborated some of which remain while others have been overcome.

2.2. Major challenges facing Rwanda today

The economy of Rwanda is currently characterized by internal (budget deficit) and external (Balance of Payments) macroeconomic disequilibria, alongside low savings and investment rates and high unemployment and underemployment (table 1). In addition, Rwanda's exports, composed mainly of tea, coffee and minerals – whose prices are subject to fluctuations on the international market – have not been able to cover imports needs.

Table 1: Rwanda's Macro-economic indicators from 1995 to 2011

| Indicators | | 1995 | 2000 | 2005 | 2009 | 2010 | 2011 |
|--------------------------------|-------------------------|-------|-------|-------|-------|-------|-------|
| Price Levels (%) | CPI (eop) | 101.1 | 14.1 | 5.6 | 5.7 | 0.2 | 8.3 |
| | GDP Deflator | -- | 2.8 | 9.1 | 9.0 | 2.5 | 7.4 |
| Real GDP growth | | 32.3 | 8.4 | 9.4 | 6.2 | 7.2 | 8.2 |
| Internal absorption (%GDP) | | -- | 118.6 | 113.8 | 119.4 | 120.5 | 117.4 |
| Overall budget deficit (% GDP) | Without grants | -10.2 | -12.7 | -11.2 | -12.9 | -14.1 | -12.3 |
| | With grants | 1.6 | -1.3 | 0.2 | -1.3 | -2.0 | -0.7 |
| Current balance (% of GDP) | Excl.official transfers | -- | -6.5 | -2.5 | -7.2 | -7.4 | -7.2 |
| | Incl.Official transfers | -- | -19.4 | -14.9 | -17.2 | -17.5 | -19.0 |
| Nominal GDP per capita (USD) | | 168.0 | 225.1 | 288.7 | 519.2 | 540.1 | 592.7 |
| Debt service (% Exports) | | -- | 52.4 | 37.7 | 6.5 | 5.9 | 5.0 |



This overall situation can be best explained by reviewing a number of constraints at the level of the economy;

Low agricultural productivity and narrow economic base: Agriculture accounts for more than 71.6% (2010) of the labour force, yet remains on a relatively high subsistence level with low productivity. The agricultural productivity and production has increased significantly since 2000 though there is room for tapping potentials in modernization and value addition. However, Rwandans cannot afford total dependency on farming; strategies will be devised to move the economy into the secondary and tertiary sectors. It is clear that increases in the productivity and exports of Coffee and Tea alone, will not be sufficient to build the Rwandan economy. Therefore efforts need to be made to expand and diversify the economic base especially exports.

Natural barriers to trade: Rwanda is landlocked, with long distances from ocean ports; a factor that raises transportation costs for both exports and imports. The country lacks a link to regional railway networks, which means most trade is conducted by road. Poor quality of road infrastructure linking Rwanda to other countries creates high transportation costs leading to inflated prices of domestically manufactured products, and raising the price of raw materials imported for manufacturing.

Low level of human resource development: Since the elaboration of the Vision 2020, Rwanda has taken important strides in tackling the prevalence of Malaria and halting and reversing the spread of HIV/AIDS. The key population and health issues to be addressed remain malnutrition and the emergence of non-communicable diseases. Significant progress has been made in tackling illiteracy and ensuring universal access to basic education. The major challenges faced in human resource development are in developing technical and vocational skills that match labour market needs and continuing to develop a strong base of science, technology and innovation graduates to spearhead the move into global and regional markets.

Low infrastructure development: Rwanda has made strong governance reforms of doing business, however, the major challenge remains in reducing the infrastructure-related cost of doing business especially the high cost of electricity and low level of energy production. With electricity generation at almost 100MW, a significant step up in energy investment with increased private sector participation will be required to meet the targets for increased manufacturing and industrialization.



3. MAJOR OBJECTIVES OF VISION 2020

The Vision seeks to fundamentally transform Rwanda into middle - income country by the year 2020. This will require achieving per capita income of US\$1240 from US\$595 in 2011; a poverty rate of 20% from 44.9% in 2011; and an average life expectance of 66 years from 49 years in 2000.

Taking into account the scarcity of resources, prioritization, sequencing and enhanced coordination will be crucial. This section shows prioritization and acknowledges the interdependencies and complementarities between different policies and developments. For example, industry and service sector development cannot be realized without a competitive stock of skills, infrastructure and financial services.

3.1. Macroeconomic stability and wealth creation to reduce aid dependency

Rwanda will continue on its path to put in place macroeconomic stabilization policies that are conducive for private sector development. This, together with a fiscal consolidation strategy aiming at expanding the domestic resource base while rationalizing spending, and increasing exports, is the only way to lessen aid dependence.

The imbalances highlighted in Table 1 have been a source of macroeconomic instability and dependency on foreign aid. To reduce this dependency it will be crucial to develop effective strategies to expand the tax base and attract foreign investors. Also, there is need to continue aggressive diversification and the development of non-traditional exports.

Government will focus on private sector development, desisting from providing services that the private sector can deliver more efficiently and competitively. With the policies in place, the economy will be able to take up the challenge of transforming into a knowledge-based society.

3.2. Structural economic transformation

Even if Rwanda's agriculture is transformed into a high value/high productivity sector, it will not, on its own, become a sole engine of growth. In the last decade, the share of industry and services to GDP has increased from 14% and 44% in 2000 to 16% and 46% in 2011 respectively.

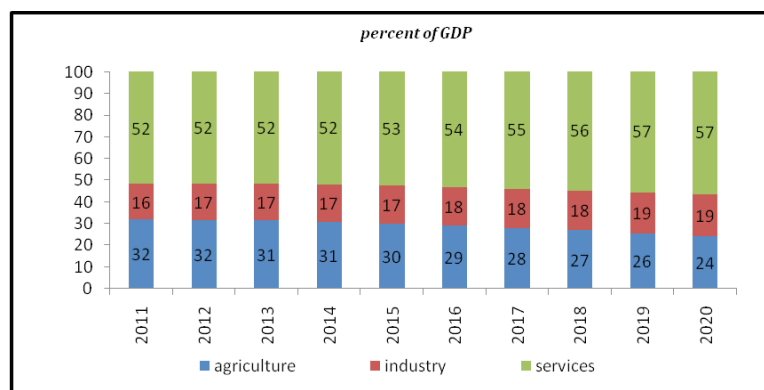
Transforming Rwanda's economy will require increasing investments in industries and services. In addition to this reliance on unproductive and

subsistence agriculture would give place to highly productive agriculture leading to agro-processing, industry development and exports. The issue, however, is not simply one of a strategy based on agriculture, industry or services, but rather, identifying Rwanda's comparative advantage and concentrating strategies towards it. A rich supply of labour, a large multilingual population, and strategically located as the gateway between East and Central Africa makes it advantageous for intra-regional infrastructure. The industries established will need to address basic needs, for which there is a readily available market, as these products can satisfy local demand and even move towards export.

As for services, this sector will become the most important engine of Rwanda's economy. Since Rwanda is landlocked and has limited natural resources, the Government will continue supporting policies geared towards encouraging investment in services, to acquire and maintain a competitive edge in the region.

It should be noted that the elaboration of such policies will not be sufficient to achieve a knowledge-based economy. Continuous investment in infrastructure will be required mainly in energy and transport to reduce the cost of doing business. Improvements in quality of education and health will be crucial for providing an efficient and productive workforce.

Figure 1: Transformation of economic activity 2011 - 2020





3.3. Creating a productive middle class and fostering entrepreneurship

The development process and capital formation cannot – in the long run – be achieved by the state or by donor funds alone. While both of these must contribute, the backbone of the process should be a middle class of Rwandan entrepreneurs. Productive entrepreneurship must be fostered to perform its traditional role of creating wealth, employment and vital innovations through opportunities for profit.

Stimulating the private sector, particularly with regard to the promotion of exports and competitiveness is not achievable without broadening and deepening the financial sector such as banking, insurance, capital market and the application of information technology. Provision of high quality educational services will be necessary for consolidating development gains made in the last 10 years. Rwanda aims to find a niche market in the region by becoming a logistics, telecommunication and financial hub.

It is envisaged that with these reforms, Rwanda will transform from a subsistence agricultural economy to a knowledge-based society, with a vibrant class of entrepreneurs. The following section outlines the major pillars of this vision and its key components.

4. THE PILLARS OF VISION 2020

This section focuses on the key aspects of Vision 2020 that have been discussed so far and addresses them individually. This section will also examine six “Pillars” through which the aspirations of Vision 2020 will be realized.

Table 2: Pillars of Vision 2020 and its cross-cutting areas

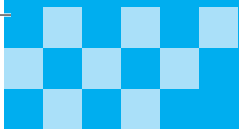
| Pillars of Vision 2020 | Cross-cutting areas of Vision 2020 |
|---|--|
| 1. Good governance and a capable state | 1. Gender equality 2. Protection of environment and sustainable natural resource management 3. Science and technology, including ICT |
| 2. Human resource development and a knowledge-based economy | |
| 3. A private sector-led economy | |
| 4. Infrastructure development | |
| 5. Productive and market-oriented agriculture | |
| 6. Regional and international economic integration | |

4.1. Good governance and a capable state

Rwanda will become a modern, united and prosperous nation founded on the positive values of its culture. The nation will be open to the world, including its own Diaspora. Rwandans will be a people, sharing the same vision for the future and ready to contribute to social cohesion, equity and equality of opportunity.

The country is committed to being a capable state, characterized by the rule of law that supports and protects all its citizens without discrimination. The state is dedicated to the rights, unity and well-being of its people and will ensure the consolidation of the nation and its security.

Social and economic transformation is as much about states as



markets. In effect, the role of the state is indispensable for wealth-creation and development. Capacity building has been one of the biggest Government priorities to ensure the development and deployment of public sector skilled human resources, who grasp the needs of other sectors – in particular the private sector – and can translate them into sound policies and strategies. However more efforts are needed in that area to increase citizens’ satisfaction with service-delivery. We need an effective, dynamic public sector that can lay the foundations for Rwanda to be competitive in the modern international economy.

The State will ensure good governance, this includes; accountability, transparency and efficiency in deploying scarce resources. But it also means a State respectful of democratic structures and processes, committed to the rule of law and the protection of human rights in particular.

Participation at grassroots level will continue to be promoted through the decentralization process, whereby local communities are empowered through their involvement in the decision making process, enabling them to address the issues that considerably affect them.

The reconstruction of the nation of Rwanda and its social capital, anchored on good governance and an effective and capable state, is considered a basic condition to stimulate a harmonious development of other pillars¹


4.2. Human resource development and a knowledge-based economy

Apart from improving the general welfare of the population, improvements in education and health services can be used to build a productive and efficient workforce. This will be essential for Rwanda to become a sophisticated knowledge-based economy.

Education

Rwanda has made tremendous steps towards ensuring “Universal Education for All”, one of the most important Millennium Development Goals, through the nine year basic education program now moving to twelve years. Rwanda will continue to focus on challenges in quality of education, matching of skills to labour market needs and entrepreneurial mindset shift.

¹ It cannot be stressed enough however that the 6 pillars and 3 cross cutting areas have to be developed in tandem – indeed this was the main message of section 3.



Major emphasis will continue to be placed on vocational and technical training in the fields of technology, engineering and management. This will be targeted at secondary and tertiary levels, as well as various sections of society (with particular emphasis on youth and women). To encourage skills development, micro-credit schemes will continue to be promoted specifically to extend finance to young, self-employed technicians. Special emphasis will be given to innovative, small-scale entrepreneurs. To promote efficiency and continuous upgrading of skills, large scale employment creation programs will be launched in the national institutions aimed at on-job-training, in-service training and distance learning.

Rwanda lags behind in professional training, with shortages in the fields of applied and natural sciences and ICT. Although the country will continue to rely on imported technology from advanced countries, well-trained specialized nationals will be essential to the running and maintenance of technological systems, ranging from medicine and agriculture to industry and telecommunications.

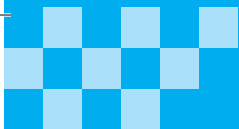
One crucial element to the achievement of Vision 2020 will be to ensure a proper link between education policies and sector development and labour policies. It is crucial to understand that the investment needed for the development of the secondary and tertiary sectors will not be effective without a suitably skilled labour force.

Health and population

The Rwandan population was estimated at about 8 million people in 2000 with one of the highest population densities in Africa and a high population growth rate close to 3% per annum. With a population estimated at 10.8 million in 2011, Rwanda remains with one of the highest population densities in Africa.

Rwanda considers its population as its fundamental resource and banks on it for its future development. With the success of current and future population policies, Rwanda projects to reduce the fertility rate within the remaining 9 years from 4.6 (2010) to 3 children in 2020 and the population growth from about 3% (in 2000) to 2.2% (in 2020).

Although tremendous progress has been made with regard to the state of health of the Rwandan population, with an impressive drop in HIV prevalence (from 13% in 2000 to 3 % in 2011) and reduction in incidence of



endemic diseases (malaria and TB); challenges remain with malnutrition and the increase of non-communicable diseases; campaigns to eradicate malnutrition amongst children will be emphasized and to raise awareness of prevention and treatment of non-communicable diseases. Addressing the shortage of specialized health personnel and improving the quality of health care will be the focus of health policy while continuing the successes of home grown solutions like the community health workers model.

In addition, health policies will continue to be targeted at the poorest members of the population to improve quality, and both geographical and financial accessibility to healthcare. Family planning remains crucial for controlling population growth. Envisaged and current population policies will go hand in hand with strategies to overcome problems in the health sector.


4.3. Private sector-led development

For Rwanda's development, the emergence of a viable private sector that can take over as the principle growth engine of the economy is absolutely key. Not only will such a development be conducive for economic growth, but it will also ensure the emergence of a vibrant middle class of entrepreneurs, which will help develop and embed the principles of democracy. Although foreign direct investment will be encouraged, a local-based business class remains a crucial component of development.

The Government of Rwanda will foster private sector development as a catalyst; ensuring that infrastructure (specifically IT, transport and energy), human resources and legal frameworks are geared towards to stimulating economic activity and growth of private investments.

The continued development of the financial sector remains crucial with an increasing number of people accessing financial services. The financial sector must be able to provide the necessary capital for private sector development. The government aims to promote local business through the introduction of industrial parks and export processing zones in which foreign operators could partner with local businesses.

Particular attention will be paid to the labour market. More than 10 years into the implementation of Vision 2020, the Rwandan economy has been able to generate 1.2 million non-farm jobs. With population expected to reach around 13.5 million by 2020 and at least half the population depending on off-farm activities, it will therefore be necessary to create



1.6 million off-farm jobs. This will require a substantial number of jobs created in the private sector.

4.4. Infrastructure development

The development of infrastructure is a crucial aspect in lowering the costs of doing business in Rwanda, which is essential to attracting domestic and foreign investments.

Land use management

Land use management is a fundamental tool in development. As Rwanda is characterized by acute land shortage, a land use plan has been developed to ensure its optimal utilization in urban and rural development. Currently, Rwanda's scarce land resources still face a challenge of ineffective translation of the developed land use master plan into sector strategic plans and district development plans. In the coming years, Rwanda will ensure that every development plan is guided by the land use master plan. The recent land tenure regularization will increase security on ownership and improve productive land usage.

Rwanda will continue to pursue a harmonious policy of organized grouped settlements (umudugudization). Rural settlements organized into active development centres will be further equipped with basic infrastructure and services. While this system of settlement will continue to serve as an entry point into the development of non-agricultural income generating activities, land consolidation will be emphasized so as to create adequate space for modern and viable farming.

Urban development

By 2020, each town will have updated urban master plans with coordinated implementation of the plans. The country will develop basic infrastructure in urban centres and in other development poles, enabling the decongestion of agricultural zones. The proportion of those living in towns and cities will increase from 14.8% in 2010 to 35% in 2020 (and 10% in 2000). The income differential between towns and rural areas should remain within reasonable proportions, due to the decentralization of economic activities throughout the country.



Transport

Rwanda is landlocked with high transport costs to the ocean ports of Kenya and Tanzania. Therefore, it is imperative to develop alternative lower costs of transport to the sea, notably through a regional rail extension to Isaka, Tanzania and an extension to the Ugandan Railway system. Furthermore, a second airport capable of serving, as a regional hub for the great lakes region will be developed. For the internal market, Rwanda has a reliable and safe transport network of feeder roads; however, these will continue to be maintained, extended and improved.

Communication & ICT

Rwanda has made a rapid improvement in ICT with fibre optic network coverage all through the country, mobile telephone network coverage at almost 100%, with 45% mobile subscriptions in 2011. By 2020, Rwanda projects to have internet access at all administrative levels, for all secondary schools and for a large number of primary schools. Telephone services will be widespread in rural areas and efficiency of public services will have increased through the application of e-government principles. It is expected that mobile subscription will reach 60% and the number of internet users will reach at least 50 % (from 4.3% in 2010).

Energy

Inadequate and expensive electricity supply constitutes a limiting factor to development. Wood is the main source of energy for 86.3% (2010) of the population down from 99% in 2000 which is a significant drop. This leads to massive deforestation and soil destruction. Imported petroleum products consume more than 17% of foreign exchange. Rwanda will therefore increase energy production and diversify into alternative energy sources.

To achieve this, Rwanda has considerable hydroelectric potential, in addition to large deposits of renewable methane gas in Lake Kivu, estimated at 60 billion cubic meters. In rural areas direct solar energy or photovoltaic energy can be used, whilst up to 1/3 of 155 million tons of peat deposit is currently exploitable. Rwanda projects that by 2020, at least 75% of the population will be connected to electricity (up from 2% in 2000 and 11% in 2010) and the consumption of wood will decrease from the current 86.3% to 50% of national energy consumption.



Water

In 2010, 74.2% of Rwandans have access to clean water. The country is endowed with reserves that could provide enough water for both consumption and agricultural purposes. These include substantial rainfall (between 900 & 1500 mm per year) and the abundance of lakes, streams and watercourses. Furthermore, there is an abundant supply of high altitude water in the western part of the country, which may be used in providing water by gravity to the southern and south-eastern regions of the country that face water shortages. Rwanda will continue to invest in protection and efficient management of water resources, as well as water infrastructure development to ensure that by 2020 all Rwandans have access to clean water.

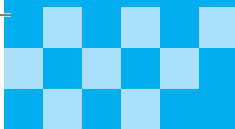
Waste management

The transmission of various water- borne diseases can be attributed to the consumption of dirty and contaminated water. The unplanned and disorganized construction of towns without a suitable drainage system exacerbates sanitary problems. Sewerage and rainwater can destroy public roads or stagnate, creating ideal breeding grounds for both human and animal diseases. Since most houses are situated on the summit and on the slopes of hills, water sources are in constant danger of pollution by domestic sewerage and other human activities carried by the stream of water. The environmental impact and waste management has recently been taken into account by human settlements and industrial installations, but challenges remain.

By 2020, the rural and urban areas are to have sufficient sewerage and disposal systems. Each town is to be endowed with an adequate unit for treating solid wastes. Households will have mastered and be practicing measures of hygiene and waste disposal.

4.5. Productive high value and market oriented agriculture

Since independence, Rwanda's economic policies have targeted agriculture as the main engine of economic growth. Though agriculture productivity has been increasing in the recent years, there is still room for improvement. It will be necessary to continue with the implementation of aggressive transformational policies that move towards a modern and more productive agriculture.



Agricultural policy orientation will continue to focus on promoting intensification so as to increase productivity, promoting value addition, modernization and improved quality of livestock to achieve an average annual growth rate of 8.5%. The vision aims to replace subsistence farming by a fully, commercialized agricultural sector by 2020.

4.6. Regional and international integration

Rwanda considers regional economic integration as one of the crucial elements of achieving Vision 2020. To this end, Rwanda will continue pursuing an open, liberal trade regime, minimizing barriers to trade as well as implementing policies to encourage foreign direct investment. Furthermore, policies to promote competitive enterprises, exports and entrepreneurship will be emphasized. Economic zones for ICT based production will be crucial for enhancing competitiveness of Rwandan firms.

The vision of accessing larger regional markets will be accompanied through a program of investing in infrastructure to promote Rwanda as a logistics, telecommunication and financial hub. Furthermore, taking advantage of Rwanda's comparative strategic position should be exploited in terms of warehouse functions in trade and commerce. Export processing zones, coupled with the industrial reforms noted above, will enable the country to consolidate its niche in services, communication and financial sectors and take advantage of growing regional co- operation in the Great Lakes/ Eastern African Region.



5. CROSS-CUTTING ISSUES OF VISION 2020

Alongside the 6 pillars, there are three cross-cutting areas of gender, environment and climate change; and science and technology.

5.1. Gender equality

Women make up 53% of the population and participate in subsistence agriculture more than men. They usually feed and provide care for their children and ensure their fundamental education. There has been tremendous progress in gender equality specifically in education (as the number of girls in primary and secondary education has surpassed boys with girls to boys ratio at 1.03) and in decision making positions (as of 2012 women represent about 56% of parliamentarians).


In order to strengthen gender equality and equity, Rwanda will further update and adapt its laws on gender. It will continue to support education for all, fight against poverty and practice a positive discrimination policy in favour of women with a focus in TVET, tertiary level and in employment opportunities. Gender will continue to be integrated as a cross-cutting issue in all development policies and strategies at both central and local government levels.

5.2. Natural resources, environment and climate change

To date, climate change is widely recognized as the major environmental problem facing the globe that is becoming inextricably linked to development. Rwanda is increasingly facing global climate change consequences including; flooding, resulting in disasters such as landslides that cost lives and resources, and droughts that adversely affect agricultural output. Other threats to the environment take the form of depletion of bio-diversity, degradation of ecosystems such as swamps and wetlands and pollution of waterways. Rwanda will continue to put in place strategies to mitigate the impact of climate change by focusing on developing eco-friendly policies and strategies in all sectors of the economy and by promoting green growth.

5.3. Science, technology and ICT

Rwanda will continue to invest in developing adequate, highly skilled scientists and technicians to satisfy the needs of the transition to knowledge-based economy. A knowledge based-economy will require innovative products that can be competitive in regional and global



markets. Having laid the foundations for ICT to take-off in the country through the laying of the fibre optic cable network, Rwandans have a whole new world of opportunities to take advantage of. More importantly the government of Rwanda will encourage the use of ICT as a tool for self employment, innovation and job creation. Policies to encourage development of smart applications that meet economic needs and develop economic potential will be promoted amongst the youth. ICT as a tool for improving service delivery in both the private and public sector will be emphasized.



6. THE ROAD MAP

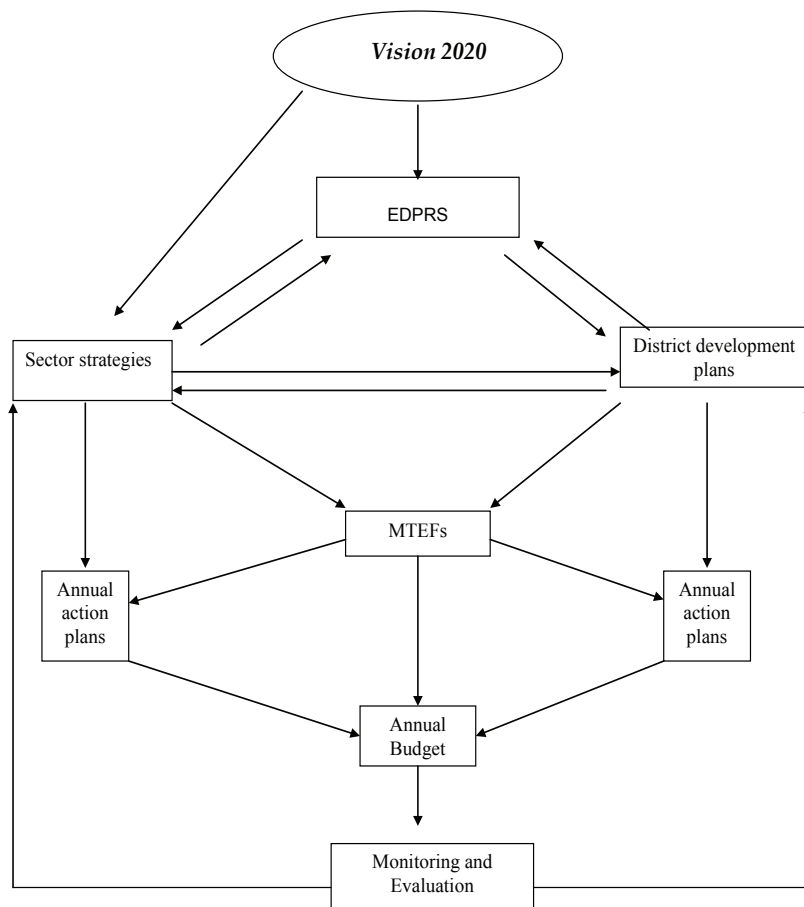
This roadmap lays out how Rwanda's Vision 2020 will be realized through the country's planning process. It also establishes a set of yardsticks against which we can measure our progress towards achieving the targets. Macroeconomic projections and the underlying assumptions clearly showing the requirements to realize the Vision are also made.

6.1. Rwanda's planning process and the realization of Vision 2020

To ensure smooth implementation of Vision 2020 and achievement of the aspirations described above, it will have to be reflected in the whole planning process and, particularly, medium-term operational instruments. Therefore, the long-term aspirations of the Vision will translate into medium-term Economic Development and Poverty Reduction Strategies (EDPRS) at the national level.


The EDPRS is operationalized through sector strategies and district development plans. The sector strategies and the district development plans are implemented through the Medium-Term Expenditure Framework (MTEF); three-year fully integrated budgets that mainstream the Public Investment Programs (PIP) of the agencies and translate into concrete action plans, costed through annual budgets. The poverty reduction achieved through the MTEF will be monitored and will feed back into the elaboration of sector and district plans.

Figure 2: Converting vision 2020 into a reality



6.2. Achieving Vision 2020: Macroeconomic assumptions and projections

The implementation of Vision 2020 strongly holds onto the necessity to achieve the aspirations of the Rwandan people, by markedly transforming the economy, turning the country into a middle-income country and parting away with extreme poverty.




Inspired by recent robust economic performance and remarkable progress in reducing poverty, assumptions for the macroeconomic perspectives over the period until 2020 were made, aiming at more robust growth and more ambitious objectives.

Notwithstanding the existing macroeconomic challenges stemming from both internal and external imbalances with still sizeable aid dependence and a large trade balance deficit, the Vision's macroeconomic assumptions aim for an annual average real GDP growth of 11.5 percent, GDP per capita of USD 1,240, gradual but sustained improvement in the external trade balance, higher investments and savings, and a stronger financial sector.

With real GDP expected to grow on average by 11.5 percent per year (real output growth between 2000 and 2011 was on average 8.3 percent a year), agriculture would need to grow by at least 8.5 percent and reach about 25 percent of total output (agriculture grew on average by 5.6 percent a year between 2000 and 2011 and amounted to 32 percent of total output in 2011). The industry is expected to grow by 14 percent on average and reach about 20 percent of total output (industry grew on average by 9.5 percent a year between 2000 and 2011 and amounted to 16 percent of total output in 2011) while services would be expected to continue taking the lead, growing by 13.5 percent on average and expected to reach about 55 percent of total output (services grew on average by 10.2 percent between 2000 and 2011 and amounted to 46 percent of total output).

Increased investments will be needed to achieve the growth objectives from both the public sector as well as the private sector. Domestic investments are expected to expand, but this will need a stronger financial sector to mobilize the necessary savings to finance those investments. Total investments are expected to reach 30 percent of GDP by 2020 (from about 21 percent of GDP in 2011) with the private sector gradually taking a larger proportion, and savings are expected to reach 20 percent of GDP by 2020 (from about 14 percent of GDP in 2011).

The scaled up investments in bottleneck-releasing infrastructure projects that are expected to bolster competitiveness and further reduce external trade imbalances, will require equally substantive financing that the domestic savings mobilization efforts alone will not be able to cater for. While a gradual reduction in the reliance on foreign aid remains a key objective over the medium-term, domestic revenues – that nevertheless are expected to significantly increase – will alone not cover all the required public investments. A combination of highly concessional financing



(in the form of grant financing and concessional borrowing) and non-concessional borrowing that does not adversely affect Rwanda's external debt sustainability will be considered, while avenues leading to a greater participation of the private sector will also be emphasized through public private partnership ventures.

In order to realize the targets set out, we will have to streamline planning processes so that the Vision is translated into implementable plans, with strong linkages between set priorities and the allocation of resources. It also requires a mobilization of a substantial financial resource from the state, the donor community and the private sector. If these resources can be efficiently allocated through the planning process, the goals set in this Vision will become attainable.

6.3 Institutional framework for the implementation of Rwanda's vision

The implementation of the Vision 2020 is within the ambition of all players: the state, the private sector, civil society, NGOs, decentralized authorities, grassroots communities, faith-based organizations and development partners. The top most policy making bodies of Vision 2020 implementation is the Cabinet and the National Steering Committee (Ministers and Governors). The Permanent Secretaries (PS) forum and Development Partners Coordination Group (DPCG) oversee and guide the implementation of the Vision and ensure that consensus building around Vision 2020 implementation is realized.

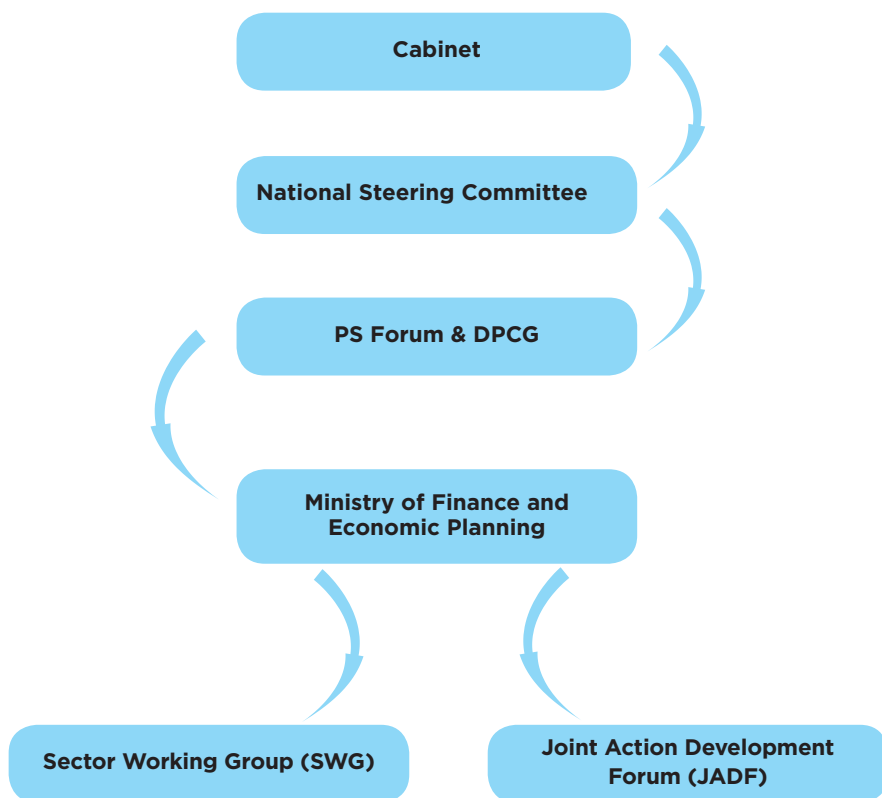
The Ministry in charge of Finance and Economic Planning coordinates the implementation and monitoring and evaluation of the Vision. It also ensures that Vision 2020 targets are considered in Sector Strategies as well as District Development Plans.

The Ministry will specifically:

- Coordinate all the activities related to the implementation of the Vision 2020
- Mobilize and allocate resources to Vision 2020 priority areas
- Support the planning organs and other institutions in charge of implementation of the Vision
- Ensure that Vision 2020 based sector strategic plans and district developments plans are prepared and linked to the Medium-Term Expenditure Framework and annual budgets

- Ensure the establishment of a monitoring and evaluation framework for the Vision
- Regularly report to Cabinet the status of achievement of Vision 2020 objectives and targets

The institutional framework for implementation of Vision 2020 is shown in the organization chart below.





CONCLUSION

Vision 2020 represents an ambitious plan to raise the people of Rwanda out of poverty and transform the country into a middle-income economy. Some will say that this is too ambitious and that we are not being realistic when we set this goal, others say that it is a dream. But, what choice does Rwanda have? To remain in the current situation is simply unacceptable for the Rwandan people. Therefore, there is a need to devise and implement policies as well as mobilize resources to bring about the necessary transformation to achieve the Vision. This is realistic based on the fact that countries with similar unfavourable initial conditions have succeeded. The development experience of the East Asian 'Tigers' proves that this dream could be a reality.

Annex

Annex 1: Key indicators of the Rwandan Vision 2020

TABLE GUIDE

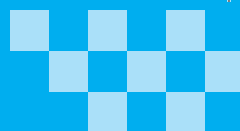
| | |
|--|----------------------------|
| | No change made |
| | Revised indicators/targets |
| | New indicators |

NOTE:

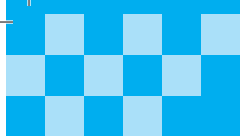
LMIC = lower middle income countries

| Indicator | Status in 2000 | Current status | Original target | 7YGP target | Average LMIC | Proposed new Target |
|---|----------------|-------------------------------|-----------------|-------------|-----------------------------|---------------------|
| Economic | | | | | | |
| 1. Average GDP growth rate (%) | 6.2 | 8.3(average from 2000-2010) | 8 | None | 5.9(average from 2000-2010) | 11.5 |
| 2. Growth rate of the agricultural sector (%) | 9 | 5.8 (average from 2000-2010) | 6 | None | 3 (average 2000-2010) | 8.5 |
| 3. Growth rate of the industry sector (%) | 7 | 8.8 (average from 2000-2010) | 12 | 12 | 5.7(average 2000-2010) | 14 |
| 4. Growth rate of the service sector (%) | 7 | 10.5 (average from 2000-2010) | 11 | None | 7.1(average 2000-2010) | 13.5 |
| 5. Domestic credit to private sector (% of GDP) | None | 12.8 | None | 27 | 34 | 30 |
| 6. Gross national savings (% of GDP) | 1 | 10.5 | 6 | None | 25 | 20 |

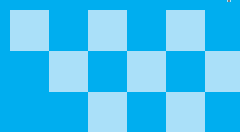
| Indicator | Status in 2000 | Current status | Original target | 7YGP target | Average LMIC | Proposed new Target |
|---|----------------|---------------------------|-----------------|-------------|--------------|------------------------------|
| 7. Gross national investment (% of GDP) | 18 | 21 | 30 | None | 28.5 | 30 |
| 8. External Balance on goods and services(% of GDP) | None | -14.6 (average 2000-2010) | None | None | -3 | -3 |
| 9. GDP per capita, in US \$ | 220 | 540 | 900 | None | 1,750 | 1240 |
| 10. Percentage of adult population accessing financial services | None | 47 | None | None | None | 90 |
| 11. Percentage of payment transaction done electronically | None | <10 | None | None | None | 75 |
| 12. External Trade (% of GDP) | None | 41.5 | None | None | 58.4 | 60 |
| 13. Export Growth | None | 19.2(average 2000-2010) | None | None | 10 | 28(average 2012-2020) |
| 14. Agricultural population (%) | 90 | 71.6 | 50 | None | 49 | 50 |
| 15. Agricultural production kcal/day/ person | 1612 | 2,385 | 2,200 | None | None | 2,600 |
| 16. Food Consumption Score (CFSVA) | None | Poor FCS: 4% (2009) | None | None | None | Poor FCS: 0% |
| | None | Borderline:17% (2009) | None | None | None | Borderline: 5% |



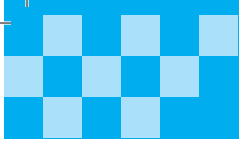
| Indicator | Status in 2000 | Current status | Original target | 7YGP target | Average LMIC | Proposed new Target |
|--|----------------|----------------|-----------------|-------------|--------------|---------------------|
| 17. Percentage of agricultural operations mechanized | None | 7 | None | None | None | 40% |
| 18. Percentage of land area protected to maintain biodiversity (%) | None | 10.13 | None | None | None | 10.3% |
| 19. Forest cover (% of land area) | None | 22.4 | None | 30 | 28 | 30 |
| 20. Percentage of roads in good condition | None | 59 | None | 85 | None | 85 |
| 21. Access to electricity (% of population) | 2 | 10.8 | 35 | 70 | 67 | 75 |
| 22. Percentage of households using Wood energy as source of energy | 94 | 86.3 | 50 | 55 | None | 50 |
| 23. Internet users per 100 people | None | 4.3 | None | None | 12 | 50 |
| 24. Mobile subscriptions per 100 people | None | 45 | None | None | 73 | |
| 25. Percentage of population under poverty line | 60.4 | 44.9 | 30 | 20 | 32.2 | 20 |
| 26. Gini-Coefficient | 0.454 | 0.49 | 0.350 | None | None | 0.350 |



| Indicator | Status in 2000 | Current status | Original target | 7YGP target | Average LMIC | Proposed new Target |
|---|----------------|----------------|-----------------|--------------------------|--------------|---|
| 27. Number of off-farm jobs | 200,000 | 1,406,000 | 1,400,000 | 200,000 (new every year) | None | 3,200,000 (cumulative from 2000) |
| Social | | | | | | |
| 28. Access to improved sanitation facilities (% of population.) | 20 | 74.5 | 60 | 100 | 45.4 | 100 |
| 29. Access to clean water (% of population.) | 52 | 74.2 | 100 | 100 | 84.5 | 100 |
| 30. Life expectancy (years) | 49 | 54.5 | 55 | 58 | 65.7 | 66 |
| 31. Population Growth rate (%) | 2.9 | 2.9 | 2.2 | None | 1.6 | 2.2 |
| 32. Women fertility rate | 5.8 | 4.6 | 4.5 | None | 3.4 | 3 |
| 33. Urban population (%) | 10 | 14.8 | 30 | 30 | 40 | 35 |
| 34. Infant mortality rate per 1,000 | 107 | 50 | 50 | 30 | 50 | 27 |
| 35. Maternal mortality rate per 100,000 | 1071 | 476 | 200 | 200 | 266 | 200 |
| 36. Child Malnutrition | | | | | | |
| i) Acute malnutrition (wasted) % | None | 3 | None | None | 7 | 0.5 |
| ii) Underweight (%) | None | 11 | None | None | 14 | 8 |



| Indicator | Status in 2000 | Current status | Original target | 7YGP target | Average LMIC | Proposed new Target |
|---|----------------|----------------|-----------------|-------------|--------------|---------------------|
| iii) Chronic malnutrition (%) | None | 44 | None | None | 31 | 15 |
| 37. Rate of mortality for malaria cases (%) | 51 | 13 | 25 | 5 | | 5 |
| 38. Doctors per 100,000 inhabitants | 1.5 | 6 | 10 | 10 | 80 | 10 |
| 39. Nurses per 100,000 inhabitants | 16 | 77 | 20 | 100 | 180 | 100 |
| 40. Literacy rate (%) | 48 | 83.7 | 100 | 90 | 70.6 | 100 |
| 41. Gross primary school enrolment (%) | None | 127.3 | 100 | None | 107 | 100 |
| 42. Gross Secondary school enrolment including TVET (%) | 7 | 35.5 | 60 | None | 58 | 98 |
| 43. Pupils – qualified teacher ratio | | | | | | |
| i) In Primary | None | 58-1 | None | None | 29-1 | 40-1 |
| ii) In Secondary | None | 37-1 | None | None | 17-1 | 30-1 |
| 44. The rate of enrolment in first year of Higher learning institutions (%) | 1 | 38 | 6 | None | | 65 |



| Indicator | Status in 2000 | Current status | Original target | 7YGP target | Average LMIC | Proposed new Target |
|--|----------------|------------------|-----------------|-------------------|--------------|------------------------|
| Governance | | | | | | |
| 45. Women representation in decision making organs (%) | None | 30 | 40 | None | 40 | 40 |
| 46. Citizens' satisfaction with service-delivery (%) | None | 66 | None | 80 | None | 80 |
| 47. Rank in world corruption | None | 49 th | None | <10 th | None | 10th |
| 48. Index on Rule of law (%) | None | 67.7 | None | None | None | 80 |

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AND ESTHER DUFLO

POOR ECONOMICS

A RADICAL RETHINKING
OF THE WAY TO FIGHT
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A Billion Hungry People?

For many of us in the West, poverty is almost synonymous with hunger. Other than major natural catastrophes such as the Boxing Day tsunami in 2004 or the Haiti earthquake in 2010, no single event affecting the world's poor has captured the public imagination and prompted collective generosity as much as the Ethiopian famine of the early 1980s and the resulting “We Are the World” concert in March 1985. More recently, the announcement by the UN Food and Agriculture Organization (FAO) in June 2009 that more than a billion people are suffering from hunger¹ grabbed the headlines, in a way that the World Bank's estimates of the number of people living under a dollar a day never did.

This association of poverty and hunger is institutionalized in the UN's first Millennium Development Goal (MDG), which is “to reduce poverty and hunger.” Indeed, poverty lines in many countries were originally set to capture the notion of poverty based on hunger—the budget needed to buy a certain number of calories, plus some other indispensable purchases (such as housing). A “poor” person was essentially defined as someone without enough to eat.

It is no surprise, therefore, that a large part of governments' effort to help the poor is posited on the idea that the poor desperately need food, and that quantity is what matters. Food subsidies are ubiquitous in the Middle East: Egypt spent \$3.8 billion in food subsidies in 2008–2009 (2 percent of the GDP).² Indonesia has the Rakshin Program, which distributes subsidized rice. Many states in India have a similar program: In Orissa, for example, the poor are entitled to 55 pounds of rice a month at about 4 rupees per pound, less than 20 percent of the market price. Currently, the Indian parliament is debating instituting a Right to Food Act, which would allow people to sue the government if they are starving.

The delivery of food aid on a massive scale is a logistical nightmare. In India, it is estimated that more than one-half of the wheat and over one-third of the rice get “lost” along the way, including a good fraction that gets eaten by rats.³ If governments insist on such policy despite the waste, it is not only because hunger and poverty are assumed to go hand in hand: The inability of the poor to feed themselves properly is also one of the most frequently cited root causes of a poverty trap. The intuition is powerful: The poor cannot afford to eat enough; this makes them less productive and keeps them poor.

Pak Solhin, who lives in a small village in the province of Bandung, Indonesia, once explained to us exactly how such a poverty trap worked.

His parents used to have a bit of land, but they also had thirteen children and had to build so many houses for each of them and their families that there was no land left for cultivation. Pak Solhin had been working as a casual agricultural worker, which paid up to 10,000 rupiah per day (\$2 USD PPP) for work in the fields. However, a recent hike in fertilizer and fuel prices had forced farmers to economize. According to Pak Solhin, the local farmers decided not to cut wages but to stop hiring workers instead. Pak Solhin became unemployed most of the time: In the two months before we met

him in 2008, he had not found a single day of agricultural labor. Younger people in this situation could normally find work as construction workers. But, as he explained, he was too weak for the most physical work, too inexperienced for more skilled labor, and at forty, too old to be an apprentice: No one would hire him.

As a result, Pak Solhin's family—he and his wife, and their three children—were forced to take some drastic steps to survive. His wife left for Jakarta, approximately 80 miles away, where, through a friend, she found a job as a maid. But she did not earn enough to feed the children. The oldest son, a good student, dropped out of school at twelve and started as an apprentice on a construction site. The two younger children were sent to live with their grandparents. Pak Solhin himself survived on about 9 pounds of subsidized rice he got every week from the government and on fish that he caught from the edge of a lake (he could not swim). His brother fed him once in a while. In the week before we last spoke with him, he had had two meals a day for four days, and just one for the other three.

Pak Solhin appeared to be out of options, and he clearly attributed his problem to food (or, more precisely, the lack of it). It was his opinion that the landowning peasants had decided to fire their workers instead of cutting wages because they thought that with the recent rapid increases in food prices, a cut in wages would push workers into starvation, which would make them useless in the field. This is how Pak Solhin explained to himself the fact that he was unemployed. Although he was evidently willing to work, lack of food made him weak and listless, and depression was sapping his will to do something to solve his problem.

The idea of a nutrition-based poverty trap, which Pak Solhin explained to us, is very old. Its first formal statement in economics dates from 1958.⁴

The idea is simple. The human body needs a certain number of calories just to survive. So when someone is very poor, all the food he or she can afford is barely enough to allow for going through the motions of living and perhaps earning the meager income that the individual originally used to buy that food. This is the situation Pak Solhin saw himself in when we met him: The food he got was barely enough for him to have the strength to catch some fish from the bank.

As people get richer, they can buy more food. Once the basic metabolic needs of the body are taken care of, all that extra food goes into building strength, allowing people to produce much more than they need to eat merely to stay alive.

This simple biological mechanism creates an S-shaped relationship between income today and income tomorrow, very much as in [Figure 1](#) in the previous chapter: The very poor earn less than they need to be able to do significant work, but those who have enough to eat can do serious agricultural work. This creates a poverty trap: The poor get poorer, and the rich get richer and eat even better, and get stronger and even richer, and the gap keeps increasing.

Although Pak Solhin's logical explanation of how someone might get trapped in starvation was impeccable, there was something vaguely troubling about his narrative. We met him not in war-infested Sudan or in a flooded area of Bangladesh, but in a village in prosperous Java, where, even after the increase in food prices in 2007–2008, there was clearly plenty of food available, and a basic meal did not cost much. He was clearly not eating enough when we met him, but he was eating enough to survive; why would it not pay someone to offer him the extra bit of nutrition that would make him productive in return for a full day's work? More generally, although a hunger-based poverty trap is certainly a logical possibility, how relevant is it in practice, for most poor people today?

ARE THERE REALLY A BILLION HUNGRY PEOPLE?

One hidden assumption in our description of the poverty trap is that the poor eat as much as they can. And indeed, it would be the obvious implication of an S-shaped curve based on a basic physiological mechanism: If there was any chance that by eating a bit more, the poor could start doing meaningful work and get out of the poverty trap zone, then they should eat as much as possible.

Yet, this is not what we see. Most people living with less than 99 cents a day do not seem to act as if they are starving. If they were, surely they would put every available penny into buying more calories. But they do not. In our eighteen-country data set on the lives of the poor, food represents from 36 to 79 percent of consumption among the rural extremely poor, and 53 to 74 percent among their urban counterparts.⁵

It is not because all the rest is spent on other necessities: In Udaipur, for example, we find that the typical poor household could spend up to 30 percent more on food than it actually does if it completely cut expenditures on alcohol, tobacco, and festivals. The poor seem to have many choices, and they don't elect to spend as much as they can on food.

This is evident from looking at how poor people spend any extra money that they happen upon. Although they clearly have some unavoidable expenses (they need clothes, medicines, and so forth) to take care of first, if their livelihoods depended on getting extra calories, one would imagine that when a little bit more spendable money is available, it would all go into food. The food budget should go up proportionally faster than total spending (since both go up by the same amount, and food is only a part of the total budget, it increases by a bigger proportion). However, this does not seem to be the case. In the Indian state of Maharashtra, in 1983 (much before India's recent successes—a majority of households then lived on 99 cents per person per day or less), even for the very poorest group, a 1 percent increase in overall expenditure translated into about a 0.67 percent increase in the total food expenditure.⁶ Remarkably, the relationship was not very different for the poorest individuals in the sample (who earned about 50 cents per day per person) and the richest (who earned around \$3 per day per person). The Maharashtra case is pretty typical of the relationship between income and food expenditures the world over: Even among the very poor, food expenditures increase much less than one for one with the budget.

Equally remarkable, even the money that people spend on food is not spent to maximize the intake of calories or micronutrients. When very poor people get a chance to spend a little bit more on food, they don't put everything into getting more calories. Instead, they buy better-tasting, *more expensive* calories. For the poorest group in Maharashtra in 1983, out of every additional rupee spent on food when income rose, about half went into purchasing more calories, but the rest went into more expensive calories. In terms of calories per rupee, the millets (*jowar* and *bajra*) were clearly the best buy. Yet only about two-thirds of the total spending on grains was on these grains, while another 30 percent was spent on rice and wheat, which cost on average about twice as much per calorie. In addition, the poor spent almost 5 percent of their total budget on sugar, which is both more expensive than grains as a source of calories and bereft of other nutritional value.

Robert Jensen and Nolan Miller found a particularly striking example of the “flight to quality” in food consumption.⁷ In two regions of China, they offered randomly selected poor households a large subsidy on the price of the basic staple (wheat noodles in one region, rice in the other). We usually

expect that when the price of something goes down, people buy more of it. The opposite happened. Households that received subsidies for rice or wheat consumed *less* of those two items and ate more shrimp and meat, even though their staples now cost less. Remarkably, overall, the caloric intake of those who received the subsidy did not increase (and may even have decreased), despite the fact that their purchasing power had increased. Neither did the nutritional content improve in any other sense. The likely explanation is that because the staple formed such a large part of the household budget, the subsidies had made them richer: If the consumption of the staple is associated with being poor (say, because it is cheap but not particularly tasty), feeling richer might actually have made them consume *less* of it. Once again, this suggests that at least among these very poor urban households, getting more calories was not a priority: Getting better-tasting ones was.⁸

What is happening to nutrition in India today is another puzzle. The standard media story about it is about the rapid rise of obesity and diabetes as the urban upper-middle classes get richer. However, Angus Deaton and Jean Dreze have shown that the real story of nutrition in India over the last quarter century is not that Indians are becoming fatter: It is that *they are in fact eating less and less*.⁹ Despite rapid economic growth, there has been a sustained decline in per capita calorie consumption; moreover, the consumption of all other nutrients except fat also appears to have declined among all groups, even the poorest. Today, more than three-fourths of the population live in households whose per capita calorie consumption is less than 2,100 calories in urban areas and 2,400 in rural areas—numbers that are often cited as “minimum requirements” in India for individuals engaged in manual labor. It is still the case that richer people eat more than poorer people. But at all levels of income, the share of the budget devoted to food has declined. Moreover, the composition of the food basket has changed, so that the same amount of money is now spent on more expensive edibles.

The change is not driven by declining incomes; by all accounts, real incomes are increasing. Yet, though Indians are richer, they eat so much less at each level of income that they eat less on average today than they used to. Nor is it because of rising food prices—between the early 1980s and 2005, food prices declined relative to the prices of other things, both in rural and urban India. Although food prices have increased again since 2005, the decline in calorie consumption happened precisely when the price of food was going down.

So the poor, even those whom the Food and Agriculture Organization would classify as hungry on the basis of what they eat, do not seem to want to eat much more even when they can. Indeed, they seem to be eating less. What could be going on?

The natural place to start to unravel the mystery is to assume that the poor must know what they are doing. After all, they are the ones who eat and work. If they could indeed be tremendously more productive, and earn much more by eating more, then they probably would when they had the chance. So could it be that eating more doesn't actually make us particularly more productive, and as a result, there is no nutrition-based poverty trap?

One reason the poverty trap might not exist is that most people have enough to eat.

At least in terms of food availability, today we live in a world that is capable of feeding every person that lives on the planet. On the occasion of the World Food Summit in 1996, the FAO estimated that world food production in that year was enough to provide at least 2,700 calories per person per day.¹⁰ This is the result of centuries of innovation in food supply, thanks no doubt to great innovations in agricultural science, but attributable also to more mundane factors such as the adoption of the potato into the diet after the Spanish discovered it in Peru in the sixteenth century and imported

it to Europe. One study finds that potatoes may have been responsible for 12 percent of the global increase in population between 1700 and 1900.¹¹

Starvation exists in today's world, but only as a result of the way the food gets shared among us. There is no absolute scarcity. It is true that if I eat a lot more than I need or, more plausibly, turn more of the corn into biofuels so that I can heat my pool, then there will be less for everybody else.¹² But, despite this, it seems that most people, even most very poor people, earn enough money to be able to afford an adequate diet, simply because calories tend to be quite cheap, except in extreme situations. Using price data from the Philippines, we calculated the cost of the cheapest diet sufficient to give 2,400 calories, including 10 percent calories from protein and 15 percent calories from fat. It would cost only 21 cents at PPP, very affordable even for someone living on 99 cents a day. The catch is, it would involve eating only bananas and eggs.... But it seems that so long as people are prepared to eat bananas and eggs when they need to, we should find very few people stuck on the left part of the S—shaped curve, where they cannot earn enough to be functional.

This is consistent with evidence from Indian surveys in which people were asked whether they had enough to eat (i.e., whether “everyone in the household got two square meals a day” or whether everyone eats “enough food every day”). The percentage of people who consider that they do not have enough food has dropped dramatically over time: from 17 percent in 1983 to 2 percent in 2004. So, perhaps people eat less because they are less hungry.

And perhaps they are really less hungry, despite eating fewer calories. It could be that because of improvements in water and sanitation, they are leaking fewer calories in bouts of diarrhea and other ailments. Or maybe they are less hungry because of the decline of heavy physical work—with the availability of drinking water in the village, women do not need to carry heavy loads for long distances; improvements in transportation have reduced the need to travel on foot; in even the poorest village, flour is now milled by the village miller using a motorized mill, instead of women grinding it by hand. Using the average calorie requirements calculated by the Indian Council of Medical Research for people engaged in heavy, moderate, or light activity, Deaton and Dreze note that the decline in calorie consumption over the last twenty-five years could be entirely explained by a modest decrease in the number of people engaged in physically heavy work for a large part of the day.

If most people are at the point where they are not starving, it is possible that the productivity gains from consuming more calories are relatively modest for them. It would then be understandable if people chose to do something else with their money, or move away from eggs and bananas toward a more exciting diet. Many years ago, John Strauss was looking for a clear case to demonstrate the role of calories in productivity. He settled on self-employed farmers in Sierra Leone, because they really have to work hard.¹³ He found that the productivity of a worker on a farm increased at most by 4 percent when his calorie intake increased by 10 percent. Thus, even if people doubled their food consumption, their income would only increase by 40 percent. Furthermore, the shape of the relationship between calories and productivity was not an S—shape, but an inverted L—shape, as in [Figure 2](#) in the previous chapter: The largest gains are obtained at low levels of food consumption. There is no steep jump in income once people start eating enough. This suggests that the very poor benefit more from eating extra calories than the less poor. This is precisely the type of situation where we would not see a poverty trap. So it is not because they don't eat enough that most people stay poor.

This is not to say that the logic of the hunger-based poverty trap is flawed. The idea that better nutrition would propel someone on the path to prosperity was almost surely very important at some point in history, and it may still be important in some circumstances today. The Nobel Prize Laureate and economic historian Robert Fogel calculated that in Europe during the Renaissance and the Middle Ages, food production did not provide enough calories to sustain a full working population. This could explain why there were large numbers of beggars—they were literally incapable of any work.¹⁴ The pressure of just getting enough food to survive seems to have driven some people to take rather extreme steps: There was an epidemic of “witch” killing in Europe during the “little ice age” (from the mid-sixteenth century to 1800), when crop failures were common and fish was less abundant. Witches were most likely to be single women, particularly widows. The logic of the S—shape suggests that when resources are tight, it makes “economic sense” to sacrifice some people, so that the rest have enough food to be able to work and earn enough to survive.¹⁵

Evidence that poor families might occasionally be forced to make such horrific choices is not hard to find even in more recent times. During droughts in India in the 1960s, little girls in landless households were much more likely to die than boys, but boys’ and girls’ death rates were not very different when there was normal rainfall.¹⁶ Reminiscent of the witch hunt of the little ice age, Tanzania experiences a rash of “witch” killings whenever there is a drought—a convenient way to get rid of an unproductive mouth to feed at times where resources are very tight.¹⁷ Families, it seems, suddenly discover that an older woman living with them (usually a grandmother) is a witch, after which she gets chased away or killed by others in the village.

So it is not that the lack of food could not be a problem or isn’t a problem from time to time, but the world we live in today is for the most part too rich for it to be a big part of the story of the persistence of poverty. This is of course different during natural or man-made disasters, or in famines that kill and weaken millions. As Amartya Sen has shown, however, most recent famines have been caused not by lack of food availability but by institutional failures that led to poor distribution of the available food, or even hoarding and storage in the face of starvation elsewhere.¹⁸

Should we let it rest here, then? Can we assume that the poor, though they may be eating little, do eat as much as they need to?

ARE THE POOR REALLY EATING WELL, AND EATING ENOUGH?

It is hard to avoid the feeling that the story does not add up. Can it be true that the poorest individuals in India are cutting back on food because they don’t need the calories, given that they live in families that consume around 1,400 calories per capita per day to start with? After all, 1,200 calories is the famous semi-starvation diet, recommended for those who want rapid weight loss; 1,400 does not seem too far from there. According to the Centers for Disease Control, the average American male consumed 2,475 calories per day in 2000.¹⁹

It is true that the poorest in India are also smaller, and if one is small enough, one doesn’t need as many calories. But doesn’t that just push the question back one level? Why are the poorest in India so

small? Indeed, why are all South Asians so scrawny? The standard way to measure nourishment status is by the Body Mass Index (BMI), which is essentially a way to scale weight by height (i.e., adjusting for the fact that taller people are going to be heavier). The international cutoff for being malnourished is a BMI of 18.5, with 18.5 to 25 being the normal range, and people beyond 25 considered obese. By this measure, 33 percent of men and 36 percent of women in India were undernourished in 2004–2005, down from 49 percent for both in 1989. Among the eighty-three countries that have demographic and health survey data, only Eritrea has more undernourished adult women.²⁰ Indian women, along with Nepalese and Bangladeshi women, are also among the shortest in the world.²¹

Is this something to be concerned about? Could this be something purely genetic about South Asians, like dark eyes or black hair, but irrelevant for their success in the world? After all, even the children of South Asian immigrants in the United Kingdom or the United States are smaller than Caucasian or black children. It turns out, however, that two generations of living in the West without intermarriage with other communities is enough to make the grandchildren of South Asian immigrants more or less the same height as other ethnicities. So although genetic makeup is certainly important at the individual level, the genetic differences in height between populations are believed to be minimal. If the children of first-generation mothers are still small, it is partly because women who were themselves malnourished in childhood tend to have smaller children.

Therefore, if South Asians are small, it is probably because they, and their parents, did not get as much nourishment as their counterparts in other countries. And indeed, everything suggests that children are very badly nourished in India. The usual measure of how well a child has been fed through the childhood years is height, compared to the international average height for that age. By this measure, the numbers for India from the National Family Health Survey (NFHS 3) are devastating. Roughly half the children under five are stunted, which means that they are far below the norm. One-fourth of them are severely stunted, representing extreme nutritional deprivation. The children are also extraordinarily underweight *given their height*: About one in five children under three is wasted, which means they fall below the international definition of severe malnourishment. What makes these facts more striking is that the stunting and wasting rates in sub-Saharan Africa, undoubtedly the poorest area of the world, are only about half those in India.

But once again, should we care? Is being small a problem, in and of itself? Well, there are the Olympic Games. India, a country with a billion inhabitants, has won an average of 0.92 medals per Olympics, over the course of twenty-two Olympic Games, putting it just below Trinidad and Tobago, at 0.93. To put these numbers in perspective, China has won 386 medals in eight games, at an average of 48.3, and there are seventy-nine countries that average better than India. Yet India has ten times as many people as all but six of those countries.

Of course India is poor, but not as poor as it used to be, and not nearly as poor as Cameroon, Ethiopia, Ghana, Haiti, Kenya, Mozambique, Nigeria, Tanzania, and Uganda, each of which, per head, has more than ten times India's medal count. Indeed, no country that has fewer medals per Olympics than India is even one-tenth of its size, with two notable exceptions—Pakistan and Bangladesh. Bangladesh, in particular, is the only country of over 100 million people that has never won an Olympic medal. The next largest such country is Nepal.

There is clearly a pattern. One could perhaps blame the South Asian obsession with cricket—that colonial cousin of baseball that baffles most Americans—but if cricket is absorbing all the sporting

talent of one-fourth of the world's population, the results are really not that impressive. South Asians have never had the dominance over cricket that Australia, England, and even the tiny West Indies had in their heydays, despite their intense fealty to the sport and their massive size advantage—Bangladesh, for example, is bigger than England, South Africa, Australia, New Zealand, and the West Indies put together. Given that child malnutrition is one other area where South Asia really stands out, it seems plausible that these two facts—wasted children and Olympian failure—have something to do with each other.

The Olympics are not the only place where height plays a role. In poor countries and rich countries alike, taller people do earn more. It has long been debated whether this is because height really matters for productivity—it could be discrimination against shorter people, for example. But a recent paper by Anne Case and Chris Paxson made some progress in nailing down what explains this relationship. They show that in the United Kingdom and the United States, the effect of height is entirely accounted for by differences in IQ: When we compare people who have the same IQ, there is no relationship between height and earning.²² They interpret their findings as showing that what matters is good nutrition in early childhood: On average, adults who have been well nourished as children are both taller and smarter. And it is because they are smarter that they earn more. Of course, there are many not-so-tall people who are very bright (because they have reached the height they were meant to reach), but overall, tall people do better in life, because they are visibly more likely to have reached their genetic potential (both in height and in intelligence).

The study, when reported by Reuters under the not-so-subtle headline “Taller People Are Smarter—Study,” created a firestorm. Case and Paxson were deluged by hostile e-mails. “Shame on you!” scolded one man (4 feet 9 inches). “I find your hypothesis insulting, prejudicial, inflammatory and bigoted,” said another (5 feet 6 inches). “You have loaded a gun and pointed it at the vertically challenged man’s head” (no height given).²³

But in fact, there is a lot of evidence for the general view that childhood malnutrition directly affects the ability of adults to function successfully in the world. In Kenya, children who were given deworming pills in school for two years went to school longer and earned, as young adults, 20 percent more than children in comparable schools who received deworming for just one year: Worms contribute to anemia and general malnutrition, essentially because they compete with the child for nutrients.²⁴ A review study by some of the best experts on nutrition leaves little doubt that proper nutrition in childhood has far-reaching implications. They conclude: “Undernourished children are more likely to become short adults, to have lower educational achievement, and to give birth to smaller infants. Undernutrition is also associated with lower economic status in adulthood.”²⁵

The impact of undernutrition on future life chances starts before birth. In 1995, the *British Medical Journal* coined the term “Barker Hypothesis” to refer to Dr. David Barker’s theory that conditions in utero have long-term impact on a child’s life chances.²⁶ There is considerable support for the Barker Hypothesis: To cite just one example, in Tanzania, children who were born to mothers who received sufficient amounts of iodine during pregnancy (because of an intermittent government program of distributing iodine capsules to would-be mothers) completed between one-third and one-half year more schooling, compared to their younger and older siblings who were in utero when the mother was not getting these capsules.²⁷ Although half a year of education might seem a small gain, it is a

substantial increase, given that most of these children will complete only four or five years of schooling. In fact, based on their estimates, the study concludes that if every mother were to take iodine capsules, there would be a 7.5 percent increase in the total educational attainment of children in Central and Southern Africa. This, in turn, could affect the child's productivity throughout his or her life.

Although we saw that the impact of just increasing calories on productivity may not be very large per se, there are some ways to improve nutrition even for adults that will much more than pay for themselves. The one that we know most about is iron to treat anemia. In many Asian countries, including India and Indonesia, anemia is a major health problem. Six percent of men and 38 percent of women in Indonesia are anemic. The corresponding numbers in India are 24 percent and 56 percent. Anemia is associated with low aerobic capacity, general weakness and lethargy, and in some cases (especially for pregnant women) it can be life-threatening.

The Work and Iron Status Evaluation (WISE) study in Indonesia provided randomly chosen men and women in rural Indonesia with regular iron supplementation for several months, while the comparison group received a placebo.²⁸ The study found that the iron supplements made the men able to work harder, and the resulting increase in their income was many times the cost of a yearly supply of iron-fortified fish sauce. A year's supply of the fish sauce cost \$7 USD PPP, and for a self-employed male, the yearly gain in earnings was \$46 USD PPP—an excellent investment.

The puzzle is that people do not seem to want more food, and yet more food and especially more judiciously purchased food would probably make them, and almost certainly their children, significantly more successful in life. The key investments that would achieve this are not expensive. Most mothers could surely afford iodized salt, which is now standard in many parts of the world, or one dose of iodine every two years (at 51 cents per dose). In Kenya, when International Child Support, the NGO that was running the deworming program, asked the parents in some schools to pay a few cents for deworming their children, almost all of them refused, which deprived their children of hundreds of dollars of extra earning over their lifetime.²⁹ As for food, households could easily get a lot more calories and other nutrients by spending less on expensive grains (like rice and wheat), sugar, and processed foods, and more on leafy vegetables and coarse grains.

WHY DO THE POOR EAT SO LITTLE?

Who Knew?

Why did anemic Indonesian workers not buy iron-fortified fish sauce on their own? One answer is that it is not clear that the additional productivity translates into higher earnings if employers do not know that a well-nourished worker is more productive. Employers may not realize that their employees are more productive now because they have eaten more, or better. The Indonesian study found a significant increase in earnings *only* among self-employed workers. If the employers pay everyone the same flat wage, there would be no reason to eat more to get stronger. In the Philippines, a study found that workers who worked both for a piece rate and for a flat wage ate 25 percent more

food on days they worked for piece rate (where effort mattered, since the more they worked, the more they got paid).

This does not explain why all pregnant women in India aren't using only iodine-fortified salt, which is now available for purchase in every village. A possibility is that people may not realize the value of feeding themselves and their children better. The importance of micronutrients was not fully understood, even by scientists, until relatively recently. Although micronutrients are cheap and can sometimes lead to a large increase in lifetime income, it is necessary to know exactly what to eat (or what pills to take). Not everyone has the information, even in the United States.

Moreover, people tend to be suspicious of outsiders who tell them that they should change their diet, probably because they like what they eat. When rice prices went up sharply in 1966–1967, the chief minister of West Bengal suggested that eating less rice and more vegetables would be both good for people's health and easier on their budget. This set off a flurry of protests, and the chief minister was greeted by protesters with garlands of vegetables wherever he went. Yet he was probably right. Understanding the importance of popular support, Antoine Parmentier, an eighteenth-century French pharmacist who was an early fan of the potato, clearly anticipating resistance, offered the public a set of recipes he had invented using potatoes, including the classic dish *Hachis Parmentier* (essentially what the British call shepherd's pie, a layered casserole composed of ground meat with a covering of mashed potatoes). He thereby set off a trajectory that ultimately led, through many twists and turns, to the invention of "freedom fries."

Also, it is not very easy to learn about the value of many of these nutrients based on personal experience. Iodine might make your children smarter, but the difference is not huge (though a number of small differences may add up to something big) and in most cases you will not find out either way for many years. Iron, even if it makes people stronger, does not suddenly turn you into a superhero: The \$40 extra a year the self-employed man earned may not even have been apparent to him, given the many ups and downs of his weekly income.

Consequently, it is no surprise that the poor choose their foods not mainly for their cheap prices and nutritional values, but for how good they taste. George Orwell, in his masterful description of the life of poor British workers in *The Road to Wigan Pier*, observes: The basis of their diet, therefore, is white bread and Margarine, corned beef, sugared tea, and potato—an appalling diet. Would it not be better if they spent more money on wholesome things like oranges and wholemeal bread, or if they even, like the reader of the *New Statesman*, saved on fuel and ate their carrots raw? Yes it would, but the point is, no human being would ever do such a thing. The ordinary human being would sooner starve than live on brown bread and raw carrots. And the peculiar evil is this, that the less money you have the less you are inclined to spend it on wholesome food. A millionaire may enjoy breakfasting off orange juice and Ryvita biscuits; an unemployed man does not. . . . When you are unemployed, you don't *want* to eat dull wholesome food. You want to eat something a little *tasty*. There is always some cheap pleasant thing to tempt you.³⁰

More Important Than Food

The poor often resist the wonderful plans we think up for them because they do not share our faith that those plans work, or work as well as we claim. This is one of the running themes in this book.

Another explanation for their eating habits is that other things are more important in the lives of the poor than food.

It has been widely documented that poor people in the developing world spend large amounts on weddings, dowries, and christenings, probably in part as a result of the compulsion not to lose face. The cost of weddings in India is well-known, but there are also less cheerful occasions when the family is compelled to throw a lavish party. In South Africa, social norms on how much to spend on funerals were set at a time when most deaths occurred in old age or in infancy.³¹ Tradition called for infants to be buried very simply but for elders to have elaborate funerals, paid for with money the deceased had accumulated over a lifetime. As a result of the HIV/AIDS epidemic, many prime-age adults started dying without having accumulated burial savings, but their families felt compelled to honor the norm for adults. A family that had just lost one of its main potential earners might have to spend something like 3,400 rand (around \$825 USD PPP), or 40 percent of the household annual per capita income, for the funeral party. After such a funeral, the family clearly has less to spend, and more family members tend to complain about “lack of food,” even when the deceased was not earning before he died, which suggests that funeral costs are responsible. The more expensive the funeral, the more depressed the adults are one year later, and the more likely it is that children have dropped out of school.

Not surprisingly, both the king of Swaziland and the South African Council of Churches (SACC) have tried to regulate funeral expenditures. In 2002, the king simply banned lavish funerals³² and announced that if a family was found to have slaughtered a cow for their funeral, they would have to give one cow to the chief’s herd. The SACC, rather more soberly, called for a regulation of the funeral industry, which, they felt, was putting pressure on families to spend more than they could afford.

The decision to spend money on things other than food may not be due entirely to social pressure. We asked Oucha Mbarbk, a man we met in a remote village in Morocco, what he would do if he had more money. He said he would buy more food. Then we asked him what he would do if he had even more money. He said he would buy bettertasting food. We were starting to feel very bad for him and his family, when we noticed a television, a parabolic antenna, and a DVD player in the room where we were sitting. We asked him why he had bought all these things if he felt the family did not have enough to eat. He laughed, and said, “Oh, but television is more important than food!”

After spending some time in that Moroccan village, it was easy to see why he thought that. Life can be quite boring in a village. There is no movie theater, no concert hall, no place to sit and watch interesting strangers go by. And not a lot of work, either. Oucha and two of his neighbors, who were with him during the interview, had worked about seventy days in agriculture and about thirty days in construction that year. For the rest of the year, they took care of their cattle and waited for jobs to materialize. This left plenty of time to watch television. These three men all lived in small houses without water or sanitation. They struggled to find work, and to give their children a good education. But they all had a television, a parabolic antenna, a DVD player, and a cell phone.

Generally, it is clear that things that make life less boring are a priority for the poor. This may be a television, or a little bit of something special to eat—or just a cup of sugary tea. Even Pak Solhin had a television, although it was not working when we visited him. Festivals may be seen in this light as well. Where televisions or radios are not available, it is easy to see why the poor often seek out the distraction of a special family celebration of some kind, a religious observance, or a daughter’s

wedding. In our eighteen-country data set, it is clear that the poor spend more on festivals when they are less likely to have a radio or a television. In Udaipur, India, where almost no one has a television, the extremely poor spend 14 percent of their budget on festivals (which includes both lay and religious occasions). By contrast, in Nicaragua, where 56 percent of rural poor households have a radio and 21 percent own a television, very few households report spending anything on festivals.³³

The basic human need for a pleasant life might explain why food spending has been declining in India. Today, television signals reach into remote areas, and there are more things to buy, even in remote villages. Cell phones work almost everywhere, and talk time is extremely cheap by global standards. This would also explain why countries with a large domestic economy, where a lot of consumer goods are available cheaply, like India and Mexico, tend to be the countries where food spending is the lowest. Every village in India has at least one small shop, usually more, with shampoo sold in individual sachets, cigarettes by the stick, very cheap combs, pens, toys, or candies, whereas in a country like Papua New Guinea, where the share of food in the household budget is above 70 percent (it is 50 percent in India), there may be fewer things available to the poor. Orwell captured this phenomenon as well in *The Road to Wigan Pier* when he described how poor families managed to survive the depression.

Instead of raging against their destiny, they have made things tolerable by reducing their standards. But they don't necessarily reduce their standards by cutting out luxuries and concentrating on necessities; more often it is the other way around—the more natural way, if you come to think of it—hence the fact that in a decade of unparalleled depression, the consumption of all cheap luxuries has increased.³⁴

These “indulgences” are not the impulsive purchases of people who are not thinking hard about what they are doing. They are carefully thought out, and reflect strong compulsions, whether internally driven or externally imposed. Oucha Mbarbk did not buy his TV on credit—he saved up over many months to scrape enough money together, just as the mother in India starts saving for her eight-year-old daughter's wedding some ten years or more into the future, by buying a small piece of jewelry here and a stainless steel bucket there.

We are often inclined to see the world of the poor as a land of missed opportunities and to wonder why they don't put these purchases on hold and invest in what would really make their lives better. The poor, on the other hand, may well be more skeptical about supposed opportunities and the possibility of any radical change in their lives. They often behave as if they think that any change that is significant enough to be worth sacrificing for will simply take too long. This could explain why they focus on the here and now, on living their lives as pleasantly as possible, celebrating when occasion demands it.

SO IS THERE REALLY A NUTRITION-BASED POVERTY TRAP?

We opened this chapter with Pak Solhin, and his view that he was caught in a nutrition-based poverty

trap. At the most literal level, the main problem in his case was probably not a lack of calories. The Rakshin Program was providing him with some free rice, and between that and the help his brother was giving him, he would probably have been physically able to work in the field or on a construction site. Our reading of the evidence suggests that most adults, even the very poor, are outside of the nutrition poverty trap zone: They can easily eat as much as they need to be physically productive.

This was probably the case with Pak Solhin. This not to say that he was not trapped. But his problem may have come from the fact that his job had vanished, and he was too old to be taken as an apprentice on a construction site. His situation was almost surely made worse by the fact that he was depressed, which made it difficult for him to do anything at all.

The fact that the basic mechanics of a nutrition-based poverty trap do not seem to be at work for adults does not mean that nutrition is not a problem for the poor. But the problem may be less the quantity of food than its quality, and in particular the shortage of micronutrients. The benefits of good nutrition may be particularly strong for two sets of people who do not decide what they eat: unborn babies and young children. In fact, there may well be an S—shaped relationship between their parent's income and the eventual income of these children, caused by childhood nutrition. That is because a child who got the proper nutrients in utero or during early childhood will earn more money *every year of his or her life*: This adds up to large benefits over a lifetime. For example, the study of the long-term effect of deworming children in Kenya, mentioned above, concluded that being dewormed for two years instead of one (and hence being better nourished for two years instead of one) would lead to a lifetime income gain of \$3,269 USD PPP. Small differences in investments in childhood nutrition (in Kenya, deworming costs \$1.36 USD PPP per year; in India, a packet of iodized salt sells for \$0.62 USD PPP; in Indonesia, fortified fish sauce costs \$7 USD PPP per year) make a huge difference later on. This suggests that governments and international institutions need to completely rethink food policy. Although this may be bad news for American farmers, the solution is not to simply supply more food grains, which is what most food security programs are currently designed to do. The poor like subsidized grains, but as we discussed earlier, giving them more does little to persuade them to eat better, especially since the main problem is not calories, but other nutrients. It also is probably not enough just to provide the poor with more money, and even rising incomes will probably not lead to better nutrition in the short run. As we saw in India, the poor do not eat any more or any better when their income goes up; there are too many other pressures and desires competing with food.

In contrast, the social returns of directly investing in children and pregnant mother nutrition are tremendous. This can be done by giving away fortified foods to pregnant mothers and parents of small children, by treating children for worms in preschool or at school, by providing them with meals rich in micronutrients, or even by giving parents incentives to consume nutritional supplements. All of this is already being done in some countries. The government of Kenya is now systematically deworming children in school. In Colombia, micronutrient packets are sprinkled on kids' meals in preschool. In Mexico, social welfare payments come with free nutritional supplements for the family. Developing ways to pack *foods that people like to eat* with additional nutrients, and coming up with new strains of nutritious and tasty crops that can be grown in a wider range of environments, need to become priorities for food technology, on an equal footing with raising productivity. We do see some instances of this across the world, pushed by organizations such as the Micronutrient Initiative and

HarvestPlus: A variety of orange sweet potatoes (richer in beta carotene than the native yam) suitable for Africa was recently introduced in Uganda and Mozambique.^{[35](#)} A new salt, fortified both with iron and iodine, is now approved for use in several countries, including India. But there are all too many instances where food policy remains hung up on the idea that all the poor need is cheap grain.

Low-Hanging Fruit for Better (Global) Health?

Health is an area of great promise but also great frustration. There seems to be plenty of “low-hanging fruit” available, from vaccines to bed nets, that could save lives at a minimal cost, but all too few people make use of such preventive technologies. Government health workers, who are in charge of delivering basic health-care services in most countries, are often blamed for this failure, not entirely unfairly, as we will see. They, on the other hand, insist that plucking these low-hanging fruits is much harder than it seems.

In winter 2005 in the beautiful town of Udaipur in western India, we had an animated discussion with a group of government nurses. They were very upset with us because we were involved in a project that aimed to get them to come to work more often. At some point in the proceedings, one of them got so exasperated that she decided to be blunt: The job was essentially pointless anyway, she announced. When a child came to them with diarrhea, all they could offer the mother was a packet of oral rehydration solution (or ORS, a mixture of salt, sugar, potassium chloride, and an antacid to be mixed with water and drunk by the child). But most mothers didn’t believe that ORS could do any good. They wanted what they thought was the right treatment—an antibiotic or an intravenous drip. Once a mother was sent away from the health center with just a packet of ORS, the nurses told us, she never came back. Every year, they saw scores of children die from diarrhea, but they felt utterly powerless.

Of the 9 million children who die before their fifth birthdays each year, the vast majority are poor children from South Asia and sub-Saharan Africa, and roughly one in five dies of diarrhea. Efforts are under way to develop and distribute a vaccine against rotavirus, the virus responsible for many (though not all) of the cases of diarrhea. But three “miracle drugs” could already save most of these children: chlorine bleach, for purifying water; and salt and sugar, the key ingredients of the rehydration solution ORS. A mere \$100 spent on chlorine packaged for household use can prevent thirty-two cases of diarrhea.¹ Dehydration is the main proxy cause of death from diarrhea, and ORS, which is close to being free, is a wonderfully effective way to prevent it.

Yet neither chlorine nor ORS is used very much. In Zambia, thanks to the efforts of Population Service International (PSI), a large organization that markets it at subsidized prices worldwide, chlorine is cheap and widely available. At the cost of 800 kwachas (\$0.18 USD PPP), a family of six can buy enough bleach to purify its water supply, avoiding waterborne diarrhea. But only 10 percent of families use it.² In India, according to the United Nations Children’s Fund (UNICEF), only one-third of children under five who had diarrhea were given ORS.³ Why are some 1.5 million children dying every year of diarrhea, a disease that could often be avoided in the first place, and could often be treated with boiled water, sugar, and salt?

Bleach and ORS are not unique examples. There is other relatively “low-hanging fruit” with

promise to improve health and save many lives. These are cheap and simple technologies that, if properly utilized, would save much in resources (in terms of extra days worked, less antibiotics used, stronger bodies, and so on). They could pay for themselves, in addition to saving lives. But too many of these fruits are left unpicked. It is not that people don't care about their health. They do, and they devote considerable resources to it. They just seem to spend money elsewhere: on antibiotics that are not always necessary, on surgery that comes too late to help. Why does it have to be this way?

THE HEALTH TRAP

In a village in Indonesia we met Ibu Emptat, the wife of a basket weaver. A few years before our first meeting (in summer 2008), her husband was having trouble with his vision and could no longer work. She had no choice but to borrow money from the local moneylender—100,000 rupiah (\$18.75 USD PPP) to pay for medicine so that her husband could work again, and 300,000 rupiah (\$56 USD PPP) for food for the period when her husband was recovering and could not work (three of her seven children were still living with them). They had to pay 10 percent per month in interest on the loan. However, they fell behind on their interest payments and by the time we met, her debt had ballooned to 1 million rupiah (\$187 USD PPP); the moneylender was threatening to take everything they had. To make matters worse, one of her younger sons had recently been diagnosed with severe asthma. Because the family was already mired in debt, she couldn't afford the medicine needed to treat his condition. He sat with us throughout our visit, coughing every few minutes; he was no longer able to attend school regularly. The family seemed to be caught in a classic poverty trap—the father's illness made them poor, which is why the child stayed sick, and because he was too sick to get a proper education, poverty loomed in his future.

Health certainly has the potential to be a source of a number of different traps. For example, workers living in an insalubrious environment may miss many workdays; children may be sick often and unable to do well in school; mothers who give birth there may have sickly babies. Each of these channels is potentially a mechanism for current misfortunes to turn into future poverty.

The good news is that if something like this is what is going on, we may only need one push, one generation that gets to grow up and work in a healthy environment, to set the trap loose. This is Jeffrey Sachs's view, for example. As he sees it, a large proportion of the world's poorest people, and indeed entire countries, are stuck in a health-based poverty trap. Malaria is his favorite example: Countries in which a large fraction of the population is exposed to malaria are much poorer (on average, countries like Côte d'Ivoire or Zambia, where 50 percent or more of the population is exposed to malaria, have per capita incomes that are one-third of those in the countries where no one today gets malaria).⁴ And being so much poorer makes it harder for them to take steps to prevent malaria, which in turns keeps them poor. But this also means, according to Sachs, that public health investments aimed at controlling malaria (such as the distribution of bed nets to keep the mosquitoes at bay during the night) in these countries could have very high returns: People would be sick less often and able to work harder, and the resulting income gains would easily cover the costs of these interventions and more. To put it in terms of the S-shaped curve in Chapter 1, African countries where malaria is endemic are stuck in the left part of the curve, where their malaria-weakened labor

force is too unproductive and hence too poor to be able to pay for malaria eradication. But if someone did them the favor of financing malaria eradication, they would end up on the right part of the curve, on the road to prosperity. The same argument could be made about other diseases that are prevalent in poor countries. This is the core of the optimistic message of Sachs's book *The End of Poverty*.

Skeptics have been quick to point out that it is not clear whether malaria-infested countries are poor because of malaria, as Sachs assumes, or perhaps their inability to eradicate malaria is an indicator of the fact that they are poorly governed. If it is the latter, then the mere eradication of malaria may achieve very little, as long as governance remains weak.

Whose story—the activists' or the skeptics'—does the evidence support? Successful campaigns to eradicate malaria have been studied in a number of different countries. Each of these studies compares high-malaria-prevalence regions in the country with low-prevalence regions and checks what happens to children born in these areas before and after the campaign. They all find that life outcomes (such as education or earnings) of children born after the campaign in areas where malaria was once prevalent catch up with those of children born in low-incidence areas. This strongly suggests that eradicating malaria indeed results in a reduction in long-term poverty, although the effects are not nearly as large as those suggested by Jeffrey Sachs: One study on malaria eradication in the U.S. South (which had malaria until 1951)⁵ and several countries in Latin America⁶ suggests that *a child who grew up malaria-free earns 50 percent more per year, for his entire adult life*, compared to a child who got the disease. Qualitatively similar results were found in India,⁷ Paraguay, and Sri Lanka, although the magnitude of the gain varies from country to country.⁸

This result suggests that the financial return to investing in malaria prevention can be fantastically high. A long-lasting insecticide-treated bed net costs at most \$14 USD PPP in Kenya, and lasts about five years. Assume conservatively that a child in Kenya sleeping under a treated net has 30 percent less risk of being infected with malaria between birth and age two, compared to a child who doesn't. In Kenya, an adult makes on average \$590 USD PPP a year. Thus, if malaria indeed reduces earnings in Kenya by 50 percent, a \$14 investment will increase incomes by \$295 for the 30 percent of the population that would have gotten malaria without the net. The average return is \$88 every year over the child's entire adult work life—enough for a parent to buy a lifetime supply of bed nets for all his or her children, with a chunk of change left over.

There are other examples of highly effective health investments. Access to clean water and sanitation is one of them. Overall, in 2008, according to estimates by WHO and UNICEF, approximately 13 percent of the world's population lacked access to improved water sources (typically meaning a tap or a well) and about one-fourth did not have access to water that is safe to drink.⁹ And many of these people are the very poor. In our eighteen-country data set, access to tap water at home among the rural extremely poor varied from less than 1 percent (in rural Rajasthan and Uttar Pradesh in India) to 36.8 percent (in Guatemala). The numbers tend to be much better for richer households, though they vary a lot from country to country (from less than 3.2 percent in Papua New Guinea to 80 percent in Brazil, for the rural middle class). They are higher in urban areas, both for the poor and the middle class. Decent sanitation facilities are even rarer among the poor—42 percent of the world's population live without a toilet at home.

Most experts agree that access to piped water and sanitation can have a dramatic impact on health. A study concluded that the introduction of piped water, better sanitation, and chlorination of water sources was responsible for something like three-fourths of the decline in infant mortality between 1900 and 1946 and nearly half the overall reduction in mortality over the same period.¹⁰ Moreover, repeated bouts of diarrhea during childhood permanently impair both physical and cognitive development. It is estimated that by piping uncontaminated, chlorinated water to households, it is possible to reduce diarrhea by up to 95 percent.¹¹ Poor water quality and pools of stagnant water are also a cause of other major illnesses, including malaria, schistosomiasis, and trachoma,¹² any of which can kill children or make them less productive adults.

Nevertheless, the conventional wisdom is that today, at \$20 per household per month, providing piped water and sanitation is too expensive for the budget of most developing countries.¹³ The experience of Gram Vikas, an NGO that works in Orissa, India, shows, however, that it is possible to do it much more cheaply. Its CEO, Joe Madiath, a man with a self-deprecating sense of humor who attends the annual meeting of the world's rich and powerful at the World Economic Forum in Davos, Switzerland, in outfits made from homespun cotton, is used to doing things differently. Madiath's career as an activist started early: He was twelve when he first got into trouble—for organizing the labor on the plantation that his father owned. He came to Orissa in the early 1970s with a group of left-wing students to help out after a devastating cyclone. After the immediate relief work was over, he decided to stay and see if he could find some more permanent ways to help the poor Oriya villagers. He eventually settled on water and sanitation. What attracted him to the issue was that it was simultaneously a daily challenge and an opportunity to initiate long-term social change. He explained to us that in Orissa, water and sanitation are social issues. Madiath insists that every single household in the villages where Gram Vikas operates should be connected to the same water mains: Water is piped to each house, which contains a toilet, a tap, and a bathing room, all connected to the same system. For the high-caste households, this means sharing water with low-caste households, which, for many in Orissa, was unacceptable when first proposed. It takes the NGO a while to get the agreement of the whole village and some villages eventually refuse, but it has always stuck to the principle that it would not start its work in a village until everyone there agreed to participate. When agreement is finally reached, it is often the first time that some of the upper-caste households participate in a project that involves the rest of the community.

Once a village agrees to work with Gram Vikas, the building work starts and continues for one to two years. Only after every single house has received its tap and toilet is the system turned on. In the meantime, Gram Vikas collects data every month on who has gone to the health center to get treated for malaria or diarrhea. We can thus directly observe what happens in a village as soon as the water starts flowing. The effects are remarkable: Almost overnight, and for years into the future, the number of severe diarrhea cases falls by one-half, and the number of malaria cases falls by one-third. The monthly cost of the system for each household, including maintenance, is 190 rupees, or \$4 per household (in current USD), only 20 percent of what is conventionally assumed to be the cost of such a system.

There are even cheaper ways to avert diarrhea, such as adding chlorine to water. Other very inexpensive medical or public health technologies with proven effectiveness include ORS, getting children immunized, deworming drugs, exclusive breast-feeding until six months, and some routine antenatal procedures such as a tetanus shot for the would-be mother. Vitamin B against night

blindness, iron pills and iron-fortified flour against anemia, and so on are other examples of low-hanging fruit.

The existence of these technologies is the source of both Jeffrey Sachs's optimism and his impatience. As he sees it, there are health-based poverty traps, but there are also ladders we can give to the poor to help them escape from these traps. If the poor cannot afford these ladders, the rest of the world should help them out. This is what Gram Vikas does in Orissa, by helping to organize the villages, and by subsidizing the cost of the water systems. A few years ago, Joe Madiath told us he felt he had to turn down funding from the Bill & Melinda Gates Foundation when the grant officer insisted that the villagers should pay the full cost of what they were getting (fortunately, the foundation subsequently changed its view on this question). He argued that villagers simply cannot afford 190 rupees per month, even though it is true that the health benefits are potentially worth far more—Gram Vikas only asks villagers to pay enough money into a village fund to be able to keep the system in good repair and be able to add new households as the village grows. The rest the NGO raises from donors all over the world. In Sachs's view, this is how things should be.

WHY AREN'T THESE TECHNOLOGIES USED MORE?

Underutilized Miracles

There is one wrinkle with Sachs's theory that poor people are stuck in a health-based poverty trap and that money can get them out of it. Some of these technologies are so cheap that everyone, even the very poor, should be able to afford them. Breast-feeding, for example, costs nothing at all. And yet fewer than 40 percent of the world's infants are breast-fed exclusively for six months, as the WHO recommends.¹⁴ Another good example is water: Piping water to homes (combined with sewerage) costs 190 rupees per month, or 2,280 rupees per year, as we saw, which in terms of purchasing power is equivalent to about 300,000 Zambian kwachas. It is likely that poor villagers in Zambia cannot afford that much. But for less than 2 percent of that, a Zambian family of six can buy enough chlorine bleach to purify their entire drinking water intake for the year: A bottle of Chlorin (a brand of chlorine distributed by PSI) costs 800 kwachas (\$0.18 USD PPP) and lasts a month. This can reduce diarrhea in young children by up to 48 percent.¹⁵ People in Zambia know about the benefits of chlorine. Indeed, when asked to name something that cleans drinking water, 98 percent mention Chlorin. Although Zambia is a very poor country, 800 kwachas for a bottle that lasts a month is really not a lot of money—the average family spends 4,800 kwachas (\$1.10 USD PPP) per week just on cooking oil. Yet only 10 percent of the population actually uses bleach to treat their water. When, as part of an experiment, some households were offered a discount voucher that would entitle them to a bottle of Chlorin for 700 kwachas (\$0.16 USD PPP), only about 50 percent wanted to buy it.¹⁶ This fraction went up sharply when the price was lowered to 300 kwachas (\$0.07 USD PPP), but remarkably, even at this reduced price one-fourth of the people did not buy the product.

Demand is similarly low for bed nets. In Kenya, Jessica Cohen and Pascaline Dupas set up an NGO called TAMTAM (Together Against Malaria), to distribute free mosquito nets in prenatal

clinics in Kenya.¹⁷ At some point, PSI started distributing subsidized, but not free, nets in the same clinics. Cohen and Dupas wanted to find out whether their organization was still needed. They set up a simple test: They offered nets at various prices in different clinics, chosen at random. The price varied from free in some places to the (still subsidized) price charged by PSI in others. Much as in the case of Chlorin, they found that the purchase of nets was indeed very sensitive to the price. Almost everybody took a free net home. But the demand for nets fell to very close to zero at the PSI price (about \$0.75 USD PPP). When Dupas replicated the experiment in different market towns but gave people the time to go home and collect cash (rather than having to buy on the spot), more people bought at the PSI price, but demand still went up by several times when the price was brought down toward zero.¹⁸

Even more troubling is the related fact that the demand for bed nets, though very sensitive to price, is not very sensitive to income. To get on the right part of the S—shaped curve and start a virtuous circle where improved health and increased income reinforce each other, the increase in income coming from one person avoiding malaria should be enough to make it very likely that his or her children buy a net and avoid malaria as well. We argued above that buying bed nets to reduce the risk of getting malaria has the potential to raise annual incomes by a substantial 15 percent on average. However, even though a 15 percent increase in income is far more than the cost of a bed net, people who are 15 percent richer are only 5 percent more likely to buy a net than others.¹⁹ In other words, far from virtually ensuring that the next generation sleeps under a net, distributing free bed nets once would only increase the number of children in the next generation sleeping under a net from 47 percent to 52 percent. That is not nearly enough to eradicate malaria.

What the lack of demand underscores is perhaps the fundamental difficulty of the problem of health: The ladders to get out of the poverty trap exist but are not always in the right place, and people do not seem to know how to step onto them or even want to do so.

The Desire for Better Health

Since they do not seem to be willing to sacrifice much money or time to get clean water, bed nets, or for that matter, deworming pills or fortified flour, despite their potentially large health benefits, does that mean the poor do not care about health? The evidence suggests the opposite. When asked whether there was a period of a month in the recent past when they felt “worried, tense, or anxious,” roughly one-fourth of the poor in both rural Udaipur and urban South Africa said yes.²⁰ This is much higher than what we see in the United States. And the most frequent source of such stress (44 percent of the time in Udaipur) is their own health or that of their close relatives. In many of the countries in our eighteen-country data set, the poor spend a considerable amount of their own money on health care. The average extremely poor household spends up to 5 percent of its monthly budget on health in rural India, and 3 percent to 4 percent in Pakistan, Panama, and Nicaragua. In most countries, more than one-fourth of the households had made at least one visit to a health practitioner in the previous month. The poor also spend large amounts of money on single health events: Among the poor families in Udaipur, 8 percent of the households recorded total expenditures on health of more than 5,000 rupees (\$228 USD PPP) in the previous month, ten times the monthly budget per capita for the average family, and some households (the top 1 percent spenders) spent up to twenty-six times the average

monthly budget per capita. When faced with a serious health issue, poor households cut spending, sell assets, or borrow, like Ibu Emptat, often at very high rates: In Udaipur, every third household we interviewed was currently repaying a loan taken out to pay for health care. A substantial proportion of those loans are from moneylenders, at rates that can be very high: The standard interest rate is 3 percent per month (42 percent per year).

Money for Nothing

The issue is therefore not how much the poor spend on health, but what the money is spent on, which is often expensive cures rather than cheap prevention. To make health care less expensive, many developing countries officially have a triage system to ensure that affordable (often free) basic curative services are available to the poor relatively close to their homes. The nearest center typically does not have a doctor, but the person there is trained to treat simple conditions and detect more serious ones, in which case the person is sent up to the next level. There are countries where this system is under severe strain for lack of manpower, but in many countries, like India, the facilities do exist, and the positions are filled. Even in Udaipur District, which is particularly remote and sparsely populated, a family needs to walk only a mile and a half to find a subcenter staffed with a trained nurse. Yet we have collected data that suggest that this system is not working. The poor mostly shun the free public health-care system. The average adult we interviewed in an extremely poor household saw a health-care provider once every two months. Of these visits, less than one-fourth were to a public facility.²¹ More than one-half were to private facilities. The remainder were to *bhopas*—traditional healers who primarily offer exorcism from evil spirits.

The poor in Udaipur seem to select the doubly expensive plan: cure, rather than prevention, and cure from private doctors rather than from the trained nurses and doctors the government provides for free. That might make sense if the private doctors were better qualified, but this does not seem to be the case: Just over half of the private “doctors” have a medical college degree (this includes unconventional degrees like BAMS [Bachelor of Ayurvedic Medical Science] and BUMS [Bachelor of Unani Medical Science]), and one-third have no college education whatsoever. When we look at the people who “help the doctor,” most of whom also see patients, the picture becomes even bleaker: Two-thirds have no formal qualification in medicine at all.²²

In the local parlance, unqualified doctors like these are referred to as “Bengali doctors,” because one of the earliest medical colleges in India was in Bengal and doctors from Bengal fanned across northern India looking for places to practice medicine. That tradition has continued—people continue to show up in a village with little more than a stethoscope and a bag of standard medications and set up as Bengali doctors, irrespective of whether they are from Bengal or not. We interviewed one who explained how he became a doctor: “I graduated from high school and couldn’t find a job, which is when I decided to set up as a doctor.” He very graciously showed us his high school diploma. His qualifications were in geography, psychology, and Sanskrit, the ancient Indian language. Bengali doctors are not only a rural phenomenon. In the slums of Delhi, a study found that only 34 percent of the “doctors” had a formal medical degree.²³

Of course, not having a degree is not necessarily synonymous with being incompetent: These doctors could very well have learned to treat easy cases and to refer the rest to a real hospital.

Another of the Bengali doctors we talked to (who really was from Bengal) was very clear that he knew his limits—he gave out paracetamols (like Tylenol) and antimalarials, perhaps some antibiotics when the disease looked like it might respond to it. If it looked like a difficult case, he referred patients to the Primary Health Center (PHC) or to a private hospital.

However, this kind of self-awareness is unfortunately not universal. In urban Delhi, Jishnu Das and Jeff Hammer, two World Bank economists, set out to find out what doctors actually know.²⁴ They started with a sample of doctors of all kinds (public and private, qualified and unqualified) and presented each of them with five health-related “vignettes.” For example, a hypothetical child patient arrives with symptoms of diarrhea: The recommended medical practice is for the doctor to first ask enough questions to figure out whether the child has been running a high fever or vomiting, and if the answer is no, so that more serious conditions are ruled out, to prescribe ORS. Another vignette involves a pregnant woman arriving with the visible symptoms of preeclampsia, a potentially fatal condition that requires immediate referral to a hospital. The doctors’ answers and the questions they chose to ask were compared to the “ideal” questions and responses to form an index of each doctor’s competence. The average competence in the sample was remarkably low. Even the very best doctors (the top twenty out of 100) asked fewer than half the questions they should have, and the worst (the bottom twenty) asked only one-sixth of those questions. Moreover, the large majority of these doctors would have recommended a course of action that, based on the assessment of an expert panel of doctors, was more likely to do harm than good. The unqualified private doctors were by far the worst, particularly those who worked in poor neighborhoods. The best were the qualified private doctors. The public doctors were somewhere in the middle.

There was also a clear pattern in the errors: Doctors tended to underdiagnose and overmedicate. In our health survey in Udaipur, we found that a patient was given a shot in 66 percent of the visits to a private facility and a drip in 12 percent of the visits. A test is performed in only 3 percent of the visits. The usual form of treatment for diarrhea, fever, or vomiting is to prescribe antibiotics or steroids, or both, usually injected.²⁵

This is not only unnecessary in most cases, but potentially dangerous. First, there is the issue of sterilizing needles: Some friends of ours used to run a primary school in a small village on the outskirts of Delhi, where there was a doctor of unknown credentials but with a flourishing practice. Outside his dispensary was a huge drum that was always kept filled with water, with a little tap attached to it. After every patient left, the doctor would come outside and make a show of washing his needle with water from the drum. This was his way of signaling that he was being careful. We do not know whether he actually infected anyone with his syringe, but doctors in Udaipur talk about a particular doctor who infected an entire village with Hepatitis B by reusing the same unsterilized needle.

The misuse of antibiotics increases the likelihood of the emergence of drug-resistant strains of bacteria.²⁶ This is particularly true if, as many of these doctors are wont to do to save their patients money, the advised course is shorter than the standard regimen. Across the developing world, we are seeing a rise in antibiotic resistance. Similarly, incorrect dosage and poor patient compliance explain the emergence, in several African countries, of strains of malaria parasites that are resistant to mainstream medications, which has the makings of a public health disaster.²⁷ In the case of steroids, the damage from overuse is even more insidious. Any researchers of age forty or older who have surveyed the poor in countries like India can recall an occasion when they were surprised to discover

that someone they thought was much older than they were was in fact significantly younger. Premature aging can result from many causes, but steroid use is definitely one of them—and it is not just that affected individuals look older, they also die sooner. Yet because the immediate effect of the medicine is to make the patient feel rapidly better and she is not told what might happen later, she goes home happy.

What is going on here? Why do the poor sometimes reject inexpensive effective sanitation—the cheap and easy way to dramatically improve people’s health—in favor of spending a lot of money on things that don’t help and might actually hurt?

Are Governments to Blame?

A part of the answer is that a lot of the cheap gains are in prevention, and prevention has traditionally been the area where the government is the main player. The trouble is that governments have a way of making easy things much less easy than they should be. The high absenteeism rates and low motivation among government health providers are certainly two reasons we don’t see more preventive care being delivered.

Government health centers are often closed when they are supposed to be open. In India, the local health posts are supposed to be open six days a week, six hours a day. But in Udaipur, we visited over 100 facilities once a week at some random time during working hours for a year. We found them closed 56 percent of the time. And in only 12 percent of the cases was this because the nurse was on duty somewhere else near the center. The rest of the time, she was simply absent. This rate of absence is similar elsewhere. In 2002–2003, the World Bank conducted a World Absenteeism Survey in Bangladesh, Ecuador, India, Indonesia, Peru, and Uganda and found that the average absentee rate of health workers (doctors and nurses) was 35 percent (it was 43 percent in India).²⁸ In Udaipur, we found that these absences are also unpredictable, which makes it even harder for the poor to rely on these facilities. Private facilities offer the assurance that the doctor will be there. If he isn’t, he won’t get paid, whereas the absent government employee on a salary will.

Furthermore, even when government doctors and nurses are around, they do not treat their patients particularly well. Working with the same group of doctors who had responded to the vignette questions, one member of Das and Hammer’s research team sat with each provider for a whole day. For each patient, the researcher recorded details about the visit, including the number of questions the doctor asked concerning the history of the problem, the examinations performed, medicines prescribed or given, and (for the private sector) prices charged. The overall sense we get from their study about health care in India, both public and private, is frightening. Das and Hammer describe it as the 3-3-3 rule: The median interaction lasts *three minutes*; the provider asks *three questions* and occasionally performs some examinations. The patient is then provided with *three medicines* (providers usually dispense medicine directly rather than writing prescriptions). Referrals are rare (fewer than 7 percent of the time); patients are given instructions only about half the time and only about one-third of doctors offer any guidance regarding follow-up. As if this is not bad enough, things are much worse in the public sector than in the private sector. Public providers spend about two minutes per patient on average. They ask fewer questions, and in most cases don’t touch the patient at all. Mostly, they just ask the patient for a diagnosis and then treat the patient’s self-diagnosis. Similar

findings were discovered in several countries.^{[29](#)}

So perhaps the answer is relatively simple: People avoid the public health system because it does not work well. This could also explain why other services that are provided through the government system, like immunizations and antenatal checks for prospective mothers, are underused.

But we know that this cannot be the whole story. Bed nets are not exclusively distributed by the government; neither is Chlorin for purifying water. And even when government nurses do come to work, the number of patients demanding their services does not go up. There was a period of about six months when a collaborative effort by Seva Mandir, a local NGO, and the district authorities was effective in sharply reducing absenteeism—the probability of finding someone in the health center went up from a dismal 40 percent to over 60 percent. But that had no effect on the number of clients who came to the facilities.^{[30](#)}

In another Seva Mandir initiative, the NGO organized monthly immunization camps in the same set of villages. This was in reaction to abysmally low immunization rates in the area: less than 5 percent of the children had been receiving the basic package of immunizations (as defined by WHO and UNICEF) before the NGO got involved. Given the very broad consensus that immunization saves lives (2 to 3 million people are estimated to die from vaccine-preventable diseases every year) and the low cost (for the villagers, it is free), this seems like something that would be a priority for every parent. The low immunization rates, it was widely held, must have been the result of the delinquency of the nurses. Mothers would just get tired of walking all the way there with a young child and not finding the nurse.

To solve this problem, in 2003, Seva Mandir decided to start its own camps, which were widely advertised, held monthly on the same date, and as our data confirm, took place with clocklike regularity. This led to some increase in the immunization rate: In the camp villages, on average 77 percent of children received at least one shot. But the problem was in completing the course. Overall, from the 6 percent in a set of control villages, full immunization rates increased to 17 percent in the camp villages. But even with high-quality, privately provided free immunization services, available right at the parents' doorsteps, eight out of ten children remained without full immunization.

We must therefore accept the possibility that if people do not go to the public health centers, it is also in part because they are not particularly interested in receiving the services they offer, including immunizations. Why do poor people demand so much (bad) health care, but show such indifference toward these preventive services, and more generally toward all the wonderful, cheap gains that the medical profession has invented for them?

UNDERSTANDING HEALTH-SEEKING BEHAVIOR

Does Free Mean Worthless?

If people do not take advantage of cheap preventive technologies to improve their health, could it be precisely because the cheap technologies are cheap?

This is not as implausible as it might seem. Plain vanilla economic rationality dictates that the cost,

once paid or “sunk,” should not have any effect on usage, but there are many who claim that as is often the case, economic rationality gets it wrong. In fact, there is a “psychological sunk cost” effect—people are more likely to make use of something they have paid a lot for. In addition, people may judge quality by price: Things may be judged to be valueless precisely because they are cheap.

All of these possibilities are important because health is one place where even free market economists have traditionally supported subsidies and, as a result, most of these cheap gains are made available at below-market prices. The logic is simple: A bed net protects not only the child who sleeps under it, but also other kids who are not getting malaria from that child. A nurse who treats diarrhea with ORS rather than antibiotics prevents the spread of drug resistance. The immunized child who avoids mumps helps protect his or her classmates as well. If making these technologies cheaper ensures that more people use them, everyone else will gain, too.

On the other hand, if people are subject to a sunk-cost effect, for example, these subsidies can backfire—usage will be low *because* the price is so low. In *The White Man’s Burden*,³¹ William Easterly seems to suggest that this is what is going on. He points to examples of subsidized bed nets being used as wedding veils. Others talk about toilets being used as flowerpots or, more graphically, condoms being used as balloons.

However, there are now a number of careful experiments that suggest that such anecdotes are oversold. Several studies that have tested whether people use things less because they got them for free found no evidence of such behavior. Recall Cohen and Dupas’s TAMTAM experiments, which found that people are much more likely to buy bed nets when they are very cheap or free. Do these subsidized bed nets actually get used? To figure this out, a few weeks after the initial experiment, TAMTAM sent field officers to the homes of people who had purchased nets at the various subsidized prices. They found that between 60 percent and 70 percent of women who had acquired a net were indeed using it. In another experiment, over time usage went up to about 90 percent. Furthermore, they found no difference in usage rates among those who had paid for them and those who had not. The same kinds of results, which rule out the possibility that subsidies are to blame for low usage, have now been found in other settings.

But if subsidies are not the cause, what is?

Faith?

Abhijit grew up in a family that came from two different ends of India. His mother was from Mumbai, and in her family no meal could be considered complete without the unleavened breads called *chapatis* and *bhakris*, made from wheat and millets. His father was from Bengal, where people eat rice with pretty much every meal. The two regions also have very different views about how to treat fevers. Every Maharashtrian mother knows that rice aids in a fast recovery. In Bengal, on the other hand, rice is forbidden: When a Bengali wants to say that someone has recovered from a fever, he says that “he was allowed rice today.” When a puzzled six-year-old Abhijit asked his Bengali aunt about this apparent contradiction, she said that it had to do with faith.

Faith, or to use the more secular equivalents, a combination of beliefs and theories, is clearly a very important part of how we all navigate the health system. How else do we know that the medicine that we were prescribed will make the rash better and that we shouldn’t apply leeches instead? In all

likelihood, none of us has observed a randomized trial where some people with, say, pneumonia were given antibiotics and others were offered leeches. Indeed, we do not even have any direct evidence that such a trial ever took place. What assures us is a belief in the way drugs get certified by the Food and Drug Administration (FDA) or its equivalent. We feel that an antibiotic would not be on the market if it had not gone through some kind of trial and, sometimes wrongly, given the financial incentives to manipulate medical trials, we trust the FDA to make sure the studies are reliable and the antibiotic is safe and effective.

The point is not at all to imply that our decision to trust doctors' prescriptions is wrong, but rather to underscore the fact that a lot of beliefs and theories for which we have little or no direct evidence contribute to that trust. Whenever this trust erodes for some reason in rich countries, we witness backlashes against conventionally accepted best practices. Despite the continuous reassurance by high-powered medical panels that vaccines are safe, there are a number of people in the United States and the United Kingdom, for example, who refuse to immunize their children against measles because of a supposed link with autism. The number of measles cases is growing in the United States, even as it is declining everywhere else.³² Consider the circumstances of average citizens of a poor country. If people in the West, with all of the insights of the best scientists in the world at their disposal, find it hard to base their choices on hard evidence, how hard must it be for the poor, who have much less access to information? People make their choices based on what makes sense to them, but given that most of them have not had rudimentary high school biology and have no reason, as we saw, to trust the competence and professionalism of their doctors, their decision is pretty much a shot in the dark.

For example, the poor in many countries seem to have the theory that it is important that medicine be delivered directly to the blood—this is why they want injectables. To reject this (plausible) theory, you have to know something about the way the body absorbs nutrients through the digestive tract and something about why proper sterilization of needles requires high temperatures. In other words, you need at least high school biology.

To make matters worse, learning about health care is inherently difficult not only for the poor, but for everyone.³³ If patients are somehow convinced that they need shots to get better, there is little chance that they could ever learn they are wrong. Because most diseases that prompt visits to the doctor are self-limiting (i.e., they will disappear no matter what), there is a good chance that patients will feel better after a single shot of antibiotics. This naturally encourages spurious causal associations: Even if the antibiotics did nothing to cure the ailment, it is normal to attribute any improvement to them. By contrast, it is not natural to attribute causal force to inaction: If a person with the flu goes to the doctor, and the doctor does nothing, and the patient then feels better, the patient will correctly infer that it was not the doctor who was responsible for the cure. And rather than thanking the doctor for his forbearance, the patient will be tempted to think that it was lucky that everything worked out this time but that a different doctor should be seen for future problems. This creates a natural tendency to overmedicate in a private, unregulated market. This is compounded by the fact that, in many cases, the prescriber and the provider are the same person, either because people turn to their pharmacists for medical advice, or because private doctors also stock and sell medicine.

It is probably even harder to learn from experience about immunization, because it does not fix an existing problem, but rather protects against potential future problems. When a child is immunized against measles, that child does not get measles. But not all children who are not immunized actually

contract measles (especially if others around them who are the potential source of infection are immunized), so it is very difficult to draw a clear link between immunization and the lack of disease. Moreover, immunization just prevents some diseases—there are many others—and uneducated parents do not necessarily understand what their child is supposed to be protected against. So when the child gets sick despite being immunized, the parents feel cheated and probably resolve not to go through with it again. They may also not understand why all the different shots in the basic immunization regime are needed—after two or three shots, parents might feel that they have done what they should. It is all too easy to get misleading beliefs about what might work in health.

Weak Beliefs and the Necessity of Hope

There is potentially another reason the poor may hold on to beliefs that might seem indefensible: When there is little else they can do, hope becomes essential. One of the Bengali doctors we spoke to explained the role he plays in the lives of the poor as follows: “The poor cannot really afford to get treated for anything major, because that involves expensive things like tests and hospitalization, which is why they come to me with their minor ailments, and I give them some little medicines which make them feel better.” In other words, it is important to keep doing something about your health, even if you know that you are not doing anything about the big problem.

In fact, the poor are much less likely to go to the doctor for potentially life-threatening conditions like chest pains and blood in their urine than with fevers and diarrhea. The poor in Delhi spend as much on short-duration ailments as the rich, but the rich spend much more on chronic diseases.³⁴ So it may well be that the reason chest pains are a natural candidate for being a *bhopa* disease (an older woman once explained to us the dual concepts of *bhopa* diseases and doctor diseases—*bhopa* diseases are caused by ghosts, she insisted, and need to be treated by traditional healers), as are strokes, is precisely that most people cannot afford to get them treated by doctors.

It is probably for the same reason that in Kenya, traditional healers and preachers have been particularly in demand to cure HIV/AIDS (their services are proudly advertised on hand-painted billboards in every town). There was not much that allopathic doctors could really do (at least until anti-retrovirals became more affordable), so why not try the traditional healer’s herbs and spells? They were cheap and at the very least gave the patient a sense of doing something. And since symptoms and opportunistic infections come and go, it is possible to believe, at least for a little while, that they have an effect.

This kind of grasping at straws is not specific to poor countries. This is also what the privileged few in poor countries and the citizens of the First World do when they face a problem that they do not know how to remedy. In the United States, depression and back pains are two conditions that are both poorly understood and debilitating. This is why Americans are constantly going between psychiatrists and spiritual healers, or yoga classes and chiropractors. Since both conditions come and go, sufferers go through cycles of hope and disappointment, each time wanting to believe for a moment at least that the new cure must be working.

Beliefs that are held for convenience and comfort may well be more flexible than beliefs that are held out of true conviction. We saw signs of this in Udaipur. Most people who go to the *bhopa* also go to

the Bengali doctor and the government hospital and do not seem to stop to think about the fact that these represent two entirely different and mutually inconsistent belief systems. They do talk about *bhopa* diseases and doctor diseases, but when a disease persists they seem not to insist on this distinction, and are willing to use both.

The issue of what beliefs mean to people came up a lot when Seva Mandir was considering what it could do to improve immunization, after discovering that even its system of well-run monthly camps left four-fifths of children not fully immunized. Some local experts argued that the issue was rooted in people's belief systems. They claimed that immunization had no place in the traditional belief system—in rural Udaipur, among other places, traditional belief has it that children die because they catch the evil eye, and the way to catch the evil eye is by being displayed in public. This is why parents don't take their children outside for the first year of life. Given this, the skeptical experts argued, it would be exceedingly difficult to convince villagers to immunize their children without first changing their beliefs.

Notwithstanding these strong views, when Seva Mandir set up immunization camps in Udaipur, we managed to convince Neelima Khetan, Seva Mandir's CEO, to try something on a pilot basis: offer 2 pounds of dal (dried beans, a staple in the area) for each immunization and a set of stainless steel plates for completing the course. The doctor in charge of Seva Mandir's health program was initially quite reluctant to try this out. On the one hand, it seemed wrong to bribe people to do the right thing. They should learn on their own what is good for their health. On the other hand, the incentive we proposed seemed much too weak: If people do not immunize their children, given the huge benefits of doing so, they must have some strong reason behind it. If they believed, for example, that taking their children out would cause harm, 2 pounds of dal (worth only 40 rupees, or \$1.83 USD PPP, less than half the daily wage earned by working in a public works site) was not going to persuade them. We had known people at Seva Mandir for long enough that we could persuade them that this was still an idea worth trying on a small scale, and thirty camps with incentives were established. They were a roaring success. The immunization rate in the village where the camps were set up increased sevenfold, to 38 percent. In all neighboring villages, within about 6 miles, it was also much higher. Seva Mandir discovered that offering the dal, paradoxically, actually lowered the cost per immunization by increasing efficiency, because the nurse, whose time was already paid for, was kept busy.³⁵

Seva Mandir's immunization program is one of the most impressive we have ever evaluated, and probably the one that has saved the most lives. We are therefore working, with Seva Mandir and others, to encourage replications of this experiment in other contexts. Interestingly, we are running into some resistance. Doctors point out that 38 percent is far from the 80 percent or 90 percent required to achieve "herd immunity," the rate at which an entire community is fully protected: WHO targets 90 percent coverage nationally for the basic immunization, and 80 percent in every subunit. For some in the medical community, if full protection for the community is not going to be achieved, there is no reason to subsidize some households to do what they should do for their own good anyway. Although it would certainly be excellent to be able to get to full coverage, this "all or nothing" argument is only superficially sensible: Even if immunizing my own child does not contribute to eradicating the disease, it still protects not only my child but also others around him.³⁶ There is thus still a huge social benefit from increasing full immunization rates against basic diseases from 6 percent to 38 percent.

In the end, the mistrust of incentives for immunization comes down to an article of faith for both those on the right and the left of the mainstream political spectrum: Don't try to bribe people to do things that *you* think they ought to do. For the right, this is because it will be wasted; for the conventional left, which includes much of the public health community and the good doctor from Seva Mandir, this is because it degrades both what is given and the person who gets it. Instead, we should focus on trying to convince the poor of the benefits of immunization.

We think that both of these views are somewhat wrongheaded ways to think about this and other similar problems, for two reasons. First, what the 2-pounds-of-dal experiments demonstrate is that in Udaipur at least, the poor might appear to believe in all kinds of things, but there is not much conviction behind many of those beliefs. They do not fear the evil eye so much that they would pass up the dal. This must mean that they actually know they are in no position to have a strong basis to evaluate the costs and benefits of vaccines. When they actually know what they want—marrying their daughter to someone from the right caste or religion, to take an unfortunate but important example—they are not at all easy to bribe. So, although some beliefs the poor have are undoubtedly strongly held, it is a mistake to consider that it is always the case.

There is a second reason this is wrong. Both the right wing and the left wing seem to assume that action follows intention: that if people were convinced of the value of immunization, children would be immunized. This is not always true, and the implications are far-reaching.

New Year's Resolutions

One obvious sign that resistance to immunization is not very deep is that 77 percent of children received the first vaccine in the villages where the camps did not offer dal: People seem to be willing to start the immunization process, even without any incentives. The problem is to get them to complete it. This is also why the full immunization rate does not go beyond 38 percent—the incentives make people come a few more times, but not enough to get the full five shots, despite the free stainless steel plates that wait for them if they complete the course.

It seems that this might have a lot to do with the same reason that, year after year, we have trouble sticking to our New Year's resolution to go to the gym regularly, despite knowing that it may save us from a heart attack down the line. Research in psychology has now been applied to a range of economic phenomena to show that we think about the present very differently from the way we think about the future (a notion referred to as “time inconsistency”).³⁷ In the present, we are impulsive, governed in large part by emotions and immediate desire: Small losses of time (standing in line to get the child immunized) or petty discomforts (glutes that need to be woken up) that have to be endured right now feel much more unpleasant in the moment than when we think about them without a sense of immediacy (say, after a Christmas meal that was heavy enough to rule out all thoughts of immediate exercise). The reverse, of course, goes for small “rewards” (candy, a cigarette) that we really crave in the present; when we plan for the future, the pleasure from these treats seems less important.

Our natural inclination is to postpone small costs, so that they are borne not by our today self but by our tomorrow self instead. This is an idea that we will see again in future chapters. Poor parents may even be fully convinced of the benefits of immunization—but these benefits will accrue sometime in the future, while the cost is incurred today. It makes sense, from today's perspective, to wait for

tomorrow. Unfortunately, when tomorrow becomes today, the same logic applies. Likewise, we may want to postpone the purchase of a bed net or a bottle of Chlorin until later, because we have better use for the money right now (there is someone frying delicious conch fritters across the street, say). It is easy to see how this could explain why a small cost discourages the use of a life-saving device, or why small incentives encourage it. The 2 pounds of dal works because it is something that the mother receives today, which compensates her for the cost she bears for getting her child immunized (the couple of hours spent bringing her child to the camp or the low fever that the shot sometimes causes).

If this explanation is correct, it suggests a new rationale for mandating specific preventive health behaviors or for providing financial incentives that go beyond the traditional economic argument we have already suggested, which is that it makes sense for society to subsidize or enforce behaviors that have benefits for others. Fines or incentives can push individuals to take some action that they themselves consider desirable but perpetually postpone taking. More generally, time inconsistency is a strong argument for making it as easy as possible for people to do the “right” thing, while, perhaps, leaving them the freedom to opt out. In their best-selling book *Nudge: Improving Decisions About Health, Wealth, and Happiness*, Richard Thaler and Cass Sunstein, an economist and a law scholar from the University of Chicago, recommend a number of interventions to do just this.³⁸ An important idea is that of default option: The government (or a well-meaning NGO) should make the option that it thinks is the best for most people the default choice, so that people will need to actively move away from it if they want to. So people have the right to choose what they want, but there is a small cost of doing so, and as a result, most people end up choosing the default option. Small incentives, like giving dal for vaccines, are another way to nudge people, by giving them a reason to act today, rather than indefinitely postpone.

The key challenge is to design “nudges” tailored to the environment of developing countries. For example, the key challenge with chlorinating water at home is that you have to remember to do it: The bleach has to be purchased, and the right number of drops have to be put in before anyone drinks the water. This is what is so great about piped water—it comes chlorinated to our homes; we don’t need to think about it. How does one nudge people to chlorinate their drinking water, where piped water is not available? Michael Kremer and his colleagues came up with one method: a (free) chlorine dispenser, called “one turn,” installed next to the village well, where everybody goes to get water, which delivers the right quantity of chlorine at one turn of a knob. This makes the chlorination of water as easy as possible, and because that leads many people to add chlorine every time they collect water, this is the cheapest way to prevent diarrhea among all the interventions for which there is evidence from randomized trials.³⁹

We were less fortunate (or, more likely, less competent) when we designed a program for the iron fortification of flour with Seva Mandir to deal with rampant anemia. We had tried to design the program with a built-in “default” option: A household had to decide once and only once whether it wanted to participate. The flour of a participating household would then always be fortified. But unfortunately, the incentive of the millers (who were paid a flat fee regardless of how much flour they fortified) was to start from the opposite default option: not to fortify unless the household required it. As we discovered, the small cost of having to insist on fortification was large enough to discourage most people.⁴⁰

In many cases, time inconsistency is what prevents our going from intention to action. In the specific case of immunization, however, it is hard to believe that time inconsistency by itself would be sufficient to make people permanently postpone the decision if they were fully cognizant of its benefits. For people to continuously postpone getting their children immunized, they would need to be constantly fooled by themselves. Not only do they have to think that they prefer to spend time going to the camp next month rather than today, they also have to believe that they will indeed go next month. We are certainly somewhat naïve and overconfident about our own ability to do the right thing in the future. But if parents actually believe in the benefits of immunization, it seems unlikely that they can keep fooling themselves month after month by pretending that they will do it next month until the entire two-year window runs out and it is too late. As we will see later in the book, the poor find ways to force themselves to save despite themselves, which requires a great deal of sophisticated financial thinking. If they really believed that immunization is as wonderful as WHO believes it to be, they would probably have figured out a way to overcome their natural tendency to procrastinate. The more plausible explanation is that they procrastinate *and* they underestimate the benefits.

Nudges may be especially helpful when, for whatever reason, households are somewhat dubious about the benefits of what is being proposed to them. This makes preventive care a doubly appropriate candidate for such policies: The benefits are in the future, and in any case, it is hard to understand exactly what they are. The good news is that nudges may also help with the convincing, which may jump-start a positive feedback loop. Remember the bed nets that were given to a poor Kenyan family? We argued earlier that, on its own, the income gain from the first bed net was not large enough to make the child who got one buy one for his own children: Even if the bed net led to an increase in income of 15 percent for a child, that income gain increases their probability to buy a net only by 5 percent. However, the income effect is not the whole story: The family may observe that when they use a net, their children are sick less often. Moreover, they may also learn that it is easier to use bed nets and less unpleasant to sleep under bed nets than they had initially believed. In one experiment, Pascaline Dupas tested this hypothesis by making a second attempt to sell bed nets to the families that were previously offered very cheap or free nets, as well as to the families that were offered nets at full price and mostly did not buy one.⁴¹ She found that families that were offered a free or sharply reduced net were *more* likely to buy a second net (even though they had one already) than the families that were asked to pay full price for the first one. Moreover, she also found that knowledge travels: Friends and neighbors of those who were given a free net were also more likely to buy a net themselves.

THE VIEW FROM OUR COUCH

The poor seem to be trapped by the same kinds of problems that afflict the rest of us—lack of information, weak beliefs, and procrastination among them. It is true that we who are not poor are somewhat better educated and informed, but the difference is small because, in the end, we actually

know very little, and almost surely less than we imagine.

Our real advantage comes from the many things that we take as given. We live in houses where clean water gets piped in—we do not need to remember to add Chlorin to the water supply every morning. The sewage goes away on its own—we do not actually know how. We can (mostly) trust our doctors to do the best they can and can trust the public health system to figure out what we should and should not do. We have no choice but to get our children immunized—public schools will not take them if they aren't—and even if we somehow manage to fail to do it, our children will probably be safe because everyone else is immunized. Our health insurers reward us for joining the gym, because they are concerned that we will not do it otherwise. And perhaps most important, most of us do not have to worry where our next meal will come from. In other words, we rarely need to draw upon our limited endowment of self-control and decisiveness, while the poor are constantly being required to do so.

We should recognize that no one is wise, patient, or knowledgeable enough to be fully responsible for making the right decisions for his or her own health. For the same reason that those who live in rich countries live a life surrounded by invisible nudges, the primary goal of health-care policy in poor countries should be to make it as easy as possible for the poor to obtain preventive care, while at the same time regulating the quality of treatment that people can get. An obvious place to start, given the high sensitivity to prices, is delivering preventive services for free or even rewarding households for getting them, and making getting them the natural default option when possible. Free Chlorin dispensers should be put next to water sources; parents should be rewarded for immunizing their children; children should be given free deworming medicines and nutritional supplements at school; and there should be public investment in water and sanitation infrastructure, at least in densely populated areas.

As public health investments, many of these subsidies will more than pay for themselves in the value of reduced illness and death, and higher wages—children who are sick less often go to school more and earn more as adults. This does not mean that we can assume that these will automatically happen without intervention, however. Imperfect information about benefits and the strong emphasis people put on the immediate present limit how much effort and money people are willing to invest even in very inexpensive preventive strategies. And when they are not inexpensive, there is of course always the question of money. As far as treatment is concerned, the challenge is twofold: making sure that people can afford the medicines they need (Ibu Emptat, for one, clearly could not afford the asthma medicine that her son needed), but also restricting access to medicines they don't need as a way to prevent growing drug resistance. Because regulating who sets up a practice and decides to call himself a doctor seems to be beyond the control of most governments in developing countries, the only way to reduce the spread of antibiotic resistance and the overuse of high-potency drugs may be to put maximal effort into controlling the sale of these drugs.

All this sounds paternalistic, and in a way, it certainly is. But then it is easy, too easy, to sermonize about the dangers of paternalism and the need to take responsibility for our own lives, from the comfort of our couch in our safe and sanitary home. Aren't we, those who live in the rich world, the constant beneficiaries of a paternalism now so thoroughly embedded into the system that we hardly notice it? It not only ensures that we take care of ourselves better than we would if we had to be on top of every decision, but also, by freeing us from having to think about these issues, it gives us the mental space we need to focus on the rest of our lives. This does not absolve us of the responsibility

of educating people about public health. We do owe everyone, the poor included, as clear an explanation as possible of why immunization is important and why they have to complete their course of antibiotics. But we should recognize—indeed assume—that information alone will not do the trick. This is just how things are, for the poor, as for us.

Top of the Class

In summer 2009, in the village of Naganadgi in the state of Karnataka, India, we met Shantarama, a forty-year-old widow and mother of six. Her husband had died four years before, entirely unexpectedly, of appendicitis. His life was not insured, nor was there any pension that the family was entitled to. The three eldest children had each gone to school at least until eighth grade, but the next two—a ten-year-old boy and a fourteen-year-old girl—had dropped out. The girl was working in a neighbor's field. We assumed that the death of the father had forced the family to withdraw the children from school and send all the older ones to work.

Shantarama set us straight. After her husband died, she had rented out the fields they owned and started to work as a casual laborer. She earned enough to take care of their basic needs. The girl was indeed sent to work in the fields, but only after she dropped out, because the mother did not want her idling at home. The rest of the children had stayed on in school—out of the three oldest children, two were still students when we met them (the oldest, who was married and twenty-two, was expecting her first child). We learned that the oldest boy was in college in Yatgir, the nearest town, studying to be ... a teacher. The two middle children were out of school only because they absolutely refused to go. There were several schools near the village, including a government school and a few private schools. Those two children had been enrolled at the government school, but they had both run away countless times before their mother abandoned any hope of being able to make them attend. The ten-year-old boy, who was with his mother when we interviewed her, mumbled something about school being boring.

Schools are available. In most countries, they are free, at least at the primary level. Most children are enrolled. And yet in the various surveys that we have conducted around the world, child absentee rates vary between 14 percent and 50 percent.¹ Absence often does not seem to be driven by an obvious need at home. Although some of it might reflect ill health—for example, in Kenya when children were treated for intestinal worms, they missed fewer days of school²—much of it probably reflects children's unwillingness to be in school (which might well be universal, as most of us will remember from our childhood) and also the fact that their parents do not seem to be able, or willing, to make them go.

For some critics, this is a sign of the catastrophic failure of an establishment-led effort to increase education from the top down: Building schools and hiring teachers is useless if there is no strong underlying demand for education; conversely, if there is real demand for skill, a demand for education will naturally emerge, and supply will follow. However, this optimistic view seems to be inconsistent with the story of Shantarama's children. There is certainly no shortage of demand for educated people in Karnataka, whose capital is Bangalore, India's IT hub. The family, with a future teacher among its members, was both aware of the value of education and willing to invest in it.

So if the failure of schools in developing countries to attract children can't be explained by

problems of access, or lack of demand for educated labor, or parental resistance to educating their children, then where is the snag?

SUPPLY-DEMAND WARS

Education policy, like aid, has been the subject of intense policy debates. As in the case of aid, the debate is not about whether education per se is good or bad (everyone probably agrees it is better to be educated than not educated). It centers instead on whether governments ought to, or know how to, intervene. And though the specific reasons invoked are different, the fault line divides the field essentially in the same place it divides it on the subject of aid, with the aid optimists being generally education interventionists, and the aid pessimists being in favor of laissez-faire.

A large majority of policy makers, at least in international policy circles, have traditionally taken the view that the problem is essentially simple: We have to find a way to get the children into a classroom, ideally taught by a well-trained teacher, and the rest will take care of itself. We will call these people, who emphasize the “supply of schooling,” the “supply wallahs,” appropriating the Indian term for “purveyor of” (as in the western Indian surnames Lakdawala [wood supplier], Daruwala [booze supplier], and Bandukwala [gun seller]), to avoid confusing them with supply-siders, the economists who think Keynes got everything wrong and are in fact largely opposed to any form of government intervention.

Perhaps the most visible articulation of the supply wallah position can be found in the UN’s Millennium Development Goals (MDG), the eight goals that the world’s nations agreed in 2000 to reach by 2015. The second and third MDGs are, respectively, to “ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling” and to “eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015.” Most national governments seem to have bought into this idea. In India, 95 percent of children now have a school within a half mile or so.³ Several African countries (including Kenya, Uganda, and Ghana) have made primary education free, and children have flooded the schools. According to UNICEF, between 1999 and 2006, enrollment rates in primary school in sub-Saharan Africa increased from 54 percent to 70 percent. In East and South Asia, they increased from 75 percent to 88 percent over the same period. Worldwide, the number of children of school age who were out of school fell from 103 million in 1999 to 73 million in 2006. In our eighteen-country data set, even among the extremely poor (those who live on less than 99 cents a day), enrollment rates are now above 80 percent in at least half the countries for which we have data.

Access to secondary school (ninth grade and above) is not part of the MDGs, but even there, progress has been made. Between 1995 and 2008, secondary gross enrollment ratios increased from 25 percent to 34 percent in sub-Saharan Africa, from 44 percent to 51 percent in South Asia, and from 64 percent to 74 percent in East Asia,⁴ despite the fact that the costs of secondary schools are much higher: Teachers are expensive, because they need to be better qualified, and for parents and children the value of the forgone earnings, and the forgone labor market experience, is much larger because teenage children can work and earn money.

Getting children into school is a very important first step: This is where learning starts. But it isn't very useful if they learn little or nothing once they're there. Somewhat bizarrely, the issue of learning is *not* very prominently positioned in international declarations: The Millennium Development Goals do not specify that children should learn anything in school, just that they should complete a basic cycle of education. In the final declaration of the Education for All Summit in Dakar in 2000, sponsored by the United Nations Educational, Scientific and Cultural Organization (UNESCO), the goal of improving the quality of education is mentioned only in the sixth position—out of six goals. The implicit assumption, presumably, was that learning would follow from enrollment. But unfortunately things aren't that simple.

In 2002 and 2003, the World Absenteeism Survey, led by the World Bank, sent unannounced surveyors to a nationally representative sample of schools in six countries. Their basic conclusion was that teachers in Bangladesh, Ecuador, India, Indonesia, Peru, and Uganda miss one day of work out of five on average, and the ratio is even higher in India and Uganda. Moreover, the evidence from India suggests that even when teachers are in school and are supposed to be in class, they are often found drinking tea, reading the newspaper, or talking to a colleague. Overall, 50 percent of teachers in Indian public schools are not in front of a class at a time they should be.⁵ How are the children supposed to learn?

In 2005, Pratham, an Indian NGO focused on education, decided to go one step further and find out what children were really learning. Pratham was founded in 1994 by Madhav Chavan, a U.S.—educated chemical engineer with an unflappable belief that all children should, and can, learn to read and read to learn. He has taken Pratham from a small Mumbai-based UNICEF-sponsored charity to one of the largest NGOs in India, perhaps in the world: Pratham's programs reach close to 34.5 million children all over India and are now venturing into the rest of the world. Under the banner of the Annual State of Education Report (ASER), Pratham formed volunteer teams in all 600 Indian districts. These teams tested more than 1,000 children in randomly chosen villages in every district—700,000 children overall—and came up with a report card. One of the leading lights of the ruling Congress-led government, Montek Singh Ahluwalia, launched the report, but what he read could not have made him happy. Close to 35 percent of children in the seven-to-fourteen age group could not read a simple paragraph (first-grade level) and almost 60 percent of children could not read a simple story (second-grade level). Only 30 percent could do second-grade mathematics (basic division).⁶ The math results are particularly stunning—all over the Third World, little boys and girls who help their parents in their family stall or store do much more complicated calculations all the time, without the help of pen and paper. Are schools actually making them unlearn?

Not everyone in the government was as gracious as Mr. Ahluwalia. The government of the state of Tamil Nadu refused to believe that it was really doing as badly as the ASER data seemed to imply and ordered its own teams to conduct a retest, which unfortunately only served to reinforce the bad news. These days in India, in an annual ritual in January, ASER results are released. Newspapers express dismay at the poor scores, academics talk about the statistics in panel discussions, and very little changes.

Unfortunately, India is not unique: Very similar results have been found in neighboring Pakistan, in distant Kenya, and in several other countries. In Kenya, the Uwezo Survey, modeled on ASER, found that 27 percent of children in fifth grade could not read a simple paragraph in English, and 23 percent could not read in Kiswahili (the two languages of instruction in primary school). Thirty percent could

not do basic division.⁷ In Pakistan, 80 percent of children in third grade could not read a first-grade-level paragraph.⁸

The Demand Wallahs' Case

For the “demand wallahs,” a set of critics (including William Easterly) who believe that there is no point in supplying education unless there is a clear demand for it, these results encapsulate everything that has been wrong with education policy in the last few decades. In their view, the quality of education is low because parents do not care enough about it, and they don’t because they know that the actual benefits (what economists call the “returns” to education) are low. When the benefits of education become high enough, enrollment will go up, without the state having to push it. People will send their children to private schools that will be set up for them, or if that is too expensive, they will demand that local governments set up schools.

The role of demand is indeed critical. School enrollment is sensitive to the rate of returns to education: During the Green Revolution in India, which raised the level of technical know-how needed to be a successful farmer and thereby increased the value of learning, education increased faster in regions that were better suited to the new seeds introduced by the Green Revolution.⁹ More recently, there is the example of the offshore call centers. In Europe and the United States, they are usually vilified for taking away local jobs, but they have been part of a small social revolution in India by dramatically expanding young women’s employment opportunities. In 2002, Robert Jensen of the University of California at Los Angeles teamed up with some of these centers to organize recruiting sessions for young women in randomly selected villages in rural areas where recruiters would typically not go, in three states in northern India. Not surprisingly, compared to other randomly chosen villages that did not see any such recruiting efforts, there was an increase in the employment of young women in business process outsourcing centers (BPOs) in these villages. Much more remarkably, given that this is the part of India probably most notorious for discrimination against women, three years after the recruiting started, girls age five to eleven were about 5 percentage points more likely to be enrolled in school in the villages where there was recruiting. They also weighed more, suggesting that parents were taking better care of them: They had discovered that educating girls had economic value, and were happy to invest.¹⁰

Since parents are able to respond to changes in the need for an educated labor force, the best education policy, for the demand wallahs, is no education policy. Make it attractive to invest in business requiring educated labor and there will be a need for an educated labor force, and therefore a pressure to supply it. And then, the argument continues, since parents will start to really care about education, they will also put pressure on teachers to deliver what they need. If public schools cannot provide quality education, a private-school market will emerge. Competition in this market, they argue, will ensure that parents get the quality of schooling that they need for their children.

At the core of the demand wallahs’ view is the idea that education is just another form of investment: People invest in education, as they invest in anything else, to make more money—in the form of increased earnings in the future. The obvious problem with thinking of education as an investment is

that parents do the investing and children get the benefits, sometimes much later. And though many children do, in effect, “repay” parents for the investment by taking care of them in old age, many others do so only reluctantly, or they simply “default,” abandoning their parents along the way. Even when the children turn out to be dutiful, it is not always clear that the extra bit of money that they earn because they spent that extra year in school translates into that much more for the parents—we have certainly come across parents who rue the day when their children became rich enough to move out to their own house, leaving them to their lonely elderly lives. T. Paul Schultz, a Yale economist, talks about his father, the famous economist and Nobel Laureate Theodore Schultz, whose parents were against educating him, because they wanted him to stay back on the farm.

It is true that many parents do take pride and pleasure in the fact that their children are doing well (and in sharing the good news with their neighbors). In this sense they may feel more than adequately repaid even when they don’t get a penny from their children. So from the point of view of the parent, education is partly investment but also partly a “gift” that they offer their children. But there is also the flip side: Most parents are in a position of power relative to their children—they decide who goes to school, who stays home or goes out to work, and how their earnings are spent. Parents who are cynical about how much they would get out of a son’s earnings once he is old enough to push back, and who do not value education for its own sake, may prefer to take him out of school and send him to work when he is ten. In other words, although the economic return to education (as measured by the extra earnings of an educated child) clearly matters, lots of other things probably matter as well, things like our hopes about the future, our expectations about our children, even how generous we are feeling toward them.

“Exactly,” says the supply wallah. “This is why some parents need a push. A civilized society cannot allow a child’s right to a normal childhood and a decent education to be held hostage to a parent’s whims or greed.” Building schools and hiring teachers is a necessary first step to lower the cost of sending a child to school, but it may not be enough. This rationale explains why most rich countries simply give parents no choice: Children have to be sent to school until a certain age, unless parents can prove they are educating them at home. But this clearly does not work where state capacity is more limited and compulsory education cannot be enforced. In such cases, the government must make it financially worthwhile for parents to send their children to school. This is the idea behind the new tool of choice in education policy: the conditional cash transfer.

The Curious History of Conditional Cash Transfers

Santiago Levy, a former professor of economics at Boston University, was deputy minister in the Mexican Ministry of Finance from 1994 to 2000, tasked with reforming the intricate welfare system, which was made of several distinct programs. He believed that by linking the receipt of welfare payments to investment in human capital (health and education), he could ensure that the money spent today could contribute to eradicating poverty, not only in the short term but in the long term as well, by fostering a healthy and well-educated generation. This inspired the design of PROGRESA, a transfer program “with strings attached.” PROGRESA was the first conditional cash transfer (CCT) program: It offered money to poor families, but only if their children regularly attended school and the family sought preventive health care. They got more money if the children were in secondary school

than in primary school and if it was a girl who went to school rather than a boy. To make it politically acceptable, the payments were presented as “compensation” to the family for the wages lost when their child went to school instead of working. But in reality, the goal was to nudge the family, by making it costly for the family to fail to send their children to school, regardless of what the family thought of education.

Santiago Levy had another goal—to make sure that the program survived the change of government every few years, since each new president usually canceled all his predecessors’ programs before launching his own. Levy calculated that if the program was demonstrably a great success, the new government would not find it easy to get rid of it. So he set up a pilot project, which was offered only in a randomly chosen group of villages, making it possible to rigorously compare outcomes in chosen and non-chosen villages. The pilot demonstrated beyond reasonable doubt that such a program does substantially increase school enrollment, particularly at the secondary level. Secondary school enrollment increased from 67 percent to about 75 percent for girls, and from 73 percent to about 77 percent for boys.¹¹

This was also one of the first demonstrations of the persuasive power of a successful randomized experiment. When the government duly changed, the program survived, albeit renamed OPORTUNIDADES. But Levy probably did not anticipate that he had given birth to two new traditions. First, CCTs spread like wildfire all over the rest of Latin America, and subsequently to the rest of the world. Mayor Michael Bloomberg even gave them a try in New York City. And second, when other countries launch their own CCTs, they now usually also carry out a set of randomized trials to evaluate them. In some of these experiments, features of the program are varied, to try to understand how to design it better.

Paradoxically, it was one of these replications, in Malawi, that led us to rethink the success of PROGRESA. The conditionality in PROGRESA is based on the principle that increased income is not enough and that parents need to be given an incentive. Researchers and practitioners started to ask whether an *unconditional* program could have the same effect as a conditional transfer. A World Bank study found, provocatively, that conditionality does not seem to matter at all: The researchers offered the families of school-age girls a transfer ranging between \$5 and \$20 USD PPP per month. In one group, the transfer was conditional on enrollment. In another, it wasn’t. A third group (the control group) did not receive a transfer. The effects were large (after a year, dropout was 11 percent in the control group, and only 6 percent among those who benefited from the transfer), but they were the same for those who received the conditional transfer and for those who got the unconditional one, suggesting that parents did not need to be *forced* to send their children to school, they needed to be helped financially.¹² Subsequently, another study that compared conditional and unconditional transfers in Morocco found similar results.¹³

Several factors probably explain why the financial transfer made a difference in Malawi: Perhaps parents could not pay for school fees, or could not give up the money their children earned. Of course, borrowing to finance the schooling of their ten-year-old based on what she will make at twenty is entirely a pipe dream. The income transfer, by moving parents out of extreme poverty, may also have given the mental space to take a longer view of life: Schooling is something where the costs are paid now (you have to nag—or drag—your children into school now) and it only pays off when they are older.

For all these reasons, income per se matters for education decisions: Jamal will get less education

than John because his parents are poorer, even if the income gains from education are the same for both. Indeed, in our eighteen-country data set we find that the share of spending on education increases as we move up from those who live on under 99 cents a day to those in the \$6–\$10 category. Given that the number of children born to each family goes down sharply with income, this means that education spending per child grows much faster than total consumption. This is the opposite of what we would expect in a world where education is an investment like any other, unless we are willing to believe that the poor are just incapable of getting educated.

This is important, because if parental income plays such a vital role in determining educational investment, rich children will get more education even if they are not particularly talented, and talented poor children may be deprived of an education. So leaving it purely to the market will not allow every child, wherever she comes from, to be educated according to her ability. Unless we can fully erase differences in income, public supply-side intervention that makes education cheaper would be necessary to get close to the socially efficient outcome: making sure that every child gets a chance.

Does Top-Down Education Policy Work?

The question, however, is whether this kind of public intervention, even if it is desirable in principle, is actually feasible. If parents do not care about education, isn't there a risk that such a top-down education drive would just lead to a waste of resources? In *The Elusive Quest for Growth*, Easterly argues, for example, that the investment in education in African countries has not helped these countries to grow.

Once again, the best way to answer this question is to study what happened when specific countries tried it. The good news is that despite the poor quality of education, schools are still useful. In Indonesia, after the first oil boom in 1973, the country's then dictator, General Suharto, decided to go on a school-building spree.¹⁴ It was the classic top-down supply-driven program: Schools were built based on a prespecified rule that gave strict precedence to areas where the number of unschooled children was the highest. If the lack of schools in this area reflected lack of interest in education, this program should have been a miserable failure.

In fact, the INPRES (Instruksi Presiden, or Presidential Instruction) program was a great success: To evaluate it, Esther compared the wages of adults who, as children, were young enough to have benefited from the newly constructed schools to what the immediately older generation (people who were just old enough to have missed their chance to go to these schools) was earning. She found that relative to the older generation, the wages of the younger one were significantly higher in areas where more schools were constructed. Putting together the effect on education and on wages, she concluded that every extra year of primary school due to the new school raised wages by about 8 percent. This estimate of the returns to education is very similar to what is commonly found in the United States.¹⁵

Another classic top-down program is compulsory schooling. In 1968, Taiwan instituted a law that made it mandatory for all children to complete nine years of schooling (the previous law only required six years of school attendance). This law had a significant positive effect on the schooling of both boys and girls, as well as on their employment prospects, especially for girls.¹⁶ The benefits of education are not only monetary: The Taiwan program had a large effect on child mortality.¹⁷ In

Malawi, girls who did not drop out because of the cash transfer were also less likely to become pregnant. The same results were found in Kenya.¹⁸ There is now a significant body of rigorous evidence testifying to the far-reaching effects of education.

Moreover, this research also concludes that every little bit of education helps. People who are comfortable with reading are more likely to read newspapers and bulletin boards and to find out when there is a government program available for them. People who go on to secondary education are more likely to get a formal-sector job, but even those who don't are able to run their businesses better.

It seems, then, that once again the polarized debate between philosophically opposed strategies largely misses the point. Supply and demand strategies have no reason to be mutually exclusive. Supply by itself does some good, but demand is important, too. There are indeed people who somehow find ways to get educated without any top-down help when the right jobs come to town, but for many others, the impetus from schools being built in their area can be critical.

None of this means that top-down strategies deliver as much as they could, or should. After all, as we saw, the quality of education delivered in public schools can be dismal. The fact that students are getting *something* out of them does not mean they could not work significantly better. Could it be that demand-based approaches would work better? Private schooling is the canonical demand-driven strategy—the parents must spend their own hard-earned money to put their children into one, even though free public schools are available. Have private schools cracked the problem of the quality of education?

Private Schools

There is a surprising amount of agreement that private schools should play an important role in the process of filling the gaps in the education system. India's Right to Education Act, which was recently passed with strong support across the political spectrum (including the left, which, the world over, has traditionally opposed the role of the market), is a version of what is called voucher privatization—the government gives citizens “vouchers” to pay private-school fees.

Even before the education experts gave it the heads-up, many ambitious low-income parents around the world had decided that they had to get their children into private schools, even if they would have to scrimp for it. This has caused the surprising phenomenon of cut-price private schools all over South Asia and Latin America. The monthly fees in these schools can be as low as \$1.50. The schools tend to be quite modest, often just a couple of rooms in someone's house, and the teachers are often local people who couldn't find another job and decided to start a school. One study¹⁹ found that an excellent predictor of the supply of private schools in a Pakistani village is whether a secondary girl's school had been set up in the area a generation earlier. Educated girls, looking for an opportunity to make some money without having to leave the village, were increasingly entering the education business as teachers.

Despite their sometimes dubious credentials, private schools often work better than public schools. The World Absenteeism Survey found that in India, private schools were more likely to be found in villages where the public schools were particularly bad. Furthermore, on average, the private-school teachers were 8 percentage points more likely to be in school on a given day than public-school

teachers in the same village. Children who go to private school also perform better. In India in 2008, according to ASER, 47 percent of government-school students in fifth grade could not read at the second-grade level, compared to 32 percent of private-school students. In the Learning and Educational Achievement in Pakistan Schools (LEAPS) survey, by third grade, children in private schools were 1.5 years ahead in English and 2.5 years in math relative to children in public schools. It is true that families who decide to send their children to private schools may be different. But this could not be entirely explained by the private schools' attracting kids from richer families: The gap in performance between private- and public-school students was close to ten times the average gap between the children from the highest and lowest socioeconomic categories. And though it is not quite so large, there is still a sizable gap between children enrolled in public and private school even within the same family²⁰ (this may still be an overestimate of the true benefit if parents send their most talented child to private school or also help that child in other ways).²¹

So children in private school learn more than children in public schools. This does not mean, however, that private schools are as efficient as they could be. We see that they are not when we compare the effect of being in private school to the effect of simple interventions.

Pratham Versus Private Schools

Pratham, the remarkable educational NGO that runs ASER, not only exposes the deficiencies of the educational system but also tries to fix them. We have been working with them for the last ten years, evaluating almost every new edition of their program for teaching children arithmetic and reading. Our association started in the year 2000 in western India, in the cities of Mumbai and Vadodara, where Pratham was running what they called the Balsakhi (meaning "children's friend") program. The program took the twenty children in each classroom who most needed help and sent them to work with the balsakhi, a young woman from the community, on their specific areas of weakness. Despite an earthquake and communal riots, the program generated very large gains in test scores for these children—in Vadodara, about twice the magnitude of the average gains from private schooling that have been found in India.²² Yet these balsakhis were much less educated than the average private- (or public-) school teacher—many of them had barely ten years of schooling, plus a week's training by Pratham.²³

Given these results, many organizations would have rested on their laurels. Not Pratham. The idea of resting anywhere, least of all on their laurels, is entirely foreign to Madhav's personality or that of Rukmini Banerji, the human dynamo who is the driving force behind Pratham's spectacular expansion. One way in which Pratham could reach more children was by having communities take over the program. In the Jaunpur District in the eastern part of Uttar Pradesh, India's largest state and one of the poorest, Pratham volunteers went from village to village testing children and encouraging the community to get involved in the testing to see for themselves what their children knew and didn't know. The parents were not thrilled by what they saw—their first instinct often was to try to smack their children—but eventually a set of volunteers from the community emerged, ready to take on the job of helping their little brothers and sisters. They were mostly young college students who held classes in the evening in their neighborhoods. Pratham gave them a week of training but no other compensation.

We evaluated this program as well, and the results were quite dramatic: By the end of the program, *all* the participating children who could not read before the program could at least recognize letters (in contrast, only 40 percent of those in the comparison villages could read letters by the end of the year). Those who could read only letters at the beginning were 26 percent more likely, by the end, to be able to read a short story if they had participated than if they had not.²⁴

More recently, Pratham has shifted its focus to working with the government school system. In Bihar, India's poorest state and the state with the highest measured teacher absentee rate, Pratham organized a set of remedial summer camps for schoolchildren in which the teachers from the government school system were invited to come and teach. The results from this evaluation were surprising: The much-maligned government teachers actually taught, and the gains were comparable to the gains from the Jaunpur evening classes.

Pratham's results are striking enough that many school systems in India and around the world are reaching out to the organization. A version of the program is now being tested in Ghana, in a large-scale RCT run as collaboration between a research team and the government: Youth who are looking for a first job experience will be trained to provide remedial education in school. Delegations from the Ministry of Education in Senegal and Mali have visited Pratham's operations and are thinking of replicating the program.

This evidence poses a set of puzzles: If volunteer and semi-volunteer teachers can generate such large gains, private schools can clearly adopt the same kinds of practices and should do even better. Yet we know that in India a full one-third of fifth-graders in private schools cannot read at first-grade level. Why not? If government teachers can teach so well, why don't we see it in the school system? If such large learning gains are so easily available, why don't parents demand them? Indeed, why was it that in Pratham's Jaunpur program, only 13 percent of the children who could not read attended the evening classes?

No doubt, some of the usual reasons that markets do not work as well as they should are at work here. Perhaps there is not enough competitive pressure among private schools, or parents are not sufficiently informed about what they do. Broader issues of political economy that we will discuss later may explain the poor performance of government teachers. But one key issue is unique to education: The peculiar way in which *expectations about what education is supposed to deliver* distort what parents demand, what both public and private schools deliver, and what children achieve—and the colossal waste that ensues.

THE CURSE OF EXPECTATIONS

The Illusory S-Shape

Some years ago we had organized a parent-child collage session in an informal school run by Seva Mandir in rural Udaipur. We had brought a stack of colorful magazines and asked parents to cut some pictures out from them to represent what they thought education would bring to their children. The idea was for them to build a collage with the help of their children.

The collages all ended up looking rather similar: The pictures were studded with gold and diamond jewelry and various recent models of cars. There were other images available in the magazines—peaceful rural vistas, fishing boats, coconut trees—but if the evidence of the collages is to be believed, this is not what education is all about. Parents seem to see education primarily as a way for their children to acquire (considerable) wealth. The anticipated route to those riches is, for most parents, a government job (as a teacher, for example), or failing that, some kind of office job. In Madagascar, parents of children from 640 schools were asked what they thought a child who had completed primary education would do for a living, and what a child who had completed secondary education would do. Seventy percent thought that a secondary-school graduate would get a government job, when in fact 33 percent of them actually get those jobs.²⁵

Yet very few of these children will make it to sixth grade, let alone pass the graduation exam that, these days, is typically the minimum qualification for any kind of job that has an education requirement. And it is not that parents are fully unaware of this: In Madagascar, where parents were asked their view of the returns to education, it was found that parents get it right *on average*. But they greatly overstate both the upside and the downside. They see education as a lottery ticket, not as a safe investment.

Pak Sudarno, a scrap collector in the slum of Cica Das in Bandung, Indonesia, who, very matter-of-factly told us that he was known to be the “poorest person in the neighborhood,” explained this succinctly. When we met him in June 2008, his youngest son (the youngest of nine children) was about to enter secondary school. He thought that the most probable outcome was that after completing secondary school, the boy would get a job in the nearby mall, where his brother was already working. This is a job that he could have had already—but nevertheless, Pak Sudarno thought it was worthwhile for him to complete secondary school, even if it meant three years of forgone salary. His wife thought that the boy might be able to enter a university. Pak Sudarno felt that this was a pipe dream—but he thought that there was some chance that he could get an office job, the best job possible, for the security and respectability it offered. In his view, it was worth taking the chance.

Parents also tend to believe that the first few years of education pay much less than the next ones. For example, in Madagascar, parents believed that each year of primary education would increase a child’s income by 6 percent, each year of junior high education by 12 percent, and each year of senior secondary education by 20 percent. We found a very similar pattern in Morocco. There, parents believed that each year of primary education would increase a boy’s earning by 5 percent, and each year of secondary education by 15 percent. The pattern was even more extreme for girls. In the view of parents, each year of primary education was worth almost nothing for them: 0.4 percent. But each year of secondary education was perceived to increase earnings 17 percent.

In reality, available estimates show that each year of education increases earnings more or less proportionally.²⁶ And even for people who do not get a formal-sector job, education seems to help: For example, educated farmers earned more during the Green Revolution than uneducated ones.²⁷ Moreover, there are also all the other, nonfinancial benefits. In other words, parents see an S—shape where there really isn’t one.

This belief in the S—shape means that unless parents are unwilling to treat their children differently from one another, it makes sense for them to put all their educational eggs in the basket of the child they perceive to be the most promising, making sure that she gets enough education, rather than spreading the investment evenly across all their children. A few doors down from Shantarama

(the widow whose two children were not in school), in the village of Naganadgi, we met a farming household with seven children. None of them had studied past second grade, except the youngest, a twelve-year-old boy. They were not satisfied with the quality of the government high school, where had spent a year. So the boy was attending seventh grade in a private boarding school located in the village. A year at school cost the family more than 10 percent of its total income from farming, a considerable commitment for just one child and clearly an impossible expense for seven. The lucky boy's mother explained to us that he was the only intelligent child in the family. The willingness to use words like "stupid" and "intelligent" to refer to one's own children, often in their presence, is entirely consistent with a worldview that puts a large premium on picking a winner (and in getting everyone else in the family to back the winner). This belief creates a strange form of sibling rivalry. In Burkina Faso, a study found that adolescents were more likely to be enrolled in school when they scored high on a test of intelligence, but they were *less* likely to be enrolled in school when their siblings had scored high.²⁸

A study of conditional cash transfer in the city of Bogotá, Colombia, found compelling evidence of the propensity to concentrate resources on one child. The program had limited funds, and parents were offered the option to enter any of their age-eligible children into a lottery. Parents of winners would get a monthly transfer as long as the child attended school regularly. Lottery winners were more likely to attend regularly, more likely to reenroll each academic year, and, in the version of the program where part of the transfer was conditional on college enrollment, much more likely to attend college. The disturbing finding was that in families that entered two or more children and one won, the child who lost the lottery was *less* likely to be enrolled in school than children in families where both lost. This is despite the increase in family income, which should have helped the other child. A winner was picked, and resources were concentrated on him (or her).²⁹

Misperception can be critical. In reality, there should not be an education-based poverty trap: Education is valuable at every level. But the fact that parents *believe* that the benefits of education are S-shaped leads them to behave as if there were a poverty trap, and thereby inadvertently to create one.

Elitist School Systems

Parents are not alone in focusing their expectations on success at the graduation exam: The whole education system colludes with them. The curriculum and organization of schools often date back to a colonial past, when schools were meant to train a local elite to be the effective allies of the colonial state, and the goal was to maximize the distance between them and the rest of the populace. Despite the influx of new learners, teachers still start from the premise that their mandate remains to prepare the best students for the difficult exams that, in most developing countries, act as a gateway either to the last years of school or to college. Associated with this is a relentless pressure to "modernize" the curriculum, toward making it more scientific and science oriented, toward fatter (and no doubt weightier) textbooks—to the point where the Indian government now sets a limit of 6.6 pounds on the total weight of the book bag that first- and second-graders can be asked to carry.

We once followed some Pratham staff to a school in the city of Vadodara, in western India. Their visit was preannounced and the teacher clearly wanted to make a good impression: His idea was to

draw an enormously complex figure on the board, representing one of the fiendishly clever proofs that Euclidian geometry is famous for, accompanied by a long lecture about the diagram. All the children (students in third grade) were neatly arranged in rows on the floor, and sat very quietly. Some might have been trying to draw a simulacrum of the figure on their tiny slates, but the quality of the chalk was so low that it was impossible to tell. It was clear that none of them had a clue what was going on.

This teacher was not an exception. We have seen countless examples of this kind of elite bias among teachers in developing countries. In collaboration with Pascaline Dupas and Michael Kremer, Esther helped design a reorganization of Kenyan classrooms, taking advantage of an extra teacher to divide the class in two. Each class was separated by prior achievement, to help children learn what they did not know yet. Teachers were then randomly assigned to the “top” or “bottom” track by a public lottery. Teachers who “lost” the lottery and were assigned to the bottom track were upset, explaining that they wouldn’t get anything out of teaching and would be blamed for their students’ low scores. And they adjusted their behavior accordingly: During random visits, teachers assigned to the bottom track were less likely to teach, and instead more likely to be having tea in the teachers’ room, than those assigned to the top track.³⁰

The problem is not the high ambition per se; what makes it really damaging is that it is combined with low expectations of what the students can accomplish. We once went to see some testing of children in Uttarakand, in the foothills of the Indian Himalayas. It was a brilliant fall day, and it was hard not to feel that the testing was something of an intrusion. The child we were trying to test certainly thought so. He vigorously nodded when we asked him whether he went to school and seemed agreeable enough when we told him we would ask him some questions, but when the interviewer handed him a sheet to read, he resolutely looked the other way, as only a seven-year-old can. The interviewer tried very hard to coax him to just glance at the sheet, promising nice pictures and a fun story, but his mind was made up; his mother kept muttering words of encouragement, but a certain halfheartedness in her efforts suggested that she did not expect him to change his mind. As we walked toward the car after the “interview,” an elderly man in a short dusty dhoti (the loincloth farmers wear in the area) and a yellowing T-shirt fell into step with us. “Children from homes like ours . . . ,” he said, leaving us to guess the rest. We had seen the same pessimism in the mother’s face and in faces of many mothers like her: She was not going to say it, but we were wasting our time.

References to a certain old-fashioned sociological determinism, whether based on caste, class, or ethnicity, are rife in conversations involving the poor. In the late 1990s, a team led by Jean Dreze prepared a report on the state of education in India, the Public Report on Basic Education in India (PROBE). One of the findings was:

Many teachers are anxious to avoid being posted in remote or “backward” villages. One practical reason is the inconvenience of commuting, or of living in a remote village with poor facilities. . . . Another common reason is alienation from the local residents, who are sometimes said to be squandering their money on liquor, to have no potential for education, or simply to “behave like monkeys.” Remote or backward areas are also seen as infertile ground for a teacher’s efforts.

A young teacher simply told the team that it was impossible to communicate with “children of uncouth parents.”³¹

In a study designed to find out whether this prejudice influenced teachers’ behavior with students,

teachers were asked to grade a set of exams. The teachers did not know the students, but half of the teachers, randomly chosen, were told the child's full name (which includes the caste name). The rest were fully anonymous. They found that, on average, teachers gave significantly lower grades to lower-caste students when they could see their caste than when they could not. But interestingly, it was not the higher-caste teachers who were doing this. The lower-caste teachers were actually *more* likely to assign worse grades to lower-caste students. They must have been convinced these children could not do well.³²

The combination of elevated expectations and little faith can be quite lethal. As we saw, the belief in the S—shape curve leads people to give up. If the teachers and the parents do not believe that the child can cross the hump and get into the steep part of the S—curve, they may as well not try: The teacher ignores the children who have fallen behind and the parent stops taking interest in their education. But this behavior *creates* a poverty trap even where none exists in the first place. If they give up, they will never find out that perhaps the child could have made it. And in contrast, families that assume that their children can make it, or families that don't want to accept that a child of theirs will remain uneducated, which tend to be, for obvious historical reasons, more elite families, end up confirmed in their “high” hopes. As one of his early teachers likes to recall, when Abhijit was falling behind in his schoolwork in first grade, everyone somehow managed to persuade themselves that this was because he was too far ahead of the class and bored. As a result he was sent up to the next grade, where, once again, he immediately fell behind, to the point where the teacher took to hiding his homework so that the higher-ups would not question the wisdom of having promoted him. If, instead of being the child of two academics, he had been a child of two factory workers, he would almost surely have been assigned to remedial education or asked to leave the school.

Children themselves use this logic when assessing their own abilities. The social psychologist Claude Steele demonstrated the power of what he calls “stereotype threat” in the U.S. context: Women do better on math tests when they are explicitly told that the stereotype that women are worse in math does not apply to this particular test; African Americans do worse on tests if they have to start by indicating their race on the cover sheet.³³ Following Steele's work, two researchers from the World Bank had lower-caste children in the Indian state of Uttar Pradesh compete against high-caste children in solving mazes.³⁴ They found that the low-caste children compete well against the high-caste children as long as caste is not salient, but once low-caste children are reminded that they are low castes competing with high-caste children (by the simple contrivance of asking them their full names before the game starts), they do much worse. The authors argue that this may be driven in part by a fear of not being evaluated fairly by the obviously elite organizers of the game, but it could just as well be the internalization of the stereotype. A child who expects to find school difficult will probably blame herself and not her teachers when she can't understand what is being taught, and may end up deciding she's not cut out for school—“stupid,” like most of her ilk—and give up on education altogether, daydreaming in class or, like Shantarama's children, just refusing to go.

WHY SCHOOLS FAIL

Because in many developing countries, both the curriculum and the teaching are designed for the elite rather than for the regular children who attend school, attempts to improve the functioning of the schools by providing extra inputs have generally been disappointing. In the early 1990s, Michael Kremer was looking for a simple test case to perform one of the first randomized evaluations of a policy intervention in a developing country. For this first attempt, he wanted a noncontroversial example in which the intervention was likely to have a large effect. Textbooks seemed to be perfect: Schools in western Kenya (where the study was to be conducted) had very few of them, and the nearuniversal consensus was that the books were essential inputs. Twenty-five schools were randomly chosen out of 100, and textbooks (the officially approved books for those classes) were distributed. The results were disappointing. There was no difference in the average test scores of students who received textbooks and those who did not. However, Kremer and his colleagues did discover that the children who were initially doing very well (those who had scores near the top in the test given before study began) made marked improvement in the schools where textbooks were given out. The story started to make sense. Kenya's language of education is English, and the textbooks were, naturally, in English. But for most children, English is only the third language (after their local language and Swahili, Kenya's language), and they speak it very poorly. Textbooks in English were never going to be very useful for the majority of children.³⁵ This experience has been repeated in many places with other inputs (from flip charts to improved teacher ratios). As long as they're not accompanied by a change in pedagogy or in incentives, new inputs don't help very much.

It should now be clear why private schools do not do better at educating the average child—their entire point is to prepare the best-performing children for some difficult public exam that is the stepping-stone toward greater things, which requires powering ahead and covering a broad syllabus. The fact that most children are getting left behind is unfortunate, but inevitable. The school Abhijit went to in Calcutta had a more or less explicit policy of expelling the bottom of the class every year, so that by the time the graduation exam came around, it could claim a perfect pass record. Kenyan primary schools adopt the same strategy, at least starting in sixth grade. Because parents share these preferences, they have little reason to put pressure on the schools to behave otherwise. Parents, like everyone else, want schools to deliver what they understand to be an “elite” education to their child—despite the fact that they are in no position to monitor whether this is what is actually being delivered or give any thought to whether their children will benefit from it. For example, English-language instruction is particularly popular with parents in South Asia, but non-English-speaking parents cannot know whether the teachers can actually teach in English. The flipside of this is that parents have little interest in the summer camps and the evening classes—kids who need those classes are not going to win the lottery, so what is the point?

We can also see why Pratham's summer schools worked. The public-school teacher seems to know how to teach the weaker children and is even willing to put some effort into it during the summer, but during the regular school year this is not his job—or so he has been led to believe. Recently, also in Bihar, we evaluated a Pratham initiative to fully integrate remedial education programs into government schools, by training the teachers to work with their materials and also by training volunteers to work as teacher's assistants in these classrooms. The result was striking. In those (randomly chosen) schools that had both the teacher training and the volunteers, the gains are substantial, mirroring all the Pratham results we saw above. Where there was just teacher training, on the other hand, essentially nothing changed. The same teachers who did so well during the summer

camps completely failed to make a dent: The constraints imposed by the official pedagogy and the particular focus on covering the syllabus seem to be too much of a barrier. We cannot just blame the teachers for this. Under India's new Right to Education Act, finishing the curriculum is required by law.

At the broader, societal level, this pattern of beliefs and behavior means that most school systems are both unfair and wasteful. The children of the rich go to schools that not only teach more and teach better, but where they are treated with compassion and helped to reach their true potential. The poor end up in schools that make it very clear quite early that they are not wanted unless they show some exceptional gifts, and they are in effect expected to suffer in silence until they drop out.

This creates a huge waste of talent. Among all those people who drop out somewhere between primary school and college and those who never start school, many, perhaps most, are the victims of some misjudgment somewhere: Parents who give up too soon, teachers who never tried to teach them, the students' own diffidence. Some of these people almost surely had the potential to be professors of economics or captains of industry. Instead they became daily laborers or shopkeepers, or if they were lucky, they made it to some minor clerical position. The slots that they left vacant were grabbed, in all likelihood, by mediocre children of parents who could afford to offer their children every possible opportunity to make good.

Stories about great scientists, from Albert Einstein to the Indian math genius Ramanujam, both of whom did not make it through the educational system, are of course well-known. The story of the company Raman Boards suggests that this experience may not just be limited to a few extraordinary people. A Tamil engineer named V. Raman started Raman Boards in Mysore in the late 1970s. The company made industrial-grade paper products such as the sheets of cardboard used in electrical transformers. One day, V. Raman found a young man, Rangaswami, outside the door of the factory, asking for a job. He was from a very poor family, he said, and he had some engineering education, but just a diploma, not a proper college degree. Compelled by his insistence that he could do good work, Raman gave him a quick intelligence test. Impressed by the results, he took the young man under his wing. When there was a problem, Rangaswami would be assigned the task, and working initially with Raman, but increasingly on his own, he would come up with a creative solution to it. Raman's firm was eventually bought up by the giant Swedish multinational, ABB—it is now the most efficient of the many plants that ABB runs the world over, including in Sweden. Rangaswami, the man who could not get an engineering degree, is the head of engineering. His colleague, Krishnachari, another of Raman's finds—an ex-carpenter with little formal education—is a key manager in the components division.

Aroon, Raman's son, who ran the company before it was sold, now runs a small R&D unit with a few people who were with him at Raman Boards. His core research team of four includes two people who never completed high school, and no qualified engineers. They are brilliant, he says, but at the beginning the problem was that they didn't have the confidence to speak up, so how could one know? It is only because it was a small firm, and yet one that did a lot of R&D, that they were discovered. And even then it took a lot of patient work to discover their capabilities and they needed constant encouragement.

This model is obviously not easy to replicate. The problem is that there are no straightforward ways to identify talent, unless one is willing to spend a lot of time doing what the education system

should have been doing: giving people enough chances to show what they are good at. Yet Raman Boards is not the only firm that thinks there is a lot of undiscovered talent out there. Infosys, one of India's IT giants, has set up testing centers where people, including those without much formal qualification, can walk in and take a test that focuses on intelligence and analytical skills rather than textbook learning. Those who do well get to become trainees, and successful trainees get a job. This alternative route is a source of hope for those who fell through the gaping holes in the education system. When Infosys closed its testing centers during the global recession, it was front-page news in India.

A combination of unrealistic goals, unnecessarily pessimistic expectations, and the wrong incentives for teachers contributes to ensure that education systems in developing countries fail their two basic tasks: giving everyone a sound basic set of skills, and identifying talent. Moreover, in some ways the job of delivering quality education is getting harder. The world over, education systems are under stress. Enrollment has gone up faster than resources, and with the growth in the high-tech sectors, there is a worldwide increase in the demand for the kind of peoples who used to become teachers. Now they are becoming programmers, computer systems managers, and bankers instead. This is going to be a particularly serious issue for finding good teachers at the secondary level and beyond.

Is there a way out, or is the problem simply too difficult?

REENGINEERING EDUCATION

The good news, and it is very good news indeed, is that all the evidence we have strongly suggests that making sure that every child learns the basics well in school is not only possible, it is in fact fairly easy, as long as one focuses on doing exactly that, and nothing else.

A remarkable social experiment from Israel shows how much schools can do. In 1991, 15,000 more or less indigent Ethiopian Jews and their children were airlifted out of Addis Ababa in a single day and dispersed into communities all over Israel. There, these children, whose parents had had on average between one and two years of schooling, entered elementary schools with other Israeli children, both long-term settlers and recent immigrants from Russia, whose parents had had on average 11.5 years of schooling. The family backgrounds of the two groups could not have been more different. Years later, at the point when those who entered school in 1991 were about to graduate from high school, the differences had narrowed considerably. Sixty-five percent of the Ethiopian children had reached twelfth grade without grade repetition, compared to the only slightly higher 74 percent among the Russian emigrants. It turns out that even the most severe disadvantage in terms of family background and early life conditions can largely be compensated for, at least in Israeli schools, where the right conditions are met.³⁶

Successful experiments have given us a number of ideas on how to create these conditions. A first factor is a focus on basic skills, and a commitment to the idea that *every child* can master them as long as she, and her teacher, expends enough effort on it. This is the fundamental principle behind the Pratham program, but it is also an attitude that is encapsulated by the “no excuse” charter schools in

the United States.³⁷ These schools, such as the Knowledge Is Power Program (KIPP) schools, the Harlem Children's Zone, and others, mainly cater to students from poor families (particularly black children), with a curriculum that focuses on the solid acquisition of basic skills and continuous measurements of what children actually know: Without such diagnosis, it is impossible to evaluate their progress.

These schools have been shown, in several studies based on comparing those winners and losers of the admission lotteries, to be extremely effective and successful. A study of charter schools in Boston suggests that expanding fourfold the capacity of charter schools and keeping the current demographic profile of students the same would have the potential to erase up to 40 percent of the citywide gap in math test scores between white and black children.³⁸ The mechanism at play is exactly what we see in Pratham's programs: Children who are completely lost in the regular school system (their test scores are way behind those of other children when they enter charter schools) are given a chance to catch up, and many take it.

A second piece of good news from Pratham's work is that it takes relatively little training to be an effective remedial teacher, at least in the lower grades. The volunteers who had such dramatic effects were mostly college students and other people with a week or ten days of training in pedagogy. Moreover, this extends beyond teaching only reading and basic arithmetic. The same program in Bihar that put volunteers in classrooms also had them teach the children who could read well to use their reading skills to learn—Pratham calls this Reading to Learn, the sequel to its more basic Learning to Read—and the learning gains were substantial. Charter schools mainly use young, enthusiastic teachers, and they are able to significantly help both primary-school and middle-school children.

Third, there are large potential gains to be had by reorganizing the curriculum and the classrooms to allow children to learn at their own pace, and in particular to make sure the children who are lagging behind can focus on the basics. Tracking children is a way to do that. In Kenya, the study mentioned earlier compared two models to assign first-grade students to two separate classes. In one model, children were randomly assigned to a classroom. In the other, they were split up based on what the children already knew. When students were assigned according to their initial level, so that the teachers could address the children's needs better, students at all levels of initial achievement did better. And the gains were persistent: At the end of third grade, students who had been tracked in first and second grades were still doing better than those who had not been tracked.³⁹ Alternatively, one could find other ways to tailor the teaching to the needs of individual students. One possibility is to make the boundaries between the grades more fluid, so that a child whose age puts him in fifth grade but who needs to take second-grade classes in some subjects can do so without additional stigma.

More generally, a lot could be done to change the unrealistic expectations that everyone has. A program in Madagascar that simply told parents about the average income gains from spending one more year in school *for children from backgrounds similar to theirs* had a sizable positive effect on test scores, and, in the case of parents who found out that they had underestimated the benefits of education, the gains were twice as large.⁴⁰ An earlier study in the Dominican Republic produced similar results with high school students.⁴¹ Since it is essentially free to have teachers simply pass on information to parents, this is so far the cheapest known way to improve test scores, among all the interventions that have been evaluated.

It may also be a good idea to try to set more proximate goals for both children and teachers. That

way everyone can stop focusing so much on that one elusive outcome at the end of many years. A program in Kenya that offered a \$20 USD PPP scholarship for the next year to girls who scored in the top 15 percent on an exam not only got the girls to do much better, but it also put pressure on the teachers to work harder (to help the girls), which meant that boys did better, too, even though there was no scholarship for them.⁴² In the United States, rewarding children for achieving long-term goals (such as getting high grades) was not successful, but rewarding them for effort on reading proved extremely effective.⁴³

Finally, given that good teachers are hard to find and information technology is getting better and cheaper by the day, it seems rational to use it more. The current view of the use of technology in teaching in the education community is, however, not particularly positive. But this is based mainly on experience from the rich countries, where the alternative to being taught by the computer is, to a large extent, being taught by a well-trained and motivated teacher. As we have seen, this is not always the case in poor countries. And in fact, the evidence from the developing world, though sparse, is quite positive. We did an evaluation of a computer-assisted learning program run in collaboration with Pratham in the government schools in Vadodara in the early 2000s. The program was simple. Pairs of third- and fourth-graders got to play a game on the computer. The game involved solving progressively difficult math problems; success in solving them gave the winner a chance to shoot some garbage into outer space (this was a very politically correct game). Despite the fact that they only got to play for two hours a week, the gains from this program in terms of math scores were as large as those of some of the most successful education interventions that have been tried in various contexts over the years, and this was true across the board—the strongest children did better, and so did the weakest children. This highlights what is particularly good about the computer as a learning tool: Each child is able to set his or her own pace through the program.⁴⁴

This message of scaling down expectations, focusing on the core competencies, and using technology to complement, or if necessary substitute for, teachers, does not sit well with some education experts. Their reaction is perhaps understandable—we seem to be suggesting a two-tier education system—one for the children of the rich, who will no doubt get taught to the highest standards in expensive private schools, and one for the rest. This objection is not entirely unwarranted but unfortunately, the division exists already, with the difference that the current system delivers essentially nothing to a very large fraction of children. If the curriculum were radically simplified, if the teacher's mission were squarely defined as making everyone master every bit of it, and if children were allowed to learn it at their own pace, by repeating if necessary, the vast majority of children would get something from the years they spend in school. Moreover, the gifted would actually get a chance to discover their own gifts. It is true that it would take some work to put them on the same footing as those who went to elite schools, but if they had learned to believe in themselves, they might have a chance, especially if there is a willingness in the system to help them get there.⁴⁵ Recognizing that schools have to serve the students they do have, rather than the ones they perhaps would like to have, may be the first step to having a school system that gives a chance to every child.

Pak Sudarno's Big Family

Sanjay Gandhi, the younger son of the Indian prime minister Indira Gandhi and her heir apparent until his death in a plane crash in 1981, was convinced that population control needed to be an essential part of India's development plan. It was the central theme of his many public appearances during the period called the Emergency (mid-1975 until early 1977), when democratic rights were temporarily suspended and Sanjay Gandhi, despite holding no official position, was quite openly running things. The family-planning program must be given "the utmost attention and importance," he said in a characteristically understated quote, "because all our industrial, economic, and agricultural progress would be of no use if the population continued to rise at the present rate."¹

India had had a long history with family planning, starting in the mid-1960s. In 1971, the state of Kerala experimented with mobile sterilization services, the "sterilization camps" approach that was to be the cornerstone of Sanjay Gandhi's plan during the Emergency. Although most politicians before him had identified population control as an important issue, Sanjay Gandhi brought to the problem both an unprecedented level of enthusiasm and the ability (and willingness) to twist as many arms as necessary to implement his chosen policies. In April 1976, the Indian Cabinet approved a formal statement of national population policy that called for a number of measures to encourage family planning, notably, large financial incentives for those who agreed to be sterilized (such as a month's wages or priority on a housing list), and more frighteningly, authorization for each state to develop compulsory sterilization laws (for, say, everyone with more than two children). Although only one state proposed such a law (and that law was never approved), states were explicitly pressured to set sterilization quotas and fulfill them, and all but three states "voluntarily" chose targets greater than what was proposed by the central government: The targets totaled 8.6 million sterilizations for 1976–1977.

Once laid out, the quotas were not taken lightly. The chief of the Uttar Pradesh bureaucracy wrote by telegraph to his principal field subordinates: "Inform everybody that failure to achieve monthly targets will not only result in the stoppage of salaries but also suspension and severest penalties. Galvanise entire administrative machinery forthwith repeat forthwith and continue to report daily progress by crash wireless to me and secretary to Chief Minister." Every government employee, down to the village level, and not excluding railway inspectors and school teachers, was supposed to know the local target. Parents of schoolchildren were visited by teachers, who told them that in the future, their children may be denied enrollment in school if they did not agree to get sterilized. People traveling by train without a ticket—a widely accepted practice among the poor until then—were handed heavy fines unless they chose sterilization. Not surprisingly, the pressure occasionally went much further. In Uttawar, a Muslim village near the capital city of Delhi, all male villagers were rounded up one night by the police, sent to the police stations on bogus charges, and sent from there to be sterilized.

The policy appears to have achieved its immediate target, although the incentives probably also led

to some overreporting in the number of actual sterilizations. In 1976–1977, 8.25 million people were reportedly sterilized, 6.5 million of them during just the period July–December 1976. By the end of 1976, 21 percent of Indian couples were sterilized. But the violations of civil liberties that were an integral part of the implementation of the program were widely resented, and when in 1977, India finally held elections, discussions of the sterilization policy were a key part of the debate, as captured most memorably by the slogan “*Indira hatao, indiri bachao* (Get rid of Indira and save your penis).” It is widely believed that Indira Gandhi’s defeat in the 1977 elections was in part driven by popular hatred for this program. The new government immediately reversed the policy.

In one of those ironic twists in which historians delight, it is not inconceivable that in the longer term, Sanjay Gandhi actually contributed to the faster growth of India’s population. Tainted by the emergency, family-planning policies in India retreated into the shadows and in the shadows they have remained—some states, such as Rajasthan, do continue to promote sterilization on a voluntary basis, but no one except the health bureaucracy seems to have any interest in it. In the meantime, however, generalized suspicion of the motivations of the state seems to be one of the most durable residues of the Emergency; for example, one still routinely hears of people in slums and villages refusing pulse polio drops because they believe it is a way to secretly sterilize children.

This particular episode and China’s draconian one-child policy are the most well-known examples of severely enforced population control measures, but most developing countries have some form of population policy. In an article published in *Science* in 1994, John Bongaarts, from the Population Council, estimated that in 1990, 85 percent of the population of the developing world lived in countries where the government had the explicit view that their population was too large and needed to be controlled through family planning.²

There are certainly many reasons for the world at large to be worried about population growth today. Jeffrey Sachs talks about them in his book *Common Wealth*.³ The most obvious is its potential impact on the environment. Population growth contributes to the growing carbon dioxide emissions and hence to global warming. Drinking water is getting scarcer by the day in some parts of the world, in part directly because there are more people drinking and in part because having more people means growing more food and therefore using more water for irrigation (70 percent of fresh water is accessed for irrigation). The World Health Organization estimates that one-fifth of the world’s population lives in areas where fresh water is scarce.⁴ These are of course vitally important issues, and individual families deciding how many children to have probably do not fully take them into account, which is precisely why a population policy might be needed. The problem is that it is impossible to develop a reasonable population policy without understanding why some people have so many children: Are they unable to control their own fertility (due to lack of access to contraception, for example), or is it a choice? And what are the reasons for those choices?

WHAT IS WRONG WITH LARGE FAMILIES?

Richer countries have lower population growth. For example, a country like Ethiopia, where the total fertility rate is 6.12 children per woman, is fifty-one times poorer than the United States, where the

total fertility rate is 2.05.

This strong relationship has convinced many, including academics and policy makers, of the validity of an old argument first popularized by the Reverend Thomas Malthus, a professor of history and political economy at the East India Company College, near London, at the turn of the eighteenth century. Malthus believed that the resources countries have are more or less fixed (his favorite example was land), and he therefore thought that population growth was bound to make them poorer.⁵ By this logic, the Black Death, believed to have killed half of Britain's population between 1348 and 1377, should get credit for the high-wage years that followed. Alwyn Young, an economist at the London School of Economics, recently reinstated this argument in the context of the current HIV/AIDS epidemic in Africa. In an article entitled "The Gift of the Dying," he argued that the epidemic would make future generations of Africans better off by reducing fertility.⁶ This reduction of fertility occurs both directly, through the reluctance to engage in unprotected sex, and indirectly, because the resulting labor scarcity makes it more attractive for women to work rather than have babies. Young calculated that in South Africa in the coming decades, the "boon" of a reduced population would be large enough to outweigh the fact that many of the AIDS orphans would not get a proper education; South Africa could be 5.6 percent richer in perpetuity as a direct consequence of HIV. He concluded by observing, no doubt for the benefit of his more squeamish readers, "One cannot endlessly lament the scourge of high population growth in the developing world and then conclude that a reversal of such processes is an equal economic disaster."

Young's article generated a heated controversy that centered on whether the HIV/AIDS epidemic indeed causes a decline in fertility. Careful follow-up⁷ has since refuted this claim. However, people were mostly willing to concede his other premise—that a cut in fertility would make everyone richer.

Yet this is less obvious than it sounds. After all, there are many times more people on the planet today than when Malthus first formulated his hypothesis and most of us are richer than Malthus's contemporaries. Technological progress, which did not figure in Malthus's theories, has a way of making resources appear from nowhere; when there are more people around, there are more people looking for new ideas, and so perhaps technological breakthroughs are more likely. Indeed, for most of human history (starting in 1 million BC), regions or countries that had more people were growing *faster* than the rest.⁸

The case is therefore unlikely to be settled on purely theoretical grounds. And the fact that today, countries with higher fertility rates are poorer, doesn't tell us that they are poorer because of high fertility. It could instead be that they have high fertility because they are poor, or some third factor could cause both high fertility and poverty. Even the "fact" that periods of rapid economic growth often coincide with sharp declines in fertility, as in Korea and Brazil in the 1960s, is ambiguous at best. Did families start having fewer children when growth accelerated, perhaps because they had less time to take care of them? Or did the reduction in fertility free up resources for other investments?

As we have had to do many times already, we need to shift perspective, leave the large question aside, and focus on the lives and choices of poor people—if we want to have any hope of making progress on this issue. One way to start is by looking at what happens within the family: Are large families poorer because they are large? Are they less able to invest in the education and health of their children?

One of Sanjay Gandhi's favorite slogans was "A small family is a happy family." Accompanied by

a cartoon image of a beaming couple with their two plump children, it was one of the most universal sights in late 1970s India. This could have been the illustration of an influential argument offered by Gary Becker, a Nobel Prize–winner in economics. Families, Becker argued, face what he called a “quality-quantity trade-off.” That is, when there are more children, each of them will be of lower “quality” because the parents will devote fewer resources to feeding and schooling each of them properly.⁹ This would be particularly true if the parents believed, rightly or wrongly, that it is worth investing more in the most “gifted” of their children, which, as we have already discussed, is what happens in the S-shaped world. Some children could then end up being entirely denied their life chances. If children born into large families are less likely to receive proper education, nutrition, and health care (what economists call investment in human capital), and if poor families are more likely to be large (say, because they cannot afford contraception), this creates a mechanism for the intergenerational transmission of poverty, in which poor parents beget (many) poor children. Such a poverty trap could potentially provide a rationale for a population policy, an argument that Jeffrey Sachs makes in *Common Wealth*.¹⁰ But is it actually true? Do children who grow up in larger families have obvious disadvantages? In our eighteen-country data set, children born into large families do tend to have less education, though this is not true everywhere—rural Indonesia,¹¹ Côte d’Ivoire, and Ghana¹² are among the exceptions. However, even where it is true, there is no presumption that it is *because* the children have many siblings that they are poor and less educated. It could just be that poor families who choose to have many children also do not value education as much.

To test Becker’s model and find out whether an increase in family size leads to reduced investment in children’s human capital, researchers have tried to focus on instances where the increase was in part beyond the control of the family. Their results are surprising: In such cases, they found no evidence that children born in smaller families are really more educated.

One example of a situation where a family ends up with more children than it expected, given that most of the world’s poor do not use fertility-enhancing therapies, is the birth of twins: If the family was planning to have two children, for example, but twins are born at the second birth, the first child then has one more sibling than he or she would otherwise have had. The sex composition of children is another factor. Families often want to have both a boy and a girl. This means that a couple whose second child was of the same gender as their first is more likely to plan for a third than a family that already has a boy and a girl.¹³ In many developing countries, parents are also more likely to have an additional child if they have not yet had a boy. Compare a girl who is a first child, and has one female sibling, with one who has a male younger sibling: The former is more likely to grow up with two or more siblings than the latter, for the purely accidental reason (at least till the advent of child sex-selection technologies) that she had a younger sister rather than a younger brother. A study in Israel that focused on these sources of variation in family size found, surprisingly, that large family size appears to have had no adverse effects on the education of the children, even among Israeli Arabs, who are mostly very poor.¹⁴

Nancy Qian found an even more provocative result when she looked at the effect of the one-child policy in China. In some areas, the policy was relaxed to allow a family whose first child was a girl to have a second child. She found that girls who, because of this policy, got a sibling they would not otherwise have had received *more* education, not less,¹⁵ in apparent defiance of Becker’s theorem.

Another piece of evidence comes from Matlab, Bangladesh. This area was the setting for one of the

most impressive experiments in voluntary family planning in the world. In 1977, a sample of half of 141 villages was selected to receive an intensive family-planning outreach program called the Family Planning and Maternal and Child Health Program (FPMCH). Every two weeks, a trained nurse brought family-planning services to the homes of all married women of childbearing age who were willing to receive her. She also offered help with prenatal care and immunizations. Perhaps not surprisingly, the program led to a sharp reduction in the number of children. By 1996, women in the program areas between the ages of thirty and fifty-five had about 1.2 fewer children than those in the areas that didn't get the program. This change was accompanied by a drop in child mortality by one-fourth, but since the program also directly intervened to improve child health, there is no reason to attribute the increase in child survival to the change in fertility. Yet despite the facts that fertility decreased and lots more money was spent on making children healthier, by 1996, there was no significant difference in the height, weight, school enrollment, or years of education achieved for either boys or girls. Again, the quality-quantity relationship seems to be absent.¹⁶ Of course, these three studies alone may not be the last word, and there is certainly a need for more research, but for now, our reading of the evidence, contrary to what Sachs argues in *Common Wealth*, is that there is no smoking gun to prove that larger families are bad for children. As such, it is hard to justify top-down family planning as a means of protecting children from having to grow up in large families.

That family size does not adversely affect children seems counterintuitive, however: If the same resources have to be shared among more people, some of them at least should end up with less. If children do not suffer, who does? One possible answer is the mother.

The Profamilia program in Colombia suggests that this is definitely something to worry about. Launched by a young obstetrician named Fernando Tamayo in 1965, Profamilia was the major provider of contraception in Colombia over the next few decades and is one of the longest-standing family-planning programs in the world. By 1986, 53 percent of Colombian women of reproductive age were using contraceptives, mainly obtained through Profamilia. And women who had access to family planning as teenagers through this program had more schooling and were 7 percent more likely to work in the formal sector than those who did not.¹⁷

Along similar lines, the Bangladeshi women who benefited from the program in Matlab were heavier and taller than those in the comparison group and also earned more. The availability of contraception gives women more control over their reproductive lives—they can decide not just how many babies to have but also when to have them. And there is clear evidence that getting pregnant too early in life is very bad for the health of the mother.¹⁸ Moreover, early pregnancy, or even getting married, often results in dropping out of school.¹⁹ But to locate the case for family planning in society's desire to protect the mother raises an obvious question: If getting pregnant at the wrong time is not in her interest, why does it happen? More generally, how do families make fertility decisions, and how much control do women have over these decisions?

DO THE POOR CONTROL THEIR FERTILITY DECISIONS?

One reason the poor may not be able to control their fertility is that they may not have access to modern contraception methods. According to the official UN report on progress toward the Millennium Development Goals, filling “unmet demand” for modern contraceptives could “result in a 27 percent drop in maternal deaths each year by reducing the annual number of unintended pregnancies from 75 million to 22 million.”²⁰ Poor and uneducated women are much less likely to use contraception than richer and more educated women. Moreover, in the last decade, there has been no increase in the use of modern contraception among poor women.

Yet, low *usage* is not necessarily a sign of *lack of access*. The same kinds of demand-supply wars that have animated the field of education have their equivalents in the family-planning arena and, perhaps not surprisingly, the supply and demand wallahs are often the same people. The supply wallahs (such as Jeffrey Sachs) emphasize the importance of access to contraception, noting that people who use modern contraceptive methods have much lower fertility rates; the demand wallahs retort that this relationship just reflects the fact that those who want to reduce fertility mostly find their way to the right kind of contraception without any outside help, so just making contraception available will not do very much.

To find out whether it was the case, Donna Gibbons, Mark Pitt, and Mark Rosenzweig painstakingly matched the data on the number of family-planning clinics available at three points in time (1976, 1980, and 1986) in each of several thousand Indonesian subdistricts to village-level survey data on fertility.²¹ Unsurprisingly, they found that regions that had more clinics had lower fertility. However, they also found that the decline in fertility over time was unrelated to the increase in the number of clinics. They concluded that family-planning facilities were provided where people wanted them, but that they had no direct effect on fertility. Demand wallahs, 1; supply wallahs, 0.

The Matlab program has long been the poster child for the supply wallahs. Here at least, they argue, there is incontrovertible evidence that the availability of contraceptives makes a difference. As we saw, women age thirty to fifty-five in 1996 had on average 1.2 fewer children in treatment areas than those in control areas. But the program in Matlab was doing much more than just making contraceptives available. One of its key components was the biweekly visit by a female health worker to households where women were in *purdah* and therefore limited in their mobility, bringing the discussion of contraception to places where it used to be taboo. (This also made the program expensive—Lant Pritchett, then a World Bank economist, estimated that the Matlab program cost thirty-five times more per fertile woman and per year than the typical family-planning program in Asia.)²² Thus, it is plausible that the program directly altered the households’ desired number of children, rather than just giving them some tools they could use to control their fertility. Moreover, since about 1991, fertility has stopped falling in the program areas, and the difference between program areas and other control areas has started to narrow. In 1998, the last year for which we have data, the total fertility rate was 3.0 in the program areas, 3.6 in the control areas, and 3.3 in the rest of Bangladesh.²³ The Matlab program may have simply accelerated a trend toward fertility reduction that was happening in the rest of the country. So at best, this one seems to be a draw.

The study of the Colombian Profamilia program also concludes that the program had very little effect on overall fertility. Access to Profamilia led women to have only about 5 percent fewer children in their lifetimes, which is less than one-tenth of the total fertility decline since the 1960s. Demand wallahs, 2; supply wallahs, 0.

Thus, the data seem to squarely hand victory to the demand wallahs: Contraceptive access may

make people happy by giving them a much more convenient way to control their fertility than the available alternative. But it appears to do, in itself, little to reduce fertility.

Sex, School Uniforms, and Sugar Daddies

What better access to contraceptives can do, however, is help teenagers postpone pregnancies. The Profamilia program did that in Colombia and helped women get better jobs down the line. Unfortunately, in many countries, teenagers are barred from accessing the family-planning services unless their parents give official consent. Teenagers may be the most likely to have an unmet need for contraception, mainly because many countries do not recognize the legitimacy of their sexual desires or assume that they have so little control that they would not be able to use contraception properly. The result is that teenage pregnancy rates are extremely high in many developing countries, particularly in sub-Saharan Africa and in Latin America. According to WHO, the rate of teen pregnancy is above 10 percent in Côte d'Ivoire, Congo, and Zambia; and Mexico, Panama, Bolivia, and Guatemala have rates between 8.2 and 9.2 births per 100 adolescent women (in the United States, which has one of the highest teen pregnancy rates in the developed world, there are 4.5 births per 100 adolescent women).²⁴ Further, the little that seems to be done about this issue or the related issue of the spread of sexually transmitted diseases (including HIV/AIDs) tends to completely miss the mark.

Esther found a clear example of the consequences of this kind of misguided effort in Kenya. With Pascaline Dupas and Michael Kremer, she followed schoolgirls—initially ages twelve to fourteen, who had never been pregnant.²⁵ One, three, and five years down the road, average pregnancy rates among them were 5 percent, 14 percent, and 30 percent, respectively. Early pregnancies are not only undesirable in and of themselves, but they are also a marker for risky sex, which in Kenya means a higher risk of contracting HIV/AIDS. The official strategy to address this problem in Kenya, the result of a delicate balancing act negotiated among civic groups, various churches, international organizations, and the government, mostly emphasizes that sexual abstinence is the only foolproof solution. The standard message spells out a clear hierarchy of strategies: Abstain, Be faithful, use a Condom . . . or you Die (or in other words, ABCD). In schools, children are taught to avoid sex until marriage, and condoms are not discussed. For many years, this trend was encouraged by the U.S. government, which focused its AIDS prevention money on abstinence-only programs.²⁶

This strategy presumes that adolescents are not responsible or smart enough to weigh the costs and benefits of sexual activity and condom use. If this were indeed the case, scaring them away from sex altogether (or at least from sex outside marriage) would be the only way to protect them. But several simultaneous experiments that Esther, Pascaline Dupas, and Michael Kremer conducted in Kenya suggest that, quite to the contrary, adolescents make carefully calculated, if not fully informed, choices about whom to have sex with and under what conditions.

In the first study, the ABCD strategy was evaluated by arranging for teachers in 170 randomly chosen schools to be trained in teaching the ABCD curriculum. Not surprisingly, this training increased the time spent on AIDS education in schools, but there were no changes in reported sexual behavior or even in knowledge about AIDS. In addition, when measured one, three, and five years after the intervention, pregnancy rates among adolescents were the same in schools where teachers were trained and where they were not, suggesting no change in the extent of risky sex.

The effects of the two other strategies that were tried in the same schools could not be more different. The second strategy just involved telling the girls something they did not know: the fact that older men are more likely to be infected with HIV than younger ones. A striking feature of HIV is that women from the ages of fifteen to nineteen are five times more likely to be infected than young men in the same cohort. This seems to be because young women have sex with older men, who have comparably high infection rates. The “sugar daddies” program simply informed students about what kind of people are more likely to be infected. Its effect was to sharply cut down sex with older men (the “sugar daddies”) but, also interestingly, to promote protected sex with boys their own age. After a year, the pregnancy rates were 5.5 percent in schools that had not received the program and 3.7 percent in schools that had received it. This reduction was mainly attributable to a reduction by two-thirds in pregnancies where an older male partner was involved.²⁷

The third program just made it easier for girls to remain in school by paying for a school uniform. Teenage pregnancy rates in the schools where uniforms were offered fell from 14 percent to 11 percent after a year. To put it slightly differently, for every three girls who stayed in school because of the free uniform, two delayed their first pregnancy. Intriguingly, this effect was entirely concentrated in the schools where the teachers had not been trained in the new sex-education curriculum. In schools that had both the HIV/AIDS and the uniforms programs, girls were no less likely to become pregnant than those in the schools that had nothing. The HIV/AIDS education curriculum, instead of reducing sexual activity among adolescents, actually *undid* the positive effect of the uniform distribution.

Putting these different results together, a coherent story starts to emerge. Girls in Kenya know perfectly well that unprotected sex leads to pregnancy. But if they think that the prospective father will feel obliged to take care of them once they give birth to his child, getting pregnant may not be such a bad thing after all. In fact, for the girls who cannot afford a school uniform and therefore cannot stay in school, having a child and starting a family of her own may be a relatively attractive option, compared to just staying at home and becoming the general “Hey, you” for the whole family, the usual outcome for unmarried out-of-school teenage girls. This makes older men more attractive partners than young boys who cannot yet afford to get married (at least when the girls don’t know that they are more likely to have HIV). Uniforms reduce fertility by giving girls the ability to stay in school, and thus a reason not to be pregnant. But the sex-education program, because it discourages extramarital sex and promotes marriage, focuses the girls on finding a husband (who more or less has to be a sugar daddy), undoing the effect of the uniforms.

One thing is relatively clear: For the most part, poor people, even adolescent girls, make conscious choices about their own fertility and sexuality and find ways—though perhaps not pleasant ways—to control it. If young women get pregnant even though it is extremely costly for them, it must reflect someone’s active decision.

Whose Choice?

One issue that immediately arises when we think about fertility choice, however, is whose choice? Fertility decisions are made by a couple, but women end up paying most of the physical costs of bearing children. Not surprisingly, their preferences for fertility end up being quite different from

those of men. In surveys on desired family size in which men and women are separately interviewed, men usually report a larger ideal family size and consistently a lower demand for contraception than their wives. Given the potential for disagreement, how much say a woman has within the household will clearly matter. It is plausible, for example, that a woman who is much younger than her husband or much less educated (both consequences of early marriage) will find it harder to stand up to her husband. But it also depends on whether she can find a job, her freedom to divorce, and her survival options in the case of divorce. These contingencies, in turn, depend on the legal, social, political, and economic environment she and her husband inhabit, which can be affected by public policy. In Peru, for example, when former squatters were handed out property rights, fertility declined in households that got a title (compared to those that got nothing), but only if the woman's name was included on the title along with that of the man.²⁸ One likely explanation is that with her name on a property title, the woman acquired more bargaining power in the family and was therefore able to weigh more heavily in the decision on family size.

The conflict between husbands and wives also implies that whereas the availability of contraceptives per se may not do very much to reduce fertility, small changes in the *way* in which they are made available can potentially have larger effects. Nava Ashraf and Erica Field provided 836 married women in Lusaka, Zambia, with a voucher guaranteeing free and immediate access to a range of modern contraceptives through a private appointment with a family-planning nurse. Some women received the voucher in private. Some received the voucher in the presence of their husbands. Ashraf and Field found that this made a huge difference: Compared to cases where husbands were involved, women who were seen alone were 23 percent more likely to visit a family-planning nurse, 38 percent more likely to ask for a relatively concealable form of contraception (injectable contraceptives or contraceptive implants), and 57 percent less likely to report an unwanted birth nine to fourteen months later.²⁹ One of the reasons the Matlab program changed fertility choices more than other family-planning programs is probably also that by visiting the women in their houses, presumably when the husbands were away, the female health worker may have enabled some of them to adopt family planning without his knowledge. In contrast, women whose mobility was restricted by the custom of *purdah* (which forbids a woman to leave the house without her husband) would have had to be accompanied by their husbands to go receive the services at a central location, and this might have changed their decision.

A possible explanation for the relatively large effects of the Matlab program, especially early on, is that it accelerated social change. One reason the fertility transition takes time is that people other than the wife and husband have a say about it. Fertility is in part a social and a religious norm, and deviations from it do get punished (by ostracism, ridicule, or religious sanctions). Therefore, it matters what the community deems to be appropriate behavior. In the treatment areas in Matlab, this change was faster than elsewhere—the community health workers, who tended to be relatively well-educated and assertive women, were both the embodiment of the new norm and the carrier of news about the shifting norms in the rest of the world.

Kaivan Munshi studied the role of social norms in the contraception decisions in Matlab. He cites a young woman who described how her peer group discussed “how many children we would have, what method would be suitable for us . . . whether we should adopt family planning or not, all these topics. . . . We used to know from people that they used (contraceptives). If a couple takes any such method, the news somehow spreads.”³⁰

Munshi found that in Matlab villages where there was a community health worker, women were more likely to adopt contraceptives if village members of their own religious group had had higher contraceptive use over the previous six months. Even though both Hindus and Muslims within the village had access to the same health worker and had exactly the same access to contraceptives, Hindus adopted contraceptive use when other Hindus were doing so and Muslims adopted contraceptives when other Muslims did. The contraceptive adoption by Hindus had no effect on the adoption by their Muslim neighbors, and vice versa. This pattern, Munshi concludes, must mean that the women were progressively learning about what was acceptable behavior within their communities.

Negotiating shifts in the social norm within traditional societies can be a very complex business. It is not easy, for example, to ask certain questions (Is contraception against religion? Will it make me permanently barren? Where can I find it?) because the act of asking itself reveals your inclinations. As a result, people often pick up things from the most unlikely sources. In Brazil, a Catholic country, the state has carefully stayed away from encouraging family planning. However, television is very popular, in particular the telenovelas (soap operas) that air on prime time on one of the main channels, Rede Globo. From the 1970s through the 1990s, access to the Rede Globo channel expanded dramatically, and with it the viewership of the telenovelas. At the telenovelas' peak popularity in the 1980s, the characters in the soaps tended to be very different from the average Brazilian in terms of both class and social attitudes: Whereas the average Brazilian woman had almost six children in 1970, in the soap operas most female characters under the age of fifty had none, and the rest had one. Right after soaps became available in an area, the number of births would drop sharply; moreover, women who had children in those areas named their children after the main characters in the soap.³¹ The novelas ended up projecting a very different vision of the good life than the one that Brazilians were used to, with historic consequences. This was not entirely accidental—in Brazil's straitlaced society, the soap opera ended up being the outlet of choice for many creative and progressive artists.

At the risk of sounding, perhaps one time too many, like the “two-handed economists” that irritated Harry Truman, the answer to the question “Do the poor control their family decisions?” thus seems to proceed in two steps. At the most obvious level, they do: Their fertility decisions are the product of a choice, and even the lack of availability of contraception does not seem to be a big constraint. At the same time, what leads them to make these choices may be in part factors that are outside their immediate control: Women, in particular, may be pressured by their husbands, their mothers-in-law, or social norms to bear more children than they would like. This suggests a very different set of policies than those adopted by Sanjay Gandhi, or by the well-intentioned international organizations today: Making contraception available will not be sufficient. Affecting social norms may be more difficult, although the example of TV in Brazil shows it can be done. But the social norms may also reflect economic interests in a society. To what extent do the poor want many children simply because it is a sound economic investment?

CHILDREN AS FINANCIAL INSTRUMENTS

For many parents, children are their economic futures: an insurance policy, a savings product, and some lottery tickets, all rolled into a convenient pint-size package.

Pak Sudarno, the scrap collector from the Cica Das slum in Indonesia, who was sending his youngest child to secondary school because that seemed to him to be a worthwhile gamble, had nine children and a large number of grandchildren. When we asked him whether he was happy that he had had so many children, he said “absolutely.” He explained that with nine children, he could be sure that at least a couple of them would turn out fine and take care of him when he was old. Clearly, having more children also increases the risk that something will go wrong with at least one of them. In fact, one of Pak Sudarno’s nine children suffered from severe depression and had disappeared three years before. He was sad about that, but at least he had the other eight to console him.

Many parents in rich countries don’t need to think in quite these terms because they have other ways to deal with their waning years—there is Social Security, there are mutual funds and retirement plans, and there is health insurance, public or private. We will discuss at some length why many of these options are not really available to someone like Pak Sudarno in the coming chapters. For the time being, we will just observe that for most of the world’s poor, the idea that children (and family beyond children—siblings, cousins, and so forth) will take care of parents in old age and during times of need is the most natural thing. In China, for example, more than half the elderly lived with their children in 2008, and that fraction increases to 70 percent for those who had seven or eight children (this was before family planning, when having many children was actually politically favored).³² Elderly parents also received regular financial help from their children, particularly boys.

If children are in part a way to save for the distant future, we would expect that when fertility drops, financial savings go up. China, with its government-enforced restriction on family size, provides us with the starkest example of this phenomenon. After encouraging high fertility rates immediately after the revolution, China started encouraging family planning in 1972, then introduced the one-child policy in 1978. Abhijit, with two Chinese-born coauthors, Nancy Qian (an only child born in the one-child policy era) and Xin Meng (one of four children born before it began) examined what happened to savings rates after the introduction of family planning.³³ Households that had their first child after 1972 have one less child on average than those who had that child before 1972, and their savings rates are approximately 10 percentage points higher. These results imply that up to one-third of the phenomenal increase in savings rates in China in the past three decades (the household savings ratio increased from 5 percent in 1978 to 34 percent in 1994) can potentially be explained by the reduction in fertility induced by family-planning policies; the effect was particularly strong for households that had a daughter rather than a son at first birth, consistent with the view that sons are supposed to be the ones who take care of parents.

This is a huge effect, but of course the Chinese “experiment” is somewhat extreme: It was a large, sudden, and involuntary reduction in family size. Something similar happened in the Matlab area in Bangladesh, however. By 1996, families in villages where contraception had been made available had significantly more assets of all kinds (jewelry, land, animals, house improvements) than families in the comparable villages where it was not available. On average, a household in the treatment area had 55,000 takas’ more worth in assets (\$3,600 USD PPP, more than twice the GDP per capita of Bangladesh) than those in control areas. There is also a link between fertility and the amount of money given to parents by their children: Those in the treatment areas received on average 2,146 takas less in transfers from their children every year.³⁴

The very strong substitution between family size and savings may help us explain the surprising finding that having fewer children does not translate into healthier or better-educated children: If parents who have fewer children expect lower money transfers in the future, they also need to save more in anticipation, and this cuts into the funds they have available for investing in the children they have. Indeed, if investing in children tends to have a much higher return than investing in financial assets (after all, feeding a child is not that expensive), families may actually be poorer in a lifetime sense when they have fewer children.

The same logic also tells us that if parents don't expect their daughters to be nearly as useful in taking care of them as their sons—say, because they have to pay a dowry to get their daughters married or because women are expected to get married and once married, their husbands have economic control over them—parents will be less invested in the lives of their daughters. Families not only choose an optimal number of children, they also choose the gender composition. We typically think of our children's gender as something we don't get to decide, but that turns out to be untrue: Sex-selective abortions, which are now widely available and extremely cheap, allow parents to choose whether they would rather abort a female fetus. As the stickers pasted on the dividers in Delhi's main road advertising (illegal) sex-determination services put it: "Spend 500 rupees now and save 50,000 rupees later" (on dowries). And even before sex-selective abortion was an option, in environments where a whole range of childhood diseases can easily turn fatal if not properly dealt with, there was always neglect, deliberate or otherwise, which can be an effective way to get rid of any unwanted children.

Even if their children don't die before or after birth, when parents prefer boys, they may have children until they have the number of boys they want. This means that girls will tend to grow up in larger families, and many of the girls will be born in a family that really wanted boys. In India, girl babies stop getting breast-fed earlier than boys, which means that they start drinking water earlier and have accelerated exposure to waterborne life-threatening diseases like diarrhea.³⁵ This is mostly the unintended consequence of the fact that breast-feeding acts as a contraceptive. After the birth of a girl (particularly if she has no brothers), parents are more likely to want to stop breast-feeding earlier in order to increase the wife's chances of getting pregnant again.

Whatever the exact mechanics of discrimination against baby girls (or potential baby girls), the fact remains that the world has many fewer girls than human biology would predict. In the 1980s, in a now classic article in the *New York Review of Books*, Amartya Sen calculated that there were 100 million "missing women" in the world.³⁶ This was before sex-selective abortion was available—and things have only gotten worse since. In some regions in China, there are today 124 boys for every 100 girls. Between 1991 and 2001 (the date of the latest census in India), the number of boys under seven per 100 girls the same age increased from 105.8 to 107.8 for India as a whole. In Punjab, Haryana, and Gujarat, three of India's richest states but also three of the states where discrimination against girls is believed to be the greatest, there were respectively 126.1, 122.0, and 113.8 boys per 100 girls in 2001.³⁷ Even according to self-reports, which almost certainly underestimate the phenomenon, the number of abortions is particularly high in those states: In families with two daughters, 6.6 percent of pregnancies ended in an induced abortion and 7.2 percent in a "spontaneous" abortion.

But this is less of a problem where girls are more valuable either in the market for marriage or in the labor market. In India, girls are not supposed to get married within their own villages. Typically, there are designated areas, not too close to the village but not too far away, into which a majority of

the girls will marry and move. As a result, it is possible to look at what happens when there is economic growth in this marriage “catchment” area, which presumably makes it easier to find a prosperous family to marry a daughter into. Andrew Foster and Mark Rosenzweig studied this and found that the mortality differential between boys and girls decreases when a girl’s marriage prospects are brighter; in contrast, economic growth *in the village*, which increases the value of investing in boys (because they stay home), leads to a widening of the mortality gap between boys and girls.³⁸

Perhaps the most striking illustration of how a household’s treatment of girls responds to the relative values of boys and girls comes from China, which has one of the largest imbalances between boys and girls. During the Maoist era, centrally planned agricultural production targets focused on staple crops. In the early reform era (1978–1980), households were allowed to produce cash crops, including tea and orchard fruits. Women tend to be more useful than men in the production of tea, which needs to be plucked with delicate fingers. In contrast, men are more useful than women in the production of orchard fruits, which involves lifting heavy loads. Nancy Qian showed that when we compare children born in the post- and pre-reform periods, the number of girls in the tea plantation regions (hilly and rainy) increased, but it went down in the regions that were more suitable for orchards.³⁹ In regions that were not particularly suitable to either tea or orchards, where agricultural income increased across the board without favoring either gender, the gender composition of children did not change.

What all of this underscores is the violence, active and passive, subsumed within the functioning of the traditional family. This was, until fairly recently, ignored by most (though not all) economists, who preferred to leave that black box closed. Yet most societies rely on the goodwill of the parents to make sure that children get fed, schooled, socialized, and taken care of more generally. Given that these are the same parents who contrive to let their little girls die, how much faith should we place in their ability to get this done effectively?

THE FAMILY

For the sake of their models, economists often ignore the inconvenient fact that the family is not the same as just one person. We treat the family as one “unit,” assuming that the family makes decisions as if it were just one individual. The paterfamilias, the head of the dynasty, decides on behalf of his spouse and his children what the family consumes, who gets educated and for how long, who gets what kind of bequest, and so on. He may be altruistic, but he is clearly omnipotent. But as anybody who has been part of a family knows, this isn’t quite how families work. This simplification is misleading, and there are important policy consequences from ignoring the complicated dynamics within the family. We already saw, for example, that giving women access to a formal property title is important for fertility choices, not because it changes her view on how many children she wants but because it makes her views count more.

The realization that the simplest model was missing important aspects of how the family works led to a reassessment in the 1980s and 1990s:⁴⁰ Family decisionmaking came to be seen as the result of a

bargaining process among family members (or at least between the two parents). Both partners negotiate over what to buy, where to go on vacation, who should work how many hours, and how many children to have, but do so in a way that serves both of their interests as well as possible. In other words, even if they disagree on how the money should be spent, if one of them can be made happier without hurting the other one's well-being, they would make sure it is done. This view of the family is usually referred to as the "efficient household" model. It recognizes that there is something special about the family—its members, after all, did not meet just yesterday and are presumably tied together for the long term. It should therefore be possible (and in their interest) to negotiate over all their decisions to make sure that they do as well as they can, as a family. For example, if the family runs a small enterprise (be it a farm or a small business), it should always try to make as much money from it as possible, and only afterward find a way to split up the gains among its members.

Christopher Udry tested this prediction in rural Burkina Faso, where each household member (the husband and the wife, or wives) works on a separate plot.⁴¹ In an efficient household, all inputs (family labor, fertilizer, and so forth) should be allocated to the various plots in a way that maximizes total family earnings. The data squarely rejected this view: Instead, plots farmed by women were allocated systematically less fertilizer, less male labor, and less child labor than plots farmed by men. As a result, these households systematically produced less than they could have. Using a little bit of fertilizer on a plot increases its productivity a great deal, but increasing the amount beyond that initial level does not do very much—it is more effective to use a little bit of fertilizer on all the plots than a lot of fertilizer on just one plot. But most of the fertilizer in the Burkina Faso households was used on the husband's plot: By reallocating some of the fertilizer plus a bit of labor to the wives' plots, the family could increase its production by 6 percent without spending an extra penny. Families were literally throwing money away because they could not agree on the best way to use the resources they had.

The reason they were doing so also seems clear: Even though they are part of the same family, what the husband grows on his own plot seems to determine what he gets to consume, and likewise for his wife.⁴² In Côte d'Ivoire, women and men traditionally grow different crops. Men grow coffee and cocoa, whereas women grow bananas, vegetables, and other staples. Different crops are affected differently by the weather: A particular rainfall pattern may result in a good year for the male crops and a bad year for the female crops. In a study with Udry, Esther found that in good "male" years, more is spent on alcohol, tobacco, and personal luxury items for men (such as traditional items of clothing). In good "female" years, more resources are spent on little indulgences for women but also on food purchases for the household. What is particularly odd about these results is that spouses do not seem to be "insuring" each other. Knowing that they will be together for a long time, the husband could gift his wives some extra goodies in a good male year in return for some extras when the weather goes the other way. Informal insurance arrangements of this kind *between households* of the same ethnic group are not uncommon in Côte D'Ivoire,⁴³ so why do they not operate within the family?

One finding in Côte d'Ivoire gives us a useful hint about why families are different. There is a third "player" in the family drama—the modest yam, nutritious and easy to store, a staple food in the area. Yams are typically a "male" crop. But as the French anthropologist Claude Meillassoux explains, it is not a crop that the husband can freely sell and spend.⁴⁴ Yams are meant for the basic sustenance of the household. They can be sold, but only to pay for school fees or medical care for the children, not to

buy a new blouse or some tobacco. And indeed, when there is a good year for yams, the family does consume more yams, which is perhaps not surprising, but spending on food purchased in the market and on education also increases. The yam makes sure that everyone in the family is properly fed and educated.

Thus, what makes the family special is not that its members are effective in negotiating with each other: Quite the contrary—they operate by observing simple, socially enforceable rules such as “Thou shalt not sell thy child’s yam to buy new Nikes” that safeguard their basic interests, without having to negotiate all the time. Other results also make more sense viewed in this light. We saw that when women make more money on their plots, the family eats more. This may be a product of another rule that Meillassoux describes: It is the woman who is in charge of feeding the family; her husband gives her a fixed amount of money for that, but then it is her job to figure out how to do it best.

The family is bound together then, not in perfect harmony or by the ability to always divide up resources and responsibilities efficiently, but by a very incomplete, very coarse, and often very loose “contract” that defines the responsibilities of each member toward the other members. It is likely that the contract has to be socially enforced, because children cannot negotiate with parents, or wives with husbands, on an equal basis, but society gains from all members of the family having something like a fair share of resources. The incomplete nature of the contract probably reflects the difficulty of enforcing anything more sophisticated. There is no way for anyone to make sure that parents feed their children the right number of yams, but society may be able to sanction or show disapproval of parents who are seen selling yams to buy sneakers.

One problem with rules that rely on social norms for enforcement is that these norms change slowly, and therefore there is always the risk that the rules are entirely out of sync with reality, sometimes with tragic consequences. In Indonesia in 2008, we met a middle-aged couple at their house, a small white-and-green bamboo structure built on pillars. Right next to it stood another white-and-green house, much larger, airy, made of concrete. It belonged to their daughter, who worked as a maid in the Middle East. The couple was obviously very poor: The husband had a persistent cough and a headache that never seemed to go away, which made it hard for him to work. But he could not afford to see a doctor. Their younger child had dropped out of school after middle school because they could not afford his bus fare to the city. Suddenly, a four-year-old came into the room: She was visibly healthy, well fed, and dressed nicely in a pretty dress, with shoes that had little lights in them that went on and off as she ran around the room. It turned out that her grandparents were taking care of her while their daughter was away. Her mother sent money for the child, but nothing extra for the husband and wife. It seemed that they were the victims of some norm that had not yet shifted—married daughters were still not expected to take care of their parents, despite the obvious inequity it implied, but grandparents continued to feel obligated to take care of their granddaughters.

Despite the many obvious limitations of the family, society does not have another viable model for bringing up children, and though one day social pension programs and health insurance might free the elderly in today’s poor countries from relying on their children for oldage care, it is not entirely obvious that it would make them (or their children) happier. The right space for policy is not so much to replace the family as it is to complete its action and, sometimes, protect us from its abuses. Starting from the right understanding of how families function is crucial in being able to do so effectively.

It is, for example, now widely recognized that public support programs that put money in the hands of women, like the Mexican program PROGRESA, for example, may be much more effective in

directing resources toward children. In South Africa, at the end of apartheid, all men over sixty-five and women over sixty who did not have a private pension became eligible for a generous public pension. Many of these old people lived with their children and grandchildren, and the money was shared with the families. But it is only when a grandmother lived with a granddaughter that the granddaughter benefited: Those girls were significantly less likely to be stunted. Pensions received by a grandfather had no such effect. And there is more: Only if the pension was received by the girl's *maternal* grandmother was this effect seen.⁴⁵

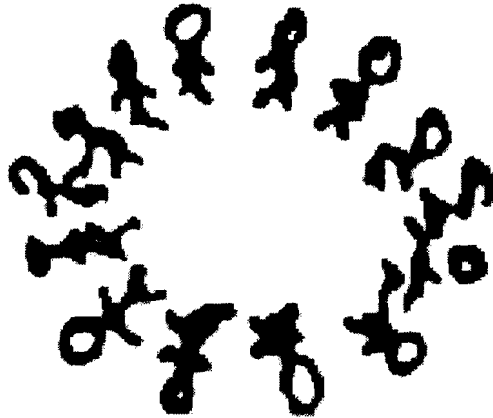
At least one of the two of us is inclined to interpret this evidence as saying that men are just a lot more selfish than women. But it may also be that this is where the norms and social expectations, which we argued play an important role in family decisionmaking, kick in. Perhaps women are expected to do things for the family when they get some windfall cash and men are not. If this is the case, not only who gets the money, but how it is earned, will also matter: Women may not feel that the money they have earned from their own work or their small business “belongs” to their family or their children. Paradoxically, it may be precisely because of women's traditional role in the family that public policy can get some mileage by empowering them.

We now return to the question of whether the poor really want such large families. Pak Sudarno wanted nine children. His large family was not the product of lack of self-control, lack of access to contraception, or even a norm imposed by society (although the fact that he got to make this decision may have been; his wife did not tell us what she would have wanted herself). At the same time, he believed that having nine children made him poor. So he did not really “want” so many children. He only needed nine children because there was no other way for him to be sure that at least one of them would support him later in his life. In an ideal world, he would have had fewer and tried to raise them as well as he could, but he would not have had to depend on them later.

Although many elderly people in the United States would prefer to spend more time with their children and grandchildren (at least if sitcoms are to be believed), the fact that they have the option of surviving on their own—thanks in part to Social Security and Medicare—may be very important for their dignity and their sense of self. It also means that they do not need to have lots of children in order to ensure that there will be someone to take care of them. They can have the number of children they really want, and if it turns out that none of them are willing or able to take care of them, there is always the public fallback.

The most effective population policy might therefore be to make it unnecessary to have so many children (in particular, so many male children). Effective social safety nets (such as health insurance or old age pensions) or even the kind of financial development that enables people to profitably save for retirement could lead to a substantial reduction in fertility and perhaps also less discrimination against girls. In the second part of the book, we turn to how this can be done.

DRAFT FOR DISCUSSION



GLOBAL SYNTHESIS

Consultations with the Poor

by

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September 20, 1999

Poverty Group
World Bank

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CONSULTATIONS WITH THE POOR

Overview and Implications

Poverty is like heat; you cannot see it; you can only feel it; so to know poverty you have to go through it. Adaboya, Ghana.

1. The poor are the true poverty experts. As the new millennium begins, the World Bank is preparing the *World Development Report, 2000/1* on the theme of Poverty and Development. How could voices of the poor, their experiences, priorities, reflections and recommendations be incorporated? *Consultations with the Poor* was designed to respond to this challenge. It involved studies in 23 countries around the world using participatory and open-ended methods to listen to the poor¹. The *Consultations* study was led by the Poverty Group of the World Bank in partnership with the World Bank's operational and country level staff. Based on a "process guide" which was field tested in four countries, field work was conducted in collaboration with in-country research institutes and NGOs. The study was financed by the UK Department for International Development, Swedish International Development Agency, World Bank, and several NGOs.
2. Trying to understand the voices of approximately 20,000 people from over 200 communities in 23 countries has been both a challenge and a humbling experience, which has forced us to revisit the meaning of development. Few would dispute that development should mean significant good change. But what is significant change, and what is good change? To answer this question, we have had to learn from the poor as they expressed their realities and priorities, what for them is the bad life and the good life, and what would make a significant difference in their lives. We have tried to distill and synthesize the learning from this study process, however imperfectly. We have tried to be aware of our own biases. Inevitably though, our own values and experiences have influenced what we have selected and how we have presented it. We can only say we have tried to be faithful and accountable to the poor people who took part, and to express to a wider public what we believe they would have wanted us to say on their behalf.

¹ Details of the study methodology can be found in the *Consultations with the Poor Process Guide* (Poverty Group, World Bank, 1999). Four issues were explored: what is a good life and bad life; what are poor people's priorities; what is the nature and quality of poor people's interactions with state, market and civil society institutions; how have gender and social relations changed over time? The poor women, men and youth who participated frequently identified another group below them who were desperately poor, few of whom took part in the *Consultations*. These "bottom poor" are discussed in paragraph 32.

3. The pattern of findings is striking.² What has been glimpsed before, but has here been repeatedly described in distressing detail by poor people, is the psychological experience and impact of poverty. There are some sobering trends. The large majority of poor people included in *Consultations* across the 23 countries said they are worse off now, have fewer economic opportunities, and live with greater insecurity than in the past. They articulated detailed reasons that varied by region. Poor people's experiences with government institutions are largely negative, even when government programs were rated as important; rudeness, corruption and poor quality services seemed to be the norm, whether in health care or in programs of social support. The presence of NGOs in the various countries is uneven but, where they are at work their contributions are generally well regarded. The poor find their own institutions to be the most dependable. Gender relations are in troubled transition with violence against women frequent.

4. This overview is organized into two parts. Part I describes how poor people in the *Consultations* viewed wellbeing and illbeing, that is, the good life and the bad life. It then sketches five interconnected dimensions of wellbeing: material wellbeing, physical wellbeing, freedom of action and choice, security, and social wellbeing. Finally it discusses overall trends. Part II focuses on five cross-cutting problems that were shown to keep poor people trapped in poverty and the bad life: corruption, violence, powerlessness, incapacity, and bare subsistence living. To describe and tackle these problems, as well as the findings of the *Consultations* and their implications for policy, we have presented them as five major directions for change:

- a. From Corruption to Honesty and Justice
- b. From Violence to Peace and Equity
- c. From Powerlessness to Grassroots Democracy
- d. From Weakness to Capacity for Action
- e. From Bare Subsistence to Assets and Security

² The sampling was purposive to reach poor people in poor communities in different parts of a country. Teams visited between 8-18 communities and spent an average of 5 days per community in discussion groups with poor men, poor women and sometimes youth. Open-ended interviews were conducted with men and women who had slid into poverty, those who remained poor and those who escaped poverty.

PART I: WHAT ARE WELLBEING AND ILLBEING ?

Being well means not to worry about your children, to know that they have settled down; to have a house and livestock and not to wake up at night when the dog starts barking; to know that you can sell your output; to sit and chat with friends and neighbors. A middle aged man in Bulgaria.

A better life for me is to be healthy, peaceful and to live in love without hunger. Love is more than anything. Money has no value in the absence of love. A poor older woman, Ethiopia.

5. Poor people were asked to analyze and share their ideas of wellbeing, a good experience of life, and of illbeing, a bad experience of life. For them, wellbeing and illbeing had many aspects. To be poor was to experience illbeing in many ways and to suffer multiple disadvantages. Those who took part in the *Consultations* showed how cruelly the many dimensions of disadvantage reinforce each other and interlock to trap them and how difficult it is for them to move from the illbeing they experience to the wellbeing they wish. And again and again, the psychological dimensions of wellbeing and illbeing were of paramount importance.

6. Wellbeing was variously expressed as happiness, harmony, peace, freedom from anxiety, and peace of mind. In Russia, people said, "Wellbeing is a life free from daily worries about lack of money"; in Bangladesh, "to have a life free from anxiety"; in Brazil, quality of life is "not having to go through so many rough spots" and "when there is cohesion, no quarrels, no hard feelings, happiness, in peace with life"; in Nigeria, "wellbeing is found in those that have peace of mind, living peacefully"; in Bolivia, "quality of life is high when you have a family, to feel supported and understood. You can have money but without a family it's worth nothing"; in Thailand, livelihood was simply defined as "happiness"; "It is to be filled with joy and happy. It is found in peace and harmony in the mind and in the community."

7. For many, too, spiritual life and religious observance were woven in with other aspects of wellbeing. The importance to poor people of the church, mosque, temple and sacred place was repeatedly evident from their comparisons of institutions, in which these frequently ranked high, if not highest, as key supports in their lives.

8. Illbeing was described in terms of lack of material things, as bad experiences, and bad feelings about the self. In Bosnia, the poor described illbeing as follows: "Children are hungry, so they start to cry. They ask for food from their mother and their mother doesn't have it. Then the father is irritated, because the children are crying, and he takes it out on his wife. So hitting and disagreement break up the marriage." A group of young men in Jamaica ranked lack of self-confidence as the second biggest impact of poverty: "Poverty mean we don't believe in self, we hardly travel out of de community...so frustrated, just lock up inna house all day." Poor people spoke about loss, grief, anguish, worry,

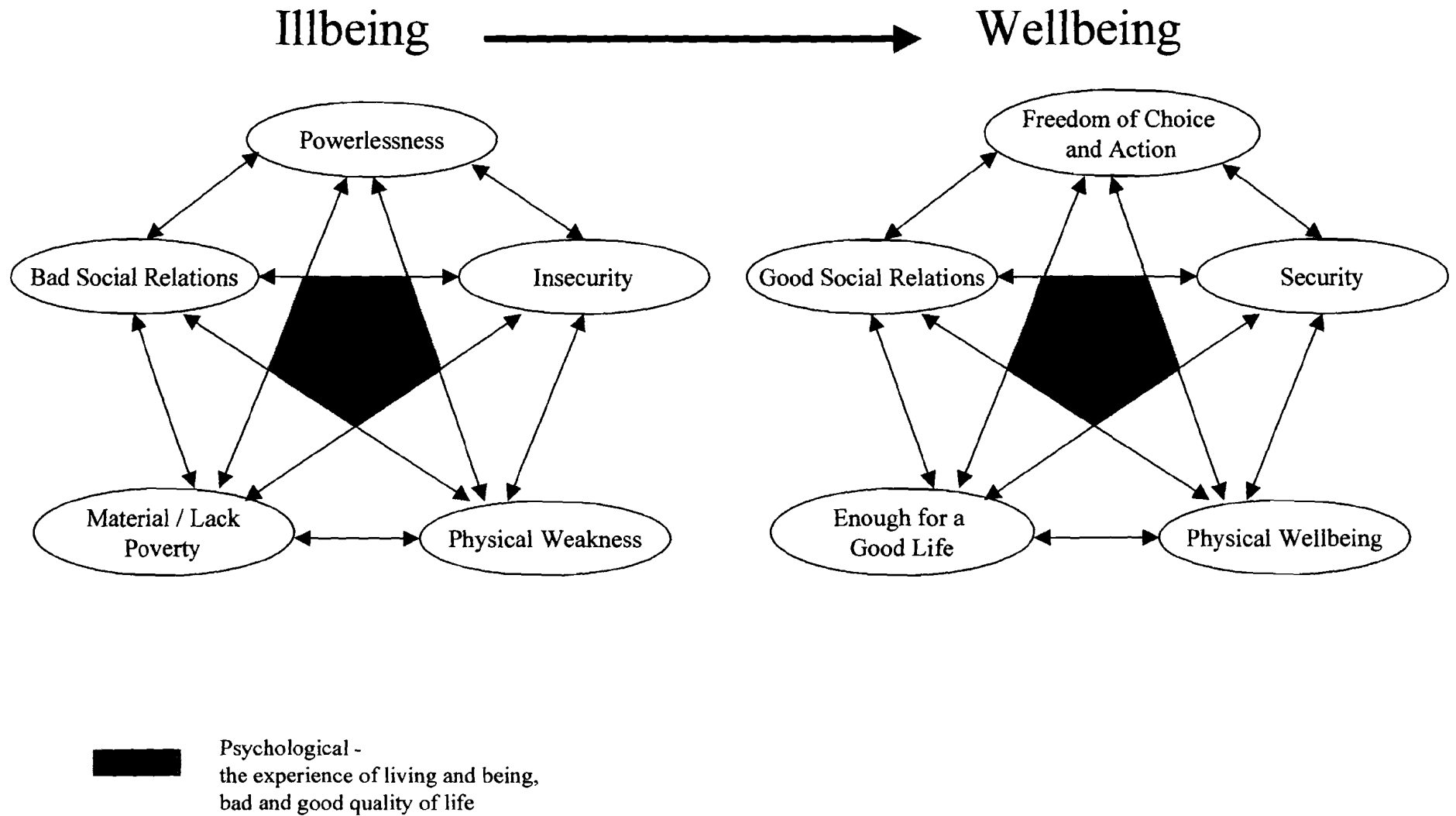
overthinking-madness, frustration, anger, alienation, humiliation, shame, loneliness, depression, anxiety and fear.

9. For poor people, the good and the bad life are thus multidimensional, with the experiential and psychological dimensions at the center. In understanding what is wellbeing, what is a good experience of life, there are perhaps no final answers. But in the quest for understanding, there is much to reflect on in what poor people said and shared in the *Consultations*.

Dimensions of Wellbeing

10. While the nature of illbeing and poverty is specific to location and person, there is also a striking commonality of experience across countries, cultures, rural and urban areas, and age and gender divides. The *Consultations* study found this to be true across countries ranging from Bangladesh, Thailand and Indonesia in Asia, to Argentina and Ecuador in Latin America, to Ghana and Malawi in Africa, to Russia and Uzbekistan in Central Asia. Wellbeing and illbeing as people explained them can be described in terms of five dimensions, each with a bad and a good condition of being, and each with its agenda for intervention. The five interrelated dimensions are material wellbeing, physical wellbeing, security, freedom of choice and action, and good social relations (see figure 1.).

Figure 1, Development as good change - from illbeing to wellbeing



Material Wellbeing

A livelihood that will let you live. Ecuador.

We eat when we have, we sleep when we don't. Ethiopia.

11. Lack and want refer to material poverty and deprivation. This is hardly new, but lack of food, shelter, clothing, poor housing and uncertain livelihood sources were critical and mentioned everywhere. In Nigeria, material wellbeing was said to be experienced by "those that lack nothing." Having enough to eat the whole year round was mentioned over and over again in many countries, as was the possession of assets. In rural areas this took the form of land with secure tenure, together with assets that allowed cultivation and a good harvest. Especially in urban areas, capital to start a business, access to loans and above all dependable work were stressed. A woman in Egypt summed up the problem of lack of assets as, "A poor person is a person who does not own anything that provides him with a permanent source of living. If he has a permanent source of income, he will not ask for other people's assistance." In Argentina, it was said: "You have work, and you are fine. If not, you starve. It is so."

12. In urban areas in countries that have undergone severe restructuring crises, study teams were shocked to learn about quiet and hidden starvation. Those who starve are often too proud to beg and too decent to steal. The research team in Russia wrote, "a woman told us that sometimes she did not have food for several days and was only drinking hot water and lying in bed not to spend energy." In Bosnia, the poor said, "the biggest problem is always money. A bad financial situation causes loss of sleep, and if you are sleeping poorly, in a certain sense, you are ill."

Physical Wellbeing

My children were hungry and I told them the rice is cooking, until they fell asleep from hunger. An older man, Egypt.

Transporters are not willing to ferry very sick people[for fear of them] of dying in the vehicle. Musanya village, Zambia.

13. Physical wellbeing was described mainly in terms of health, strength and appearance. Health and physical wellbeing are of value in themselves. But for poor people a strong body was seen as a crucial precondition for being able to work. For the poor, their body is the main asset, yet one that is uninsured. Shortage of food and sickness not only causes pain, but weakens and devalues the asset. As a man in Ethiopia said, "I told you. All I need is peace and health." In Thailand, hunger meant problems with mouth and stomach, finding food and money for the body to survive. Poorer people are more often sick, sick for longer periods of time, and less able to afford treatment than the less poor. So "they just sleep and groan (Malawi)." The increasing burden on women of expanded roles outside the household, and "time poverty," is driving many women to deeper and deeper

exhaustion. When a poor woman in Zambia was asked her dream, she simply said, “to have time to go into town and play [spend time] with my friends.” Illness can plunge a household into destitution. Anguish and grief over watching loved ones die because of lack of money for health care is a silent crisis of poverty.

14. Appearing well and strong was repeatedly stressed as a part of wellbeing. Sometimes it was more important to girls and young women than to others. In Zambia the bodies of the better off were said to “look well.” People spoke about skin tone and importance of looking well fed. In Malawi, the poorest were known as “the stunted poor.” In Ethiopia, poor people said “we are skinny,” “we are deprived and pale,” and spoke of life that “makes you older than your age.”

Security

Security is knowing what tomorrow will bring and how we will get food tomorrow. Bulgaria.

There is no control over anything, at any hour a gun could go off, especially at night. A poor woman in Brazil.

Everyday I am afraid of the next. Russia.

15. Many people described security as peace of mind or confidence in survival; this was the case not just in terms of livelihood, but also in terms of sheer physical survival in the face of rising corruption, crime, violence, lack of protection from the police and absence of recourse to justice, wars between ethnic groups, tribes and clans, frequency of natural disasters, and uncertainties of season and climate. . In the Kyrgyz Republic people said, “among all the wellbeing criteria, peace is the most important.” In Russia, it was “the absence of constant fear”; lawfulness and access to justice were widely seen as aspects of wellbeing. In Ethiopia, women said, “we live hour to hour” worrying if it will rain.

16. The bad life is deeply embedded in insecurity and feeling vulnerable. Insecurity is related to the external world, to the individual and family -- exposure to shocks, stress, risks -- that increase unpredictability and instability. In many countries, women spoke about widespread domestic violence, although in some it may have peaked and now be in decline. Insecurity is also the experience of worry and fear. Even where poverty has declined the majority of poor people said that life had become more unstable and uncertain, particularly as a result of increased crime, violence and corruption.

Freedom of Choice And Action

The rich is the one who says: “I am going to do it” and does it. The poor, in contrast, do not fulfill their wishes or develop their capacities.” A poor woman in Brazil.

Poverty is "like living in jail, living under bondage, waiting to be free." A young woman in Jamaica.

To be poor is to mean to live from day to day, you have no money, no hope.
Bulgaria.

17. Wellbeing for many people means freedom of choice and action and the power to control one's life, to plan and to take action. It means the power to avoid the exploitation, rudeness and otherwise humiliating treatment so often meted out towards the poor by the rich or the more powerful in society. It also includes the ability to acquire skills, education, loans, information, services and resources; to live in "good places"; to withstand sudden and seasonal stresses and shocks and not slip further into poverty. Wellbeing was frequently linked to moral responsibility, with freedom of choice and action extending to having the means to help others in need.

18. Lack of freedom or powerlessness confronts poor people with agonizingly constrained choices. Powerlessness was articulated by them as the inability to control what happens to one because of poverty. The poor are forced to trade off one bad thing for another. Their voices are seldom heard and sometimes silenced. Their lack of organization further constrains their ability to challenge authority or unfair practices. To add to these cumulative disadvantages, they frequently live in "poor areas" characterized by remoteness and isolation. In the Kyrgyz Republic, poor people said that they were forced to take many risks to survive, including stealing (with the risk of getting caught) or borrowing money, with the risk of becoming indebted. The poor said, "the rich do not have to take this risk, they have money to protect themselves and they also have power." (Kenesh, Kyrgyz Republic).

Social Wellbeing

To be well means to see your grandchildren happy, 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 ask them for help and money. Old woman, Bulgaria.

There are houses that never open. People who are deprived or excluded do not have the material means to live with the rest of the population. Egypt.

It is neither leprosy nor poverty which kills the leper, but loneliness. Ghana.

It is more worthwhile to bring up our children in a proper manner than to bring all those riches from abroad. What is the point in going abroad and sending money to build a house if the entire family life is destroyed in the process?
Kehelpannala, Sri Lanka.

19. Social wellbeing was defined as good relations within the family and the community. In post-conflict and “transitional economies,” the need for good social relations across the nation was mentioned. Being able to care for, raise, marry and settle children was stressed over and over again. Social wellbeing included social respect and being part of a community. In Nigeria it included being listened to, being popular, and being able to fulfil social obligations and help others. In Uzbekistan it included peace and calm in the family, the community and in the country. Participants frequently spoke about the shame of asking for help and accepting charity.

20. The *stigma* of poverty was a recurring theme. Many participants spoke of how their poverty prevented them from participating fully in society. Being unable to follow the traditions and customs of their respective cultures was a humiliation for many. In Egypt the poor spoke about the shame and pain of not having money to maintain social relations. In many places, they spoke about their inability to exchange gifts and presents; and how, subsequently, they stay away from celebrations, weddings and festivities. Loneliness, alienation and estrangement are a source of great distress. Middle-aged men in Bulgaria said, “When you are poor, nobody wants to speak with you. Everyone’s sorry for you and no one wants to drink with you. You have no self-esteem and that’s why some people start drinking.” A Somali proverb captured local attitudes towards poverty: “prolonged sickness and persistent poverty cause people to hate you.” The poor also spoke about discrimination – that is, being denied opportunities – and humiliating treatment by officials. There was a widespread experience of being treated badly, whether by guards at supermarkets or by uncaring doctors, nurses, school teachers, and traders.

21. What emerges from the *Consultations* suggests that poor people themselves have pressing needs and priorities which differ across communities and among social groups within communities, and that the poor wish for interventions that will recognize these differences. An improvement in any one of the five dimensions of illbeing can enhance wellbeing. Which priorities matter, how much, for whom, and where, depends on local and individual conditions, contexts and culture. Despite that, two findings seem to hold across continents, countries and almost all sites.

Wealth and Wellbeing are Not the Same

If one has all the attributes of wellbeing but does not contribute to charity, then one cannot be in the highest wellbeing category. Ghana.

22. Again and again people distinguished between wellbeing and wealth. Those who were the richest were not necessarily in the top wellbeing category. This was true in Eastern Europe and the former Soviet Union where poor people associated getting rich with corruption, grabbing and criminality. The source of one’s wealth was important in defining whether or not it could lead to wellbeing. In the Kyrgyz Republic, people said, “there are rich people in the village. They made their fortune by selling alcohol and

vodka. The community does not like these people, because their prosperity is only possible due to the growing alcoholism in the village.” In contrast, poverty and non-material wellbeing could sometimes be found together. Of Accompong, a rural site in Jamaica, the study facilitators wrote: “The lives of all citizens are impacted by this peace within the neighbourhood. Despite the hard times and obvious poverty among most of the households the open welcome and hospitality to visitors and strangers to the community gave a distinct feeling of wellbeing and good quality of life.”

Enough For A Good Life is Not A Lot

23. Poor people’s aspirations for material wellbeing were modest. It is perhaps part of the human condition to aspire not for the moon, but for imaginable, realistic improvements in one’s condition. Certainly this realism was shown by participants in the *Consultations*. Generally, they hoped for moderate, not radical or revolutionary improvements. Great wealth was not seen as necessary for wellbeing.

24. In Bosnia, “a normal life” and “a good life” meant living comfortably, but not extravagantly, with a stable and predictable income and a place to live. In Russia, “a good life is when you can drink coffee every morning”... “a job well paid and on time”... “a secure tomorrow.” In Ecuador, an answer to “How would you like to live?” was “Simply, I don’t like houses with too much inside. To have a bit more comfort. Nothing big. But at least for each child to have a bed, a pair of shoes, a pair of trainers, a canopy [*toldo*] over their heads, two sheets – not to sleep like we do on the ground.”

Trends, Webs and Traps

In the past people were at ease (Mertaha) and money was valuable (El-Felous Kan laha eema), but now it is not. Bong Meghezel, Egypt.

Now, in the post-Soviet times, Kyrgyzstan is independent. Now, tell me what’s so good about this independence? Kok Yangak, Jalal Abad, Kyrgyz Republic.

Now there are hungry children, and before it was not so evident. There are children that knock on your door and ask for bread, children without shoes. This one would never see before. La Matanza, Argentina.

If we knew that there would be an end to this crisis, we would endure it somehow. Be it for one year, or even for ten years. But now all we can do is sit and wait for the end to come. A woman from Entropole, Bulgaria.

25. The discussions with poor people revealed certain overriding trends and findings. The pattern of findings is confirmed by the review of World Bank Participatory Poverty Assessments.³

26. A large majority of poor people consulted felt they were either worse off or no better off today than they were previously. There were national exceptions -- always with qualifications -- associated with broad positive changes in Vietnam, India, and Bangladesh (although, in the latter case, positive changes for the poor were adversely affected by the devastating floods of 1998). There also were exceptions at the level of individual communities, due to the positive effects of new infrastructure in parts of urban Brazil and of tourism in Sri Lanka and Jamaica. In countries which had suffered civil disturbance or war, especially Bosnia-Herzegovina, Somaliland and Sri Lanka, poor people considered themselves much better off than during the periods of unrest, but had quite often not regained their pre-disturbance levels. In Malawi, the gain in political freedoms was felt to have improved poor people's wellbeing, but had on the whole not been matched in other domains of life. The experience of the majority of those who participated in the *Consultations* was that the quality of their lives has become worse, not better.

27. The sense of deprivation and disadvantage, and of deteriorating conditions was identified with different dimensions. Economically, there was a widespread, if not universal, sense that opportunities were unevenly distributed, and that those who started with advantages had been able to exploit them, while those who were poorer had found it difficult or impossible to do so. In terms of security, conditions for poor people had become worse in most countries and at most sites. Heightened insecurity variously affected livelihoods, property, and personal safety. Regarding institutions, government officials and political leaders did not rank high in people's ratings, and NGOs were less mentioned and less highly rated than might have been expected. Poor people indicated repeatedly, and in many contexts, that they trust and rely on their own local, informal institutions for support in crisis and in daily life, and rank them high in importance while recognising their limitations. Taken together, the message from the poor is that outside organisations and development policies designed for their benefit have been less significant than those in development agencies usually assume them to be.

28. The reasons for the lack of opportunities, increased insecurity, and flat or downward trend in wellbeing differed by region. There were, however, commonalities: people said that they miss out on many opportunities because of the need to have "connections" and because of their lack of information, assets, credit, skills and business acumen. Repeatedly, their message was that "it is the rich who benefit" from policy changes. Particularly in Eastern Europe, Central Asia and Latin America, poor people spoke about macro economic and political change; in other regions they spoke of such changes as well, although to a lesser extent. In Africa and East Asia, poor people tended to emphasize rising costs of living and prices and, in South Asia, economic and social issues

³ Narayan, Deepa, Raj Patel, Kai Schafft, Anne Rademacher and Sarah Koch-Schulte. 1999. *A Review of World Bank Participatory Poverty Assessments*. Prepared for the Global Synthesis Workshop, Consultations with the Poor, World Bank.

at the family and community level. In Africa and Asia, the poor also discussed the uncertainty of depending on rainfed agriculture and land-related issues.

29. Repeatedly, regardless of context, the *Consultations* brought to light a *multiplicity* of interlocking factors that keep poor people poor and make them poorer. Multiple disadvantages can be seen to be tightly interwoven and to trap them in a many-stranded web of deprivation and illbeing from which it is difficult to escape. The material, physical and social dimensions of deprivation combine with insecurity to make poor people vulnerable and powerless. But this is not all: the evidence of the *Consultations* shows them again and again subject to other interlocking clusters of disadvantage: of location – living in “places of the poor”; of seasonality – struggling through seasons of shortage and suffering; of personal incapacity – being wanting in education and skills; of information – lacking ease of access to information and knowledge of their rights; of institutional provision and access for services, credit and support - with extortion and other forms of corruption compounding their problems; and of political impotence - finding it difficult to organize and influence.

30. The *Consultations* showed that these disadvantages are compounded by combinations of poverty of time, physical weakness and lack of energy, and powerlessness. As women in many places add to their workload, they suffer more and more from such poverties. For those struggling at the margin, time and energy can be very scarce. Those who are hungry and weak often must work to survive, but because they are hungry and weak, can do less and are powerless to negotiate. In Bangladesh (Khaliajuri), it was noted that “due to minimum food intake in crisis period, man and woman cannot do labour intensive work. Consequently, they do not get proper wages from the employer on time.” In Malawi, poor people said “The problem is that these boat owners know that we are starving; as such, we would accept any little wages they would offer us...we want to save our children from dying.” For those poor in time and energy, access to services and help also is diminished. The high financial and other transaction costs they often face are aggravated by the opportunity costs in energy and time of travel for medical or other services, and of queuing and the long periods waiting to be seen by doctors or relevant professionals. Again and again, it was reported that the poor and those who cannot pay are kept waiting, if indeed they are served or treated at all.

31. Together these multiple disadvantages not only hold poor people down, but make them vulnerable to losing even what they have. Studying the life stories of 125 men and women⁴ who had fallen back into poverty is revealing and confirms the precariousness of small gains that are vulnerable to big slides back downwards. The most common triggers for the descent back into poverty were illness, injury, or death of a close family member. This had the greatest effect on households in Africa and Asia, whereas decline in economic opportunities was the most common trigger in Latin America, Eastern Europe and Central Asia. Other triggers were the cost of raising children, old age, cost of living increases, natural disasters, divorce and desertion (for women), declining profitability of agriculture and business, lower wages, theft, civil conflict, indebtedness, and many

⁴ This is a sample of mini case studies from a total of approximately 400 downwardly mobile individuals.

others. Life story patterns showed that the poor with few assets would, with great effort, slowly creep upward, only to be plunged back into poverty by illness, loss of employment, poor crops or, for women, desertion. There often is nothing to prevent them from falling into the abyss. And when they do fall there may be nobody waiting to catch them at the bottom or to lend a hand as they attempt to start over.

32. In most countries participants identified others who were even worse off than themselves. These included poor people who were variously disabled, orphans, widows, chronically sick, mentally disordered, stunted by deprivation, homeless, or simply destitute.. These “bottom poor” were regarded with mixtures of pity, fear, disgust and hatred. In Egypt they were *madfoun* – the buried or buried alive; in Ghana *ohiabrubro* – the miserably poor, with no work, sick with no one to care for them; in Indonesia *endek arak tadah*; in Brazil *miseraveis* – the deprived; in Russia *bomzhi* – the homeless. In Zambia the *balandana sana* or *bapina sana* were described in these terms: “lack food, eat once or twice; poor hygiene, flies fall over them, cannot afford school and health costs, lead miserable lives, poor dirty clothing, poor sanitation, access to water, look like mad people, live on vegetables and sweet potatoes.” In Malawi, the bottom poor were *osaukitsitsa*: “they eat maize bran that is meant for pigs,” mainly households headed by the aged, the sick, disabled, orphans, and widows. Some were described as *onyentchera*, the stunted poor, with thin bodies, short stature and thin hairs, bodies that did not shine even after bathing, and who experience frequent illnesses and a severe lack of food. In all countries in Africa, participants estimated that these bottom poor had increased in the past decade.

Conclusion

33. The insights of the poor taken together overwhelmingly affirm three broad conclusions:

- experiences of wellbeing and illbeing are multidimensional and interwoven, with the psychological dimension of paramount importance. The experiences are affected by combinations of five sets of conditions: material, physical, and social wellbeing, all three related to security, and concerning personal freedom of choice and action. Illness, especially catastrophic illness, stands out as a trigger for the downward slide into poverty.
- poor people do not feel they have benefited from the massive political and economic changes and restructuring around the world; to the contrary, they often feel they have been penalized.
- many of the changes needed to transform the quality of life of poor people for the better appear within reasonable range.

PART II: MOVING FORWARD: Holism of Poor People's Lives

You grow up in an environment full of diseases, violence and drugs... you don't have the right to education, work or leisure, and you are forced to "eat in the hands of the government"...so you are easy prey for the rulers. You have to accept whatever they give you. A young woman, Padre Jordano, Brazil

34. While the *Consultations* provide insights into the nature of poverty, the collective challenge for policy and action is immense. Based on what we have learned, there are sector-specific implications for tackling poverty. While these are important, what poor people said throughout the study indicated strikingly the critical significance of system-wide processes that keep them entrapped. The metaphor used by the poor in Ethiopia was that they are tied like straw. We therefore focus on five cross-cutting issues and identify sets of processes that should help cut through the strands that tie them, building on what poor people have said.

A person doesn't have the strength or power to change anything, but if the overall system changed, things would be better. Bosnia.

35. The five systemic themes are:

- a. From Corruption to Honesty and Justice
- b. From Violence to Peace and Equity
- c. From Powerlessness to Grassroots Democracy
- d. From Weakness to Capacity for Action and Choice
- e. From Bare Subsistence to Assets and Security

In the following section, we cover each of these issues, first describing the nature of the problem, and then suggesting a set of actions to resolve the problem.

From Corruption to Honesty and Justice

There is much bitterness, especially in the thought that any opportunities that may come will be taken by the rich and they could never find a "wasta" or middleman to enable them to find a better or more permanent job. If they have a right, they cannot take it because they cannot afford a lawyer. If the poor go to the police station to accuse a richer man, he is afraid: "my accusation may turn out in the favor of the rich and against me. But if we are equal, I may have justice."
Dashour Village, Egypt.

I worked six years in a company that did not pay me correctly. So I sued them and they threatened to kill me. I had to hide. Sacadura Cabral, Argentina.

Corruption is virtually everywhere - that's how you place orders in the factory, that's how you make sure your child gets decent medical treatment. Kalofer, Bulgaria.

From Corruption...

36. The problems of corruption, "connections," and violation of basic human rights with impunity were voiced over and over again by the poor in many of the *Consultations*. The forms differ. In Malawi, poor fishermen said that "every Cabinet Minister has a big vessel for catching fish" and that while they are stopped by the government fishing company from catching small fish, "we find them catching even the smallest fish." In Nigeria, it was the military takeover of farmlands and lakes. In Ecuador, the poor in Chota said, "the government should make sure the congressmen do not steal." In Uzbekistan, bribes to get a job were standard; "a friend told me to get a position, one must pay 25 thousand. I cannot afford it, so I went back to pulling a cart in Tashkent." In India, poor women spoke of having to bribe forest officers for each bundle of firewood they collected and railway policeman for coal dust that they gathered from railroad tracks. In Bangladesh, the poor said "nobody can count on the judgment of the commissioner since he does not work for the poor and his bias is with the landlord." Again and again, in country after country, and site after site, poor women and men spoke of corruption. It took many forms: corruption in the distribution of seeds, medicines and social assistance for the destitute and vulnerable; corruption in getting loans; corruption in getting teachers to teach; corruption in customs and border crossings; corruption in the construction of roads; corruption in getting permission to move in and out of cities or stay in certain areas; corruption in street and market trading; and corruption in identity cards. In many places, the poor reported having to pay managers, hooligans and the police "protection" money to save themselves from the worst forms of harassment, theft and abuse.

37. Even humanitarian assistance is often waylaid when channeled through corrupt state systems. In Bulgaria, people reported that secondhand clothes destined for the poor were sold by doctors and nurses to shops. To overcome these types of problems, some NGOs opt for the "vrazki channel," which is described as choosing a local representative who is responsible for distribution of humanitarian aid. This, according to the poor, is in fact worse still because the local representative distributes the goods received from overseas selectively, twice a year, and then immediately films the occasion to send it back to the donors. The Bulgarian poor had a simple remedy: they suggested that the donors' names and addresses be announced at the time of distribution, so that recipients could directly send their comments to the donors. Similarly, in Sarajevo, Bosnia, the poor said, "The municipality received 40 thousand DM to fix people's homes, and they took it all for themselves. They even sold my stove from the UNCHR."

38. In many countries, poor people's access to justice and courts is a distant dream because of lack of information, distance from the courts, and a strong belief (based on experience) that only money buys justice. In Ilkhamov, Uzbekistan, a man said, "you have to pay the lawyer, the judge and the prosecutor. I have gone through it myself." Since the poor lack money and too often are dependent on those who violate their rights, they cannot "afford justice." Almost everywhere, justice through political representation was laughed at and comments were frequent about the "seasonal" memory of parliamentarians. In Egypt, people said, "when they reach their seats the parliamentarians forget us" (Foua, Egypt).

39. On a wide scale, corruption has become so pervasive that it has become accepted, tolerated, expected and subsequently reinforced. "Thus, the idea that corruption penetrated the entire domain of government authority is widespreadThe way people perceive the nature of government power, in its turn creates an atmosphere where corruption becomes common and a natural thing...They do not perceive government agencies and the government itself as an entity meant to provide them support and assistance. They see the government as a machine for cheating 'ordinary people,' and providing a tool for enrichment of a master class" (Oqqurghon district, Uzbekistan). The poor included the office of the public prosecutor and the court in this description. In Canar, Ecuador, the corrupt condition was summarized as: "The government does not really govern; the rich are the ones that govern."

...to Honesty and Justice

40. Corruption is far from just a high-level problem affecting governments and business. The studies reveal how the pervasiveness of lower-level corruption and lack of access to justice and protection affects poor people's lives. While there are no simple methods to eradicate corruption, our study points to two areas for action.

1. Recognize Corruption as a Core Poverty Issue

41. Societal norms about corruption being expected and tolerated must change. While tackling the problem on a sectoral basis is important, societal norms about corruption must shift back to the expectation of honesty and justice. No single agency can tackle or resolve the issue, but seeds must be sown widely to create global and local social movements against corruption, large and small. This will require investment in media, television, radio, training and support to journalists; publicity of corruption statistics; creation of citizen "score-cards" on corruption in particular agencies; support to allies and activists at the local level; and use of information technology to publicize specific cases of corruption and make heroes of "clean" trade, officials and politicians. In Russia, in the Kemerovo region, local media are viewed as a force to battle corruption: "They trust those reporters who make local news. They revealed the facts of corruption among the municipal offices, they told of the money from the local budget that was spent by the mayor on his own needs." In addition, people need legal assistance and to be educated about the law and their rights. A woman in Uzbekistan,

who taught herself about the law to get her son released from jail, said, "I am not afraid of anybody. If you know the law, you are secure."

2. Make Heroes of Clean and Helpful Officials

42. Support must be given to government officials to clean up their administrations and provide services. In our studies there were a few such accolades, but one that warrants particular attention is the praise given to the Superintendent of the Constant Spring Police Station in Jamaica: "Anyone can have access to the Superintendent in charge of Constant Spring Police Station. If you have a complaint you just walk in and ask to see her and dem just send you upstairs to see her. She will call up the officer and deal wid him." (Jamaica).

43. In Ozerny, Russia, poor people spoke with great respect for a local nurse whom they described as a "valuable institution": "You can go to her at any time - she will never refuse to make a shot, or give advice about how to treat something." "Her advice is listened to much more than the local doctor's who was often criticized for lack of professionalism and for indifference...She is a good example of how shortages of medicines and lack of financing don't mean the impossibility to help."

From Violence to Peace and Equity

Violence, Civil Conflict and Public Safety

We do not expect any help from our neighbors...they can't help; in any case, they won't because everyone is just fending or grabbing for themselves. Bosnia-Herzegovina.

The men compared increasing crime and conflict to burning fire rampaging through the community. They said that increasing crime levels are a result of everybody wanting to get rich....Some men, however, were of the view that social norms and taboos have been lost in what [they] called "te nabaalee" (our ancestry) resulting in a disregard for traditional methods of enforcing law and order and therefore keeping crime and conflict in check. Ghana.

I do not know whom to trust, the police or the criminals. Our public safety is ourselves. We work and hide indoors. Brazil.

Even if you have an armored door, you can never feel safe. Bulgaria.

Even before the war, there was plundering and theft, but that was a herald to the war. Before the war, places were well lit. People worked and had money...those most in need were protected, but now nothing. Bosnia-Herzegovina.

The police have become the rich people's stick used against common people.
Dangara, Uzbekistan.

44. In many countries in both rural and urban areas poor people reported a decline in social connectedness, concomitant with increases in crime, lawlessness, selfishness and violence. This is reflected not only in violence and public safety issues outside the home, but in conflict and violence within the home as well. Many of the poor linked these trends to decreases in economic opportunities, increased competition for resources, and poor government policies. In Eastern Europe and Central Asia the decline also was linked to the transition from communism to democracy.

45. While there are some rural and urban differences, poor people reported an erosion of traditional social solidarity, sharing of food and resources with family, kin and neighbors, and participation in marriages, rituals and visits. In Nigeria, old men said, "we poor men have no friends. Our friend is the ground." In Zambia the poor said, "when food was in abundance relatives used to share it. These days of hunger not even relatives would help you." Increases in theft were linked directly to hunger in Zambia. In the Kyrgyz Republic groups said, "there is no unity in our community. We don't visit each other. In the past, we used to help, pool money (*razha*) if somebody has death in the family. We no longer do." In Bosnia-Herzegovina, residents of the town of Vares said, "no one helps anymore. I would gladly help someone, but how, when I am in need of help myself? This is misery. Our souls, our psyches are dead." In many countries youth complained about no place to "hang out," to play sports; they linked "nothing to do" and the absence of sports facilities and community centers to a rise in drug use, alcoholism and theft.

46. Women in Somaliland defined security as "when an individual, family or community has no fear for their lives, property or dignity"; "Where there is no security, there is no life." Although there were differences in scale and intensity, the problem of declining public safety as an element of increasing insecurity arose in almost every country, in both rural and urban areas. It was mentioned least often in India, most often in Brazil and Russia. In Sri Lanka, it was an issue of concern primarily to the Tamil minority and, in Somaliland, after the peace treaty between clans, people spoke of increased security. Elsewhere, increasing crime was linked to breakdowns in social cohesion, difficulties in finding employment, hunger, increased migration, and also to building of roads that allowed strangers to enter communities easily. In every country it was linked to declines in social community, competitiveness and people looking out only for themselves. The poor in Brazil said, "to live in a Barrio is the same as living in the streets." Also in Brazil, the poor often said drugs and crime went together.

47. A startling finding of the *Consultations* was the extent to which poor people experience police as a source not of help and security, but rather of harm, risk and impoverishment. While there were some exceptions, including in Zambia, Ethiopia, and Sri Lanka, in many places the police were considered a necessary evil, vigilantes and criminals. In Nigeria, the poor associated the police with illegal arrests, intimidation and extortion; in Bangladesh, the poor feared the police because of "false cases" that they can bring, especially when the poor try to file cases against the rich. In Brazil the police were

rated as the worst institution; the poor said, "the criminals have public safety, we do not." In Argentina, the poor equated police to rubbish, while women felt vulnerable to sexual assault by police. In Jamaica, the poor said "the police lie and steal from the poor." In India, the poor said that the menace of the police had increased many times over, and in Russia, reports about the police and criminals working together were widespread. In Bulgaria, some of the poor said that they did not blame the police as much as the judges and prosecutors who let the criminals go free; others said, "if you have connections with the police, you always will get free." In Malawi, people blamed the laxity of the police for increased theft: "They are of course not entirely to blame. They do not have adequate resources at their disposal, but still the problem is that they are corrupt."

48. On a different yet equally as important scale, civil wars based on clan rivalries and ethnicity in several nations have brought untold suffering to the poor and even after years of peace life has not returned to pre-war standards. In Sarajevo, Bosnia Herzegovina, one person said, "even if I were to establish a household over a hundred years, I would never have what I had if the war hadn't destroyed everything." Life for some was better during the war when there was some humanitarian assistance, but now many people interviewed appeared withdrawn, depressed, irritable, apathetic and not interested in having a conversation. In some areas whereas factories remained shutdown people spoke about the "death of the city"; "Vares is a dead city; the spirit is dead in the city." In Sri Lanka, the Tamil people reported that life was better before 1989, and that concerns about loss of assets and insecurity still prevail. The Sinhalese there were concerned about employment, and when some Muslim groups spoke openly about looting homes and livestock during the violence, the tension between groups became palpable.

Violence Within the Household

Many men have been retrenched, are jobless and do not have any steady source of income. As a result, women have assumed the role of breadwinner in many households. Malawi.

Women are beaten at the house for any reason that may include failure to prepare lunch or dinner for the husband. They may also be beaten if the husband comes home drunk or if he simply feels like it. Ethiopia.

Before, it was clear that the woman is to keep the house and take care of the family, while the man was earning the daily bread. Now the woman buys and sells stuff irrespective of the weather and earns the income for the family, while the man is sitting at home and takes care of the children, fulfilling the traditional women's work. This is not right, this is not good. An elderly man, Kyrgyz Republic.

49. Households across the world are stressed. As employment and traditional livelihood strategies for poor men disappear, poor women in increasing numbers have had to make their way into the informal sector, primarily in low paying and often menial work -- piece

work, vending, petty trading, trading, agricultural labor, collecting garbage, cleaning toilets, and factory employment. In almost every country in the study men and women reported women's greater ability to accommodate, bury their pride and do whatever job was available to earn the money to feed the family. This sometimes includes prostitution. In many societies, women working outside the home violates social norms; it can be a source of tension and shame, especially when the primary reason is men's unemployment. In some countries, such as Jamaica, Brazil and Argentina, women have higher levels of education compared to men, making it easier for them to find jobs.

50. Such sweeping changes create tensions. In some countries the changes have led to greater independence and power for women, but at a price; in others households are still caught in the struggle to adjust. In Mataram, Indonesia, a woman who set money aside all her life to build up the family assets has been abandoned by her husband for another woman. Despite this she "submits to her husband's directive, believing that despite her bigger responsibility in the...household, her husband still holds the power." In all countries of the study, women reported longer hours of work, little shift in their domestic responsibilities and sometimes a greater say in major household decisions. In some places as men's economic dependence on women grows, men are painfully making the shifts to support their wives in household work.

51. Tensions and conflict in the home are pervasive, more acute in some countries than in others. "The unemployed men are frustrated, because they no longer can play the part of the family providers and protectors. They live on the money made by their wives, and feel humiliated because of that. Suicides among men have become more frequent" (Narian region, Kyrgyz Republic). In Jamaica, men said, "...if you lose your job outside you lose the job inside," and expressed helplessness at the erosion of their "power." In Brazil, a man said, "today when a woman earns more than her husband he has to obey her... he cannot complain about the kind of work, because it is with this wage that the family is maintained." "Women are at the market and men in the kitchen," wryly observed an older woman in Bahsi, Kyrgyz Republic. Some older and younger men said that they secretly helped their wives but were afraid to be seen doing the laundry or sweeping the floors because they would be mocked.

52. Women and men sometimes debated the shifts in gender relations heatedly. In Brazil women said that they have more power today than in the past, but no more so than men. And many women feel that despite the changes they are the ones who "bear the brunt." "We are more courageous, firm, not scared of saying what we want, know how to help ourselves, reconcile the tasks at work and at home, but in real fact we are the ones who bear the brunt -- because we are more patient, we cook, educate the children, go to the bank, do the shopping..." (Brazil).

53. Both men and women spoke about domestic violence against women, the different forms of violence, and the reasons for it. In some countries physical abuse may have peaked and is on the decline, because of women's willingness to walk out of abusive relations and support themselves, as well as work in awareness-raising done by NGOs domestic violence remains widespread, however. In Bolivia, some poor people reported

that domestic violence was less acute now than in the past; whereas before men would “tie the woman up on the mountain,” now household disputes are resolved with “just a small scolding.” In Egypt, a man said, “insufficiency of income is what affects man-woman relationships. Sometimes she wakes me up in the morning asking for five pounds, and if I don’t have it I get depressed and I leave the house. And when I come back, we start to fight.” In Bangladesh, women living in areas where NGOs have been active said they have greater freedom to move outside the home. Women also reported that “over the last ten years the incidence of physical and mental abuse in the family has increased two to three times but the severity of physical abuse has decreased.” In Vietnam, there was evidence of widespread wife beating – “that wife beatings occurred in both a remote minority village as well as a midland, economically integrated village indicates that domestic violence against women cuts across economic and ethnic lines, and may be more widespread than realized.”

54. New trends are emerging, however, in some countries. In Jamaica, people reported that women were making the decision to leave their male partners, when in the past they were being deserted or divorced. There were also reports of shorter “living together” relations without marriage. In Bulgaria men reported both a reluctance to get married because of their inability to support a family, as well as abuse of men by women.

55. Negotiating change in deeply rooted, identity-defining roles which structure gender inequity is not easy. Marriage counselors can have a role to play, as in some rural areas in Malawi. In three communities, both men and women rated marriage counselors the third most important institution in their lives. People said, “without marriage counselors most of the families could have separated; they are uniting families.”

... to Peace and Equity

56. Peace and justice in the community and in the home are almost a pre-condition for a good life, yet the fundamental importance of these issues for poverty reduction is only just being realized. An important part of this process is targeting police who impoverish, keeping poor people poor and making them poorer. The implication is to place police reform high on the agenda of policies which are pro-poor. The challenge is to turn forces which impoverish into forces which empower.

1. Invest in Building Social Cohesion

57. Every society has processes of building social cohesion through celebrations, community collective work and indigenous conflict resolution mechanisms through the system of village councils or elders councils. The Guurti in Somaliland, the Village Headman in Malawi, the community council and Age Groups in Nigeria, the Save the Town Association in Kok Yangak in the Kyrgyz Republic -- all are examples of ways local organizations take action to make life more livable. In rural Malawi and Zambia, people have organized neighborhood watch groups to curb crime. The case

here is for encouraging and spreading participatory processes that support community solidarity and social interaction across social groups.

2. Community Policing and Police Reform

58. The crisis in police brutality, with “protectors” becoming the problem, is not unique. In the United States increasing anger at the treatment of minority groups by “white police” has led to the evolution of community policing, where community groups and the police discuss and agree to a common protocol for police action. This has transformed community police relations and has brought down crime in many urban neighborhoods. Good relations can take many forms. In a village in Sri Lanka, these were reflected in a pre-school held in the police post. The poor need and want the police. In Brazil, in one favela people built a police station to attract the police to their area. In Jamaica, the only police officer who was accessible to the poor was a woman; in Brazil and Argentina, the poor spoke highly about female police and the Women’s Police Station.

59. In some areas the poor felt that the police were not to blame for their ineptitude at handling criminals. They pointed out that the police were poorly paid, their lives were at risk when tracking criminals, and these risks became higher each year as criminals became better armed. Better-paid police may be part of the solution, but without back up from the criminal justice system, the police will continue to be ineffective in protecting the poor.

3. Conflict Mediation and Resolution

60. After civil war or riots have ended, rebuilding infrastructure is easy; healing deep hatreds and wounds and building collaboration across social divides is, however, extremely difficult. Building peace at all levels requires new skills and expertise in conflict mediation and resolution, as was seen in the transition from apartheid to democracy in South Africa, and during the peace-building process in Somaliland. While reforming the modern judiciary is important, in many countries where government has little presence in rural areas, traditional fora for dispute resolution play critical roles. In Somaliland, the *Guurti*, a forum to resolve disputes between clans, was ranked high by most people and credited for bringing and maintaining peace to many communities. In the Bihin area, a committee of elders formed following the signing of the Peace Charter in 1993, regulates water sharing during the dry season and resolves disputes over land use.

61. The process of solving community problems through joint action across previously warring ethnic lines is a difficult task. In Bosnia-Herzegovina, NGOs are working through The Center for Civil Society in Southeastern Europe to build cooperative relations across community groups, among traditional leaders and with local authorities. Community-based projects across ethnic and social groups, as well as conflict mediation efforts and skills training, need to be supported. In many countries, conflict resolution abilities was used as a criterion in rating institutions. In

Egypt the poor spoke about the ability of traditional councils to resolve disputes; in Ethiopia it is the “Omda” (the traditional mayor) who was valued for dispute resolution skills so that “only if the matter is very serious, like a murder” is the matter referred to the police.

4. Easing Gender Relations

62. The evidence of the *Consultations* points to gender relations as an area affected by all poverty reduction interventions. This needs to be part of the calculus of design and evaluation. Improvement in gender relations within households can result in enormous gains in wellbeing. This requires change in social norms, a gender approach to development, and psychological support to both men and women.

63. *Campaigns on gender relations.* The current levels of gender-related illbeing are often horrendous. There may be no other domain with such potential for improvement that suffers such neglect by governments and the private sector. Government campaigns are needed for better, and adaptive gender relations and to help boys and men to redefine masculinity. This would entail actively encouraging men, where appropriate, to adapt to and enjoy new domestic roles. Prominent, powerful, and popular men can and should set examples as role models (such as World Bank publicity posters of Mr Wolfensohn washing up in the kitchen!). Major national campaigns could be led where possible by men.

64. *Gender-sensitive approach.* Over and over again women have been left out of programs of assistance, from agricultural extension to government provided loans or training. While there is evidence that in some countries physical abuse of women in the household may be on the decline, physical violence against women at the community level has not abated. In addition women are participating less in community activities as they take on new income earning roles. The backlash against women’s small and painful gains, and the struggles, depression and frustration felt by men, call for a gender-sensitive approach to move out of textbooks into the practice of development. This implies that all interventions must take into account the intermeshing of women’s and men’s lives and the impact of interventions on equity and peace in the household. “Women only” approaches to development, including credit schemes, create backlash against women if there is no support for men or no efforts to even start conversations with men.

65. *Psychological Support.* Violence, alcoholism, drug abuse, torture, intimidation are all part of the human experience, as are joy, celebration, rituals, dance and music. Anguish, anxiety, bad relations, exhaustion, frustration, grief, hunger, isolation, low self-esteem, pain, worry, depression, anger, loneliness, want – these are all a part of the experience of living in poverty. The psychological toll of economic stress is huge, and pervades all aspects of life. The widespread reports in this study of alienation, frustration, and depression from new and sudden poverty, as experienced particularly in Eastern Europe and Central Asia, are striking. The *Consultations* show the holism of life and living. Acute or extended levels of psychological distress affect both

productivity and happiness. There is need for innovative programs to help the poor navigate the havoc wreaked by large-scale political and economic reform.

From Powerlessness to Grassroots Democracy

The policy of the party is that the people know, the people discuss, the people do, but here people only implement the last part, which is the people do. Ha Tinh, Vietnam.

The poor are excluded not from society itself but from the process of benefit distribution and key decision-making. It happens due to the lack of money...if you don't grease the palm. Ulugbek, Uzbekistan.

Do people live equally here? Look at my fingers. Are they equal? Ethiopia.

From Powerlessness...

66. Participation and the peoples' voice have become part of the development lexicon. However, the *Consultations* show that while "participation" may be happening in the context of people's own organizations, by and large the poor are excluded from participation in decision-making and in equal sharing of benefits from government programs as well as from NGOs. The poor want desperately to have their voices heard, to participate, to make decisions and not always be handed down the law from above. They are tired of being asked to participate in other people's projects on other people's terms. Participation to them has costs with few returns. In Egypt the poor said, "we are tired of self-help initiatives. These initiatives need money, and people are indebted and have other priorities like feeding and educating the children. Organizing is useless and things take a long time to get solved" (El Gwayaber, Egypt). In Kaoseng, Thailand, the poor called this lack of participation in decision-making as "discussion, meeting, and news announcement." Both poor women and men said, "they consult with the powerful individuals," while the poor only found out about decisions when announcements were made.

67. Poor people were asked in the study to list and rank the institutions that played important roles in their lives. Countries in which government institutions were relatively significant included Brazil, India, Malawi, Sri Lanka and Vietnam. In other countries and sites, government institutions were considered important but ineffective, and rarely anywhere near the top ranks. In some sites they did not feature at all. Participants in Chota, Ecuador, said: "We are a community abandoned by the governmental authorities. They don't consider us. We seem not to exist, we are an imaginary community." In many countries, the poor ranked government-provided social assistance as important, if not always honest or effective. This included, for example, Plan Vida in Argentina; fair price ration shops in India; *samurdhi* in Sri Lanka; and entitlements for the elderly, children and the disabled in the former Soviet Union countries. Sometimes, as almost

always with the police, government institutions were rated as having negative impacts. In Latin American countries, in South Asia, and to a lesser extent in Africa, NGOs featured in people's rankings.⁵ But what mattered most were people's own local organizations, including unions, farmers associations, credit groups, midwives, traditional institutions and networks. Religious institutions, such as the sacred tree or mountain or river, the mosque, the church, or the temple were consistently rated high in importance and trust.

68. The institutional analysis in Indonesia is a case in point. For rural women, the village government, the government-provided midwife, the government-sponsored PKK, a women's organization, the church, and the local shopkeeper were the most important institutions. The emergence of the village government as the most important demands explanation. It was related to the fact that, during the recent economic crisis women were grateful to receive 3-10 kgs of subsidized rice (as compared to the official allocation of 20kgs per needy family) from the village officials. They were grateful that they got anything at all. For rural men, the most important institutions were the village council, the church, farmers associations, the school teacher and the community saving organization. However these were neither the most trusted nor the most effective organizations. The most trusted was the neighborhood head, who did not show up on women's lists. Women are kept out of the village councils.

69. Among the urban poor in Indonesia, "neither any government services/programs nor a single NGO was among the institutions rated by urban groups as important, effective, trusted, or open to community influence." The urban poor depend on religious groups, their own community-based organizations and private sector agencies. Across the communities studied, although people discussed various government programs, the researchers wrote "it is incredible how little the lives of the poor are touched by government services and aid programs and by NGO assistance...No one asks their opinion. No one listens to them. They receive certain programs and services whether or not relevant to their lives" (Indonesia National Synthesis Report). Some government programs were indicted by the poor for their irrelevance, whereas others were praised for consulting with the poor and adjusting their programs accordingly.

70. Limited choice means that people are dependent on whatever exists, be it government or private moneylenders. The poor in most places said that although moneylenders charged exorbitant rates, they were dependable. Women explained: "the money lender and the pawnshop are like husband and wife. One month we borrow from the moneylender and pay the pawnshop. Next month we borrow from the pawnshop and pay the moneylender."

71. 65. In Ghana, there was hardly any mention of local Assembly representatives, who are part of the local governance structures. The church, however, was consistently rated as being helpful, trusted and effective. Chiefs received mixed ratings. The poor felt that

⁵ These findings may be influenced by the fact that the studies were conducted by NGOs in areas of their operation to facilitate entry into the communities, and to ensure follow-up action by the NGOs on the basis of the findings.

they had no influence or control over government institutions; they would like influence and control, but expressed helplessness: this was seen as “an impossible task.”

72. The *Consultations* reveal that in much of today’s world there is a hunger among the poor, not only for food, but for freedom, dignity, voice and choice. To make grassroots democracy a reality, a legal framework that extends citizens’ rights to participate in government decision-making down to the community and sub-community level is needed; and to ensure that women’s voices are heard requires active information dissemination and local organizational capacity among the poor themselves. In the words of old men in Nigeria, “If you want to do something and have no power to do it, it is *talauchi*/poverty.”

... to Grassroots Democracy

73. The poor in Morro de Conceicao, Brazil said, “the responsibility for the problem is 90% on the government, but we vote badly, we do not monitor, we don’t demand our rights, and are not active to demand a correct action by the government.” With the advent of political reform in Indonesia, the poor in some areas are beginning to protest against exclusion and corruption at the local level. In the village of Galih Pakuwon, for example, they are demanding fairer compensation for land acquired by force for a housing project; in Tangoing Redo, the neighborhood chief who embezzled money was forced to step down; and in Padamukti, the village head who sold the common land contributed by villagers to build toilets was forced to resign.

74. What matters is enabling poor people’s participation in grassroots democracy, supported by a legal framework, local organizational capacity, information flow, participatory analysis, listening, and respectful and accountable officials and service providers. In Jamaica, a young woman said, “the government let us down, too many promises - never fulfilling them...we want to have more influence over government.” In Bosnia-Herzegovina, a younger man said, “I still don’t believe in the veracity of elections, but I always vote. It is necessary to work for democracy. And it is necessary to make accountable those who even today create chaos so that they will get richer.”

1. Create the Legal Framework

75. The framework for grassroots democracy, for participation in governance as a right, must be enshrined in law. This has to include rules about public disclosure of information and devolution of authority and finances to the local level. Institutional rules and incentives are needed to translate laws into effective governance structures. The challenge is to create pro-poor government institutions accountable to the poor. Three of the countries in the *Consultations* with recent innovations in the legal framework for grassroots democracy are Bolivia, India and Vietnam. The Law of Popular Participation in Bolivia (1993) devolves resources and authority to the municipalities, and empowers local level people’s organization to serve as vigilance committees, both in decision-making and monitoring municipal action. In India, the

Panchayati Raj devolved budgets and decisions to the community levels, and requires that one third of the panchayat leaders be women. And, in May 1998, Vietnam introduced Grassroots Democracy Decree 29 to bring democracy to the communes. The Decree is centered around four key categories of participation: "*People know, People Discuss, People Execute, and People Supervise,*" and aims to bring democracy and economic development to all. [Steering Committees have been created in the first year, although not a single one yet is headed by a woman].

76. While legal frameworks create the space for action, whether or not laws are effectively put into practice depends on many factors, including the local capacity to organize and mobilize around the new rights enshrined by law. In Horencó, in Bolivia, the implementation of the Law of Popular Participation was complicated by divisions with the community. In Thuong Loc Commune in Vietnam, the poor said, "All decisions are top-down. For example decisions on contributions, fees, taxes and the like....all the people could do is what they are required to do as informed by the village manager." While these examples highlight problems they do underline the point that while a legal framework may be necessary in itself is not sufficient. Three other conditions appear necessary to create pro-poor local government institutions accountable to the poor: local organizational capacity; information and participatory analyses; and changes in behavior and attitudes.

2. Invest in Local Organizational Capacity

77. Typically, the poor in many countries felt they "are made to participate," i.e. their poverty and lack of organization dictates their exclusion from local decision making. In most countries the poor said, "we are asked to attend meetings but our participation makes little difference." When programs are implemented, the poor once again are left out: "in the end we always see and feel that the activities are not transparently implemented."

78. In most countries, the study found that people trusted their own solidarity groups and associations to be responsive to their needs and priorities. In Somaliland, clan elders resolved conflicts between clans; in Nchimishi, Zambia, a neighborhood health committee, "swings into action once there is an outbreak of dysentery." These organizations provide the foundations for mobilization and active participation in grassroots democracy. Organizations of the poor need to be strengthened to serve the interest of the poor by having the capacity to demand and be heard. This capacity-building is critical if laws are to be translated into human dignity and freedom for the poor. NGOs and the private sector have important roles to play, provided it can be ensured that they are accountable to the poor. While local organizational capacity is a key element in building grassroots democracy, without "bridging social capital" with similar social groups across communities, such as trade associations, or with other types of groups with complementary resources (such as NGOs, the private sector or the state), organizing by itself is unlikely to move the poor out of poverty. Capacity-building requires long-term commitment and long-term financing; otherwise outsiders invariably take over local priorities and leadership.

3. Information and Participatory Analyses

79. When there is no public information about local budgets, or details on local programs, local allocations of assistance, or criteria for eligibility, it is hard for people to press for honesty or accountability. This is important at the local level and national level. In Uganda, not only is the national budget debated in public, but the budget transfers to districts are published in local newspapers. In Brazil, the City Hall of Porto Alegre created a revolutionary system for developing the municipal budget with citizen participation that resulted in consensus on \$700 million dollars of investment in urban upgrading. This Participative Budget is known by 60% of the local population, and the approach is being adopted by 70 other cities.

80. Programs that depend on local participation require two-way information flow, from the programs to the poor and from the poor to the programs. The potential use of participatory methods to rank wellbeing, as was done in the *Consultations* study, should be explored for programs of targeted assistance. People in the communities often know intimately who is rich and who is poor, and the criteria they use to rank different groups are location-specific. The study also established that, when poverty is widespread, there may be a common start-up agenda across social groups. It is also true, however, that while one community may mobilize around water, in others it may be roads, health clinic, violence or community centers. Participatory analyses of wellbeing, of institutions, of priorities of the poor, and of gender relations (as used by the study) is an example of the sort of participatory methodology that could become a widespread tool for planning, management and evaluation of national and local programs. The *Consultations* have confirmed what can be done. The follow-up required is to reflect upon, improve, develop, spread and sustain participatory analysis to inform policy-making. This is already being done in at least Ecuador, Sri Lanka, and Vietnam, while Uganda is exploring local participatory analysis not as a one-off event, but as an institutionalized, continuous process to influence policy.

4. Listening – Behavior and Attitudes

I am glad I was invited to the meeting today, but do we get to talk? Usually we do not get to talk, we just come and listen to them talk... They don't invite me to meetings, but they invite me to public works. Vietnam.

81. Again and again the behavior and attitudes of officials and service providers humiliate and deter poor people. This is most acute in terms of violent and corrupt behavior. Of slightly lesser intensity, rudeness, arrogance, and insensitivity were widely reported as well. In Brazil poor women said, “if you are in labor they treat you as if it is an offense.” In Jagen, Bulgaria the poor recommended, “the doctors should be kind and polite, they had taken a special oath, this is their business. They have to be welcoming and talk with everybody, to listen to one's problems. But they are not. Most of them are quite rude; they make people wait for several hours at their cabinets’

door while they drink their coffee inside.” The mindsets of those in contact with the poor needs to shift, through training, through attitude campaigns, and through redefining the roles and incentives for performance of service providers. Civil society institutions can be effective partners in training in participatory orientation, skills and behavior. Short poverty immersion programs by senior and junior officials, as increasingly is being practiced by the World Bank, may assist in changing attitudes and orientation.

5. Seek and Support Champions

82. The study discovered inspiring stories of officials, local leaders and NGOs who have made a difference in the lives of the poor. Such people could serve as important peer models and trainers. In the favela of Novo Horizonte, Brazil, for example, the poor described desperate living conditions, but when asked which institutions people trusted, a man said, “What makes me trust in one institution is when I knock on its door it is open to me. Look...this prefecture is so nice that I have the mayor’s private phone number. He is a mayor who does not close the doors to the community; and it is the same with the Secretary of Social Development.”

83. Often there was some individual or some organization that made a difference in some poor people’s lives: the sheikh in Egypt who distributes *Zakat* (alms) at night so nobody notices; the village head in Vietnam who, though from a majority group, has won the hearts and trust of the minority; the shopkeeper in Bulgaria who gives credit to the Roma; the women in Somaliland who became the peace mediators between clans; the *Samurdhi* (government program for the poor) officer in Sri Lanka, who goes everywhere and about whom nobody has anything bad to say; the *sommiti* women’s group created by NGOs in Bangladesh that stands by poor women struggling to earn a living in dignity; the low caste association in India that has challenged the practices of higher caste landlords; and the Assembly man in one community in Ghana.

From Weakness to Capacity for Action

Before everyone could get health care, but now everyone just prays to God that they don’t get sick because everywhere they ask for money. Vares, Bosnia-Herzegovina.

From Weakness...

84. The reality of poverty and illbeing as revealed by the *Consultations* is complex. The disadvantages which oppress and hold down poor people are multiple. Their varied significance is specific to different people, households, social groups, communities, regions, and countries. What most disadvantages have in common is their *multiplicity*: their numerous and interwoven relationships sustain a holism of material poverty, illbeing

and the bad life. A poor person or household can be subject to many disadvantages at the same time. A cruel redundancy can then operate: if one strand of the web snaps or weakens, and the victim struggles up, other strands may tighten and oppress the victim even more.

When one is socially excluded because of ...poverty, reintegration is only possible when one regains wealth. Such is the lot of the poor! Whereas a criminal, like a rapist, and others can be reintegrated into society, the poor person, whose situation is no choice of his, has no chance of ever being reintegrated into the community. Ghana.

Sickness and Costs of Treatment Drive Poor People Further Into Poverty

Poor people cannot improve their status because they live day by day, and if they get sick then they are in trouble because they have to borrow money and pay interest. Tra Vinh, Vietnam.

Each day there is a funeral in a nearby village because of distance to the hospital. Musanya, Zambia.

The hospital is like a prison. Prostokvashino, Russia.

85. The importance to poor people of access to health care would be difficult to exaggerate. This is not just for reasons of love and compassion for close relatives and friends, or concern for personal wellbeing. It is for reasons which are also economic. The body is poor people's main asset. If it deteriorates, hunger and destitution hover at the doorstep. Bad living and working conditions, together with material poverty, make a person highly vulnerable to becoming weak through sickness, or to permanent disability or death through illness and accident. It is precisely those who are most exposed to health risk, whose work entails the greatest risk of accidents or debilitation, and who are most dependent on the strength of their bodies -- in short, those who need health care the most -- who are the least able to afford and obtain it.

86. Illness as a cause of destitution and poverty was frequently mentioned by the poor. With depressing consistency the pattern of answers in most countries was the same. The costs of treatment are high. The costs of transport, of unofficial and official fees, of return visits, time spent waiting (the poor are kept waiting the longest and often asked to return the next day), rudeness, and of drugs are too high for the poor. In many areas, those without assets do not even attempt to seek treatment, and those with some assets raise money by selling assets or borrowing from moneylenders at very high rates. In Vietnam, long-term illness or death was one of the most frequently mentioned reasons for family difficulties. In Lao Cai, Vietnam, Nha, a 26 year old man, described how his daughter's illness moved him from being the richest man in the community to one of the poorest. In Egypt, a woman said, "we face a calamity when my husband gets ill. Our life

comes to a halt until he recovers and goes back to work.” Corruption in health services makes it even more difficult to access health services. The poor in the village of Borg Meghezel, Egypt said, “there isn’t a single tablet in the clinic and the doctor has turned it into his private clinic.”

The Places of the Poor

If we get a road we would get everything else: community center, employment, post office, water, telephone. Little Bay, Jamaica.

The sewage runs in your front door, and when it rains, the water floods into the house and you need to lift the things...the waste brings some bugs, here we have rats, cockroaches, spiders, and even snakes and scorpions. Nova California, Brazil.

How can we sow anything without water? What will my cow drink? Drought is so often here. Water is our life. Orgakin, Russia.

87. The poor frequently are disadvantaged by where they live due to geographical isolation; marginal land; ill-health; discomfort; lack of transport, sanitation, water and other services; isolation from information; environmental hazards; inadequate shelter; insecure rights to land; physical insecurity and crime (in urban areas); harassment by police and those with power; and the “area stigma” attached to residents in remote areas which deters potential employers.

88. In urban areas, the places of the poor are often fetid, diseased and polluted areas. Some slum areas in Sofia, Bulgaria are dirty and stink as there is no garbage collection or other communal services. The Roma feel they are “treated like dogs.” In Bangladesh, some rural areas are cut off for six months in a year; in urban slums in Dhaka, shanties of bamboo have been constructed on raised platforms over a big ditch, which is used for all sorts of waste disposal. When babies fall into the ditch they sink and are lost. In slums in Argentina, oil spills send fire down the clogged up canals along which the poor live, and factory waste clogs up drains. In slums in Malawi, the physical conditions were so bad and hopeless that the poor said, “the only way we can get out of poverty is through death.”

89. In rural areas in many countries, the poor are pushed onto the most marginal land and often live in remote isolated areas disconnected from markets and towns. While community action can solve some problems, everywhere the poor said that governments had important roles to play in resolving water, sanitation and pollution problems. The poor in El Mataria, Egypt said, “we can solve some of the problems ourselves, such as the problem of the dirty streets, but how can we solve the potable water and lake problems?”

90. In Brazil in the favela of Nova California, poor people singled out improvements in infrastructure as making a difference despite enormous current problems. The men said,

“ten years ago nothing like this existed in the community...there was no water, electricity, public telephones, garbage collection, nothing...and life was much, much worse.....today, in comparison with the past, we live ‘in heaven.’”

Personal Capacity

Because we had no schooling we are almost illiterate...Store owners cheat us, because the Indians don't know how to count or anything else. They buy at the prices they want and pay less. They cheat us because we are not educated.
Ecuador National Report.

Lack of school fees for secondary school level leads to illiteracy which leads to not getting employed. Nampeva, Malawi.

We don't have enough money, so only two of our children, two sons, attend school, and our daughters stay at home because they have no shoes and the school is located very far from here, 6 kilometers. Tash Bulak village, Kyrgyz Republic.

In Nigeria if you are not educated, no job; and a job determines position in society. Our parents did not go to school and so are poor today. Education can change this. A youth, Dawaki, Nigeria.

91. In most countries, the poor value education as a means out of poverty, particularly when the economy is prosperous. For some in Nigeria schools were regarded as the most important institutions because knowledge is power: one youth pointed out, “In Nigeria if you are not educated, no job; and a job determines position in society. Our parents did not go to school and so are poor today. Education can change this.” But there are many hurdles. Parents must make wrenching decisions about whether or not to invest in their children's education. For the poorest families, to send a child to school can imply serious costs, both in terms of school fees, clothes, supplies and in income loss. In several countries of the former Soviet Union the phenomenon of paying for education is new and, when combined with economic hardship, is having bad effects on children's school attendance. Despite their belief in the potential value of education, the poor sometimes question its quality, language of instruction and relevance to employment. In many places, they spoke about the needs for skills training that they could then use to start their own small businesses. Overall, women were more concerned about education of children than were men.

...to Capacity for Action

92. There are two priority actions which stand out for their potential to loosen the web of poverty.

1. Curative Medicine

93. The poor need low-cost health care, while the poorest cannot even afford low costs. Minimizing treatment costs and improving access to curative medical treatment might well prove to be a highly cost-effective way of preventing impoverishment. In contrast with conditions common elsewhere, Sri Lanka stands out as a country where poor people, with few exceptions, spoke with appreciation of government hospitals, good and polite doctors, and free hospital treatment.

94. There also is a need for greater innovation in providing health insurance to the poor in the informal sector. Two micro-insurance schemes are promising.⁶ In Bangladesh, Grameen Kalyan, Grameen Bank's health care program, acts as both an insurer and health provider. The health centers are attached to the Grameen Bank center and offer curative outpatient and door-to-door services, as well as insurance options – with premiums based on a sliding scale – to members.⁷ The Philippines is experimenting with a national health insurance scheme SHINE (Social Health Insurance/Networking and Empowerment). The expectation is that, within 15 years, a nationwide insurance scheme can be set up which will be financed by income-based contributions and will provide a standard service and care package for all citizens. There are two innovative features: first, the insurance scheme will provide funds to people so they can buy their own treatments; and second, the scheme will link the existing social insurance network to grassroots community-based initiatives for health-care and health insurance.

2. Provision of Basic Infrastructure

95. Basic infrastructure, such as water, sanitation and roads, is critical to creating a stable environment for human survival and growth. The contrast between slums and more prosperous parts of many cities is acute. The slums in Brazil stand out as areas where the poor reported -- with appreciation -- basic improvements in infrastructure in the last decade. Elsewhere, conditions are generally deteriorating rather than improving. Service provision in slums must be given priority in city-wide strategies for growth. Improvements in basic infrastructure will reduce seasonal stress. In Ethiopia, poor men said that, "if we had received government assistance in the areas

⁶ Thanks to Smita Srinivas for sharing this information, which will be available in a forthcoming World Bank/ILO paper: "Social Protection for Women Workers in the Informal Economy."

⁷ A center is started after thorough discussions with members. Premiums are based on a sliding scale. Health centers have recovered approximately 65% of costs, and already 66% of Grameen Bank members participate in the scheme. The annual premium in 1996 was Taka 12 (\$2.50) per family for a maximum of 8 family members. As village health workers have been added to the centers' staffs, the pricing structure is currently being refined.

of water and electricity, it would have created a great deal of opportunity for us to improve our lives.”

Literacy, Education and Skills

96. Poor people in community after community indicated that they highly value education and training as keys to a better future for themselves and especially for their children. In many countries, and particularly across Africa, however, school fees and the distance to available schools presented important hardships to the study participants. Where schools were accessible, problems of quality were frequently raised. In Vila Junqueira, Brazil, study participants reported that “This school was ok, but now it is in shambles, there are no teachers for weeks. It lacks competent principals and teachers. There is no safety and no hygiene.” In parts of Africa and South Asia, employment prospects were linked more to literacy rather than to formal educational attainment. In Egypt, Ethiopia and Ghana, people voiced frustration because even with education, finding jobs is extremely difficult.

From Bare Subsistence to Assets and Security

Poverty and destitution are part and parcel of our lives. Malawi.

Everyday there are more unemployed, every day one sees more men around the neighborhood. Argentina.

We go for additional manual work because the income from our cultivation and animal husbandry is not sufficient. Sri Lanka.

Young healthy guys are wandering around doing nothing all winter because they only have seasonal work. Kyrgyz Republic.

There is great insecurity now. You can't make any plans. For all I know, tomorrow I might be told that we'll be laid off for a couple of months or that the factory is to shut down. We work three days a week even now, and you're in for a surprise every day. Bulgaria.

She is worried about the future of her children and the struggles they have to face when they grow up. Her immediate concern is to which house she should go for a loan of some food grains for their food that day. An interview with a poor woman, India.

There is no hope of someone to help us. I wanted a loan, but they are requiring the land title, but I can't. Isla Trinitaria, Ecuador.

From Bare Subsistence...

97. The poor typically have few assets to make a living. In most cases the poor's lives are characterized by precarious living. Livelihood strategies include a patchwork of low paying, dangerous, often backbreaking work for low returns. All over the world, even where poverty has decreased, such as in Vietnam and in Sri Lanka, the poor said that insecurity had increased. Excepting a few communities in Sri Lanka, India and the Kyrgyz Republic, the poor said that economic opportunities had decreased. Most blamed governments for mismanaging the economy and for privatization, high taxes, and inflation; declining agricultural productivity and declines in affordability of agricultural inputs; lack of cheap credit; corrupt government services; or simply lack of government care for the poor.

98. Livelihood strategies for the poor are primarily in the informal sector, and sometimes, are illegal. People survive through an enormously wide range of activities – small-time vending, doing odd jobs, carrying brick and sand, working in quarries and mines, “shuttling” (the name give to constant movement while trading in Eastern Europe), borrowing from neighbors and moneylenders, working two or three jobs, growing vegetables on little plots, returning to subsistence agriculture in countries such as Bulgaria, Russia and the Kyrgyz Republic, collecting grass, herbs, and bamboo shoots, catching wild animals, selling cooked food, making crafts, working in factories, begging, washing blankets and carpets, putting children to work, praying for rain, selling assets one by one, surrendering to prayer, reducing the number of meals, changing their diet, selling their own blood, and in desperation engaging in criminal activities, including prostitution.

99. Everywhere people equated poverty and insecurity with lack of assets, which results in their lacking the ability to cope with income fluctuations and shocks. In Russia, people said, “now I don't feel like going to work, as I don't know what I'm working for.” People reported being paid in kind rather than in cash, e.g. being paid in coffee, vodka or chocolates. One worker said, “why should I get all that vodka and mayonnaise when I need to buy medicine for my daughter?”

100. In the face of hardships, the poor reported that young children are increasingly required to work to supplement family income instead of going to school. While it is well known that children withdraw from school during peak times in agricultural cycles, there were countless other reports of children having to provide domestic help or engage in wage labor and trades. Children worked as servants in exchange for food, packed vegetables in warehouses, and were sometimes sold into marriage and temporary relationships with foreigners.

101. Lack of access to credit from formal lenders was cited by the poor with astonishing frequency. In Vietnam the poor said they either did not qualify for loans or were turned down for loans; “while the rich get loans, the poor get consideration of loans.” In the absence of usable formal credit, people turn to friends and moneylenders. Moneylenders appeared frequently on the list of most important institutions in people's lives, despite the fact that they charge high interest and insist on repayment. In Ethiopia, young men

considered the moneylender their only hope for starting a business. In Sri Lanka, Indonesia, Vietnam, Bangladesh, India, and Egypt, the poor turn to moneylenders who give loans for consumption, who don't have bothersome procedures and who allow payments to be made in kind, including in labor. Many poor people said that they stayed away from microcredit loans because of their collateral requirements, lengthy application processes and difficult payment terms, including in many cases the need to start repayments immediately.

102. As mentioned earlier, few government-provided emergency safety nets reach the poor in full force. The poor are grateful for whatever reaches them. What they need, the poor said over and over again, was the dignity of work, fair treatment, a living wage, and not handouts.

103. For most people it is extremely difficult to break out of poverty, as combination of factors erode assets as described by these farmers in Ethiopia: "We could have produced 25 quintals of grain with extension programs, but the price of fertilizer has gone up. When we fail to produce enough we sell our cattle...if we had enough rain, our cattle would not have died; the ploughing season would not have passed; we should have ploughed the land by now, but we haven't. Nobody has benefited from opportunities. As for the future, God knows."

104. With few assets, stressed family networks, problems in agriculture, and dismal job prospects, it is exceptionally difficult for many of the poor to be upwardly mobile. In the communities where the *Consultations* took place, the researchers documented case studies of individuals who had managed to become better off. A review of 147 of these upwardly mobile people revealed that self-employment or entrepreneurship was their most frequent path out of poverty. This was followed by income from wages and salaries, benefits from family, and income from agriculture and access to land. Acquisition of multiple assets helped people cope with the inevitable stresses and shocks of life. Approximately one third of these upwardly mobile managed income flows from all these sources. Skills acquisition, learning to run a business, or learning particular skills were mentioned in 27% of the case studies. Education was mentioned by only 15% of the individuals interviewed with strong regional differences; between 20% to 30% in Latin America and countries of the former Soviet Union; and between 4% to 7% in Africa and Asia.

... to Assets and Security

105. There are two sides to any strategy for building assets and security. One is to help poor people avoid becoming worse off. The agenda for this is extensive, and appears relatively neglected. Some of the policy recommendations already have been made, i.e. reduce corruption, crime and violence; stop police harassment of the poor; provide the poor with health insurance. The other is to help people who are poor to become better off, to achieve lives of greater wellbeing.

1. Organizations and Social Protection for the Informal Sector

106. The informal sector is cut-throat, fragmented and extremely diverse. Community-based initiatives that build solidarity among informal workers may help to reduce hazardous conditions for the poor.⁸ By working together, poor people's associations are able to obtain better prices for goods, buy in bulk, share information and organize to influence municipal and state regulations regarding vending, public transport, etc. Examples of people organizing include: tailors' associations, marketing cooperatives, and credit associations. In Foua, Egypt, for example, the *kilm* weavers in Foua, Egypt have applied for a loan to the Social Fund to develop *kilm* weavers skills, and for loans to organize marketing channels.

107. The majority of the poor work in the informal sector with no social security or social protection from any source. Innovative micro-insurance schemes are needed to protect poor workers. Over 90% of the labor force in India is estimated to be in the informal sector, and the share is believed to be extremely high in many other countries as well. Most informal sector workers are casual workers with no direct access to government provided social security. The Self-Employed Women's Association (SEWA) has developed the largest and most comprehensive contributory social security scheme in India at this time. It presently insures over 32,000 female workers and may offer a promising model for bringing urgently needed health, life and asset insurance to the informal sector.⁹

2. Access to credit

108. While much has been learned about microcredit lending systems based on social capital, many poor people are still not reached by such systems. In addition, as reported in the study, many find the collateral requirements too difficult, the lending amounts too small, and the weekly payment schedules too rigid. In Malawi and elsewhere, while women appreciated small loans, they said, "much as the loans have helped some of us to become fairly better off, the terms and conditions force us into psychological slavery." Participatory research is needed to guide continued innovation to channel credit through appropriate mechanisms to fit local requirements. To

⁸ A. Portes and J. Itzigsohn, "Coping with Change: The Politics and Economics of Urban Poverty," in A. Portes, C. Dore-Cabral and P. Landolt, *The Urban Caribbean: Transition to the New Global Economy*, Johns Hopkins University Press, 1997, pp. 227-248.

⁹ SEWA is a registered trade union with 250,000 women members who are self-employed, hawkers, vendors, home-based workers and laborers. The Integrated Social Security Program covers health insurance, life insurance (death and disability) and asset insurance (loss or damage to house or work equipment). SEWA works with two nationalized companies, the Life Insurance Corporation of India, and the United India Insurance Company. The scheme works through risk pooling by women who already know and can monitor each other. The scheme is financed by the interest paid on a grant provided by GTZ, one third through direct contributions by women workers, and one third through a scheme subsidized by the Government of India through the Life Insurance Corporation. The total health and asset insurance premium is Rupees 60 (\$1.50) per year, an additional Rupees provides life insurance as well. The coverage is Rupees 3,000 for natural death, Rupees 25,000 for accidental death, Rupees 2,000 for assets, and Rupees 3,000 for the house. Currently SEWA is thinking of expanding to pension plans for older workers and increasing coverage and health benefits.

establish such microcredit lending programs may require retraining of field workers and changed incentives so that their success is judged by the quality of their interactions with the borrowers as well as collection rates. Many study participants said they need access to credit for consumption as well as productive purposes, and must rely heavily on the small sums provided by relatives and moneylenders. Grameen Bank in Bangladesh is working to meet these needs, for example, by providing some 400,000 housing loans of \$300 to women with land titles and a three-year track record of successful borrowing. Such schemes may offer a promising model for combining financial empowerment with social empowerment.

Conclusion

109. In this overview, we have tried to be faithful in representing the realities, priorities and aspirations expressed by the poor people who took part in the *Consultations*, which were recorded, summarized and transmitted by the Country Teams. On the basis of these insights, we have tried to draw out implications for action which would enhance the wellbeing of poor people, and which we believe they would endorse.

110. This overview and these recommendations are a stage in a process, not a final product. They are presented here in a spirit of participation as a basis for discussion, debate, correction and improvement. Conditions in the over 200 communities where the *Consultations* took place were diverse, as were the people who took part in the study. We recognize differences and exceptions, as well as the dangers of overgeneralizing. At the same time, the commonalities across continents, countries and contexts were often striking. For those who conducted the fieldwork the experience was often distressing and the findings alarming. They might wish that policy-makers themselves would in future have the privilege of taking part in similar face-to-face learning in the field. For all those involved this has been a process which has taught us much.

111. What emerges from the collective voices of the poor in the *Consultations* is their remarkable resilience, hard work and grit. A young widow in India was perhaps typical, saying: "Even at times of acute crises, I held my nerves and did not give in to circumstances. My God has always stood with me."

112. Despite the stress of their children going hungry, the agony of watching a child die when there are doctors nearby, the humiliation and shame experienced in their interactions with government, traders, money lenders and landlords, the poor survive. They persist and they persevere. When they can, they participate in the joys of family, in the festivals of community, in the exuberance of sports, and in the shared laughter of women getting together when the day's work is done. And, even when poor men abuse their wives, beat their children, and drink themselves to oblivion, the poor persist.

113. The poor also take initiatives. They create groups to patrol the community to prevent thieves; they “rotate their money” in savings groups; they build police stations to invite the police to work with them; they create unions, cooperatives, temple, mosque and church associations; they create and sustain death donation societies, labor exchange groups, chicken raising groups, singing groups, health groups; and they give assistance to destitute groups, water groups and burial groups.

114. Overwhelmingly the poor want to be heard; and they want governments and others institutions to do more, and to do it well. The desire of poor people to be heard leads to two overarching implications: first, that well-facilitated participatory processes which enable poor people to express their realities and priorities should become an accepted part of good development practice. Such processes can provide the individuals who influence and make policy with insights which are both accurate and up-to-date. Participatory Poverty Assessments and, despite their flaws, these *Consultations*, have helped to show what can be done. The import lies, however, in changes in policy and action that will make a difference, enabling poor people to enhance their wellbeing. It makes little difference to poor people that their realities, problems and priorities are known unless something is done about them, and done effectively.

115. For good institutions and for effective voice, the vital links are policy, implementation, and personal commitment. Countries like Uganda, which seek to embed participatory appraisals, monitoring and evaluation in the policy and action processes of Government, should be fertile sources of learning for others. For their part, the test of these *Consultations* will be their impacts on development practice. Only then will the time and effort that poor people gave to this process not be in vain.

116. Second, the poor were clear that institutions, whether of the government, or of civil society and NGOs, had a major role to play. The poor want institutions they can participate in, and whom they can trust to be relevant, to care and to listen. For example, in one community in Bangladesh, the standards for good institutions set by the poor are:

- they stand beside people in their evil days
- they give attention and listen to the problems of poor people
- they have consistency in word and deed
- they do not do such things as may cause losses to the people
- they do not get involved in any corruption
- they do not indulge in corruption
- they do not discriminate between Hindus and Muslims (social groups)
- they give honest and good suggestions in times of adverse situation
- they do not give special favors to the rich
- they give fair verdicts

Can we collectively rise to this challenge?

Big Ideas in Social Change, 2014

By Tina Rosenberg

New York Times, December 11, 2014

This year, people in Charleston, S.C., taught young children to read. In Las Cruces, N.M., others cured hepatitis C. And still others treated depression in the slums of Kampala, Uganda.

On the surface, these people have nothing in common — except for being featured in Fixes columns this year. But they are all cousins, in a sense. They all owe their success to one particular strategy.

This year in the Fixes column, we've looked at 60 or so ways that people are trying to change the world. Some of these projects are successful, some partially successful, some are failing in ways we can learn from, and some are intriguing ideas that have yet to compile a track record.

The initiatives we've covered are — quite literally — all over the map. But there are ideas that unite them, a few strategies that show up over and over again. By connecting the dots we can get a sense of what can work in various contexts to solve many different types of problems. These, then, are Fixes' nominations for the big ideas in social change of 2014.

DOWNSHIFT JOBS Reading Partners in Charleston, Project ECHO in New Mexico, and Strong Minds in Kampala all rely on task shifting: taking jobs normally restricted to specialized professionals and turning them over to people with far less training in order to reach underserved groups.

At face value, task shifting sounds dangerous. After all, we have professional qualifications for a reason. It takes training and experience to be a good teacher, hepatologist or psychologist. People in those professions have learned things they need to know.

What's next, having amateurs take over the operating room? It's already happening. Zambia, a country the size of Texas, has only six surgeons in its rural areas. So it offers clinical officers a three-year surgery course, during which they learn to do the most commonly needed operations, such as C-sections, hysterectomies, appendectomies and bowel obstruction surgery.

Personally, I'd prefer a surgeon. But in rural Zambia, a surgeon isn't the alternative. Death is. Task shifting matters because it brings good things like health care and education to people who otherwise wouldn't get them at all.

And not just in Africa. Project ECHO began training rural doctors by video because when it started, in 2003, only 5 percent of New Mexico's 34,000 chronic hepatitis C patients were getting treatment. It uses regular case-based training, and specialists work remotely with the front-line doctors and nurses.

Another example is dental therapists, who have two or four years of graduate training. They are treating patients in Alaska and Minnesota (and soon, Maine) who live in areas with limited access to dental services.

Task-shifting doesn't necessarily mean second-class care, and sometimes it produces better results than the specialists do. The patients with hepatitis C in rural New Mexico seen by local non-specialists do better than those seen at the specialist clinic in Albuquerque, possibly because health workers from the same community do better at getting patients to stick to their care plans, and can interact regularly and catch problems early.

In India, the nongovernmental group Pratham devised one-page tests for basic reading and math. Volunteers with very little training go door-to-door to test children. Because of their simplicity and portability, these tests have allowed Indian parents for the first time to grasp the true failure of the country's educational system — and mobilize to do something about it.

Especially when care involves behavioral change, less training can be an asset, not a liability. Who's better at getting people to improve their eating and exercise habits? A doctor — an authority figure who can spend only 15 minutes and

generally learns little about a patient's life — or a health worker from the patient's own community, with the same problems, who can visit the patient at home and has the luxury of spending time? Experience indicates it's the latter.

Task-shifting can be an alternative any time resources are short and people can learn to do a specific activity without the full training specialists receive. Reading Partners succeeds, for example, because it isolated the key components of helping children learn to read, and found a way to teach them clearly and quickly to community volunteers.

Like other forms of task-shifting, this is a money-saver, as volunteers or low-paid workers are stretching the efforts of higher-paid professionals. Such programs also allow people to get access to preventive services, which almost always result in huge savings later. The advantages of task shifting can be summed up in the aphorism: "Don't let the perfect be the enemy of the good."

FOCUS ON PEOPLE'S STRENGTHS, NOT THEIR NEEDS This idea is related to task-shifting — in fact, it's the main reason task-shifting is effective: we often underestimate what ordinary people can accomplish and succumb to stereotypes about low-income people or minorities. Look at the Springboard Collaborative, a summer reading program in Philadelphia, for example. Springboard uses the public school system's most underemployed resource: low income, predominately African-American or Latino parents, a group usually falsely written off as unable or unwilling to help their children.

Alejandro Gac-Artigas, Springboard's founder, wondered whether low-income parents didn't get as involved with their children's education as more affluent parents because they didn't believe they had much to offer. So Springboard's system gives parents an easy-to-use curriculum that mainly involves asking questions of the child before, during and after reading — even parents who can't read can use it. Parents average over 90 percent attendance at the weekly training sessions — and instead of falling back several months over the summer, which is standard for low-income kids, their children gain more than three months in reading. "In our experience, people want to do things they're good at and avoid things they're bad at," said Gac-Artigas.

A world away, nine million women in villages in Mali and some 40 other African countries are living better by using savings groups. Women make small deposits at each meeting, and members can borrow from the pool of funds.

It's sort of like microcredit — except there's no money from outside and no bank, just a locked box. No outsiders at all, in fact, except to facilitate spreading the word and getting things started, and not always then. These groups go on for years and years with no intervention. The advantages are obvious: women who live too far away from anything to be served by a bank or traditional microcredit can benefit, which means they are less likely to experience food shortages during the year. After the initial training, these groups cost nothing to run. And they last. Projects NGOs bring in from outside often fall apart when the NGO pulls out. Not savings groups, because they truly belong to the women themselves. (The Family Independence Institute in the United States uses a similar model of self-organized problem-solving led by families, and has also produced surprising results.

We usually define "helping people" as doing things for them. But often, it should mean asking them to do things for others. People like to feel competent, useful, needed — they benefit greatly from that feeling. That's the insight behind the work of The Mission Continues, which asks veterans — a highly service-oriented group — to continue serving at home, working with chronically homeless veterans, building playgrounds or mentoring young people.

Another example is the Homeless World Cup, a series of local, national and international soccer leagues for homeless people. If you listed what homeless people need, a soccer league probably wouldn't figure high on that list. And yet it can be a catalyst, a painless way to for a homeless person to build the confidence, trust and relational skills to be able to go after all the other things they need.

It can also work for depression, the world's second most burdensome disease — for women, it's first. In Kampala, Strong Minds is testing cost-effective ways to treat depression, with the goal of eventually getting to self-sustaining peer groups. Peer support groups do successfully treat depression. They can be doubly effective, in fact, because people get more out of helping others than being helped. Helping others reinforces their own behaviors, and being useful is in itself a depression-fighter. In Alcoholics Anonymous, the very model of a self-sustaining peer group, research shows that sponsors benefit more than the people they sponsor. But it's best to do both — and in peer support groups, people do.

TARGET THE “SOCIAL DETERMINANTS” A medical mystery: A child lands in the hospital with asthma. The doctor prescribes medicines. The child uses them — properly. Yet two months later, she is back in the hospital.

Maybe the problem is that the child lives alongside mold, insects and rats. That child doesn't need a doctor — she needs a lawyer, who can persuade, or threaten, the landlord to clean it up. And at more than 230 medical clinics around the country, lawyers are on hand to help.

Health isn't just a medical problem. Health is undercut by substandard housing, air pollution, food deserts, dangerous streets, trauma and toxic stress — the social determinants of health. Being poor can make you sick, and doctors can't always help.

Education, too, has social determinants. “Zero tolerance” has become the fashion in American schools — kids who act up are suspended and then expelled, even in preschool, and sometimes arrested.

This policy succeeds only in sabotaging the education of the children who need it most — mostly low-income African-American or Hispanic boys, many of whom have already faced daunting, often overwhelming, problems. When a 6-year old is aggressive, uncontrollable or violent in class, the question shouldn't be “What's wrong with him?” but “What happened to him?” The answer, too often, is that he experienced homelessness, divorce, family violence, incarceration, drug use, neighborhood violence, sudden separation or loss — or typically a combination of the above. Researchers now call these things ACEs or “adverse childhood experiences.” Increasingly, they are measuring them and discovering how drastically they can decrease the chances of a successful life if parents, educators or doctors fail to recognize them and respond. But parents and teachers can learn new, and better ways of helping these children — far more effective than reflexive punishment — and the kids themselves can learn ways to calm themselves and manage their strong emotions.

Social determinants follow students all the way through their educations. Community colleges have become the colleges of the poor in this country. And six years after enrolling, only one-third have completed a degree or transferred to a four-year college.

Why do students drop out? Overwhelmingly, it's that they can't afford school, and can't afford to take time off from work to study. One response is Single Stop, which has offices now spreading through community colleges that help people find out if they qualify for benefits such as food stamps, child care subsidies, federal financial aid or the earned-income tax credit — and if so, Single Stop helps clients to get them.

Looking for the social determinants is not the same as looking for root causes, which can sometimes become an excuse for inaction — the idea that you have to solve everything before you can solve anything. Both concepts recognize that poverty causes interlocking problems. But targeting social determinants is specific and practical. A medical clinic doesn't have to lift a child out of poverty to treat her asthma. But it must get the landlord to do mold abatement. Schools can't reduce adverse childhood experiences. But they can manage their impact.

You don't have to solve everything to make progress on social problems. But what needs to be solved may be hidden from view. Finding it, attacking it and measuring the results — that's a big idea in social change, this year and every year.