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**POVERTY AND SOCIAL
DEVELOPMENT PAPERS**

EVOLVING VIEWS ON POVERTY
Concept, Assessment, and Strategy

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Asian Development Bank

Regional and Sustainable Development Department

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**Evolving Views on Poverty:
Concept, Assessment, and Strategy**

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I. INTRODUCTION

1. The persistence of poverty in many parts of the developing world, despite quite spectacular economic progress in the last half century, has revived interest in the subject in academic and policymaking circles alike. This revival of interest has spawned a rapidly growing literature in the last decade or so that is markedly different from the poverty discourse of a few decades ago.

2. Several streams of ideas have informed and shaped the new literature. While these streams have many ideas in common, they do not add up to a single coherent conceptual framework. However, a major common theme underlying all these streams is diversity—diversity of ways in which people perceive and experience poverty, diversity in how poor people strive either to escape poverty or to cope with it, and diversity of policy interventions needed for combating poverty.

3. This recognition of diversity in all spheres related to poverty has far-reaching implications for how the subject is approached; in particular, how to conceptualize poverty, assess its prevalence, and devise strategies for eliminating it. This paper attempts to draw out some of these implications by examining the ideas that are emerging in recent years in both academic circles and development agencies concerned with poverty elimination.

4. A convenient starting point is the notion of capability developed by Amartya Sen. He has argued that the philosophical basis of the idea of human welfare as perceived in economic and political discourses is best provided by the concept of capability—the ability of people to live the kinds of life they value—as compared with other concepts, such as utility or material possessions. The application of this concept to poverty has led to the recognition that poverty is intrinsically multidimensional in nature; it consists of the failure of several kinds of basic capabilities.

5. This recognition has challenged the hitherto prevalent notion that poverty is simply a matter of low income. In so doing, however, it has also made the assessment of poverty, that is, the assessment of its magnitude and incidence, immensely more complicated.¹ Some of the basic capabilities whose failure can be said to constitute poverty have an objective manifestation, e.g., being educated; but others, such as living a life of dignity and security, are essentially subjective in nature. Any attempt to assess the prevalence of such a diverse, partly objective, partly subjective phenomenon cannot but draw upon the life experiences of people as perceived by themselves. This realization has called for new approaches to poverty assessment. The so-called qualitative methods of poverty assessment, of which participatory poverty assessment (PPA) is a prime example, have proved very useful for this purpose, although the roots of these methods lie in ideas that were developed more or less independently of the concept of capability.

6. While these new assessment methods were concerned initially with understanding the diverse nature of people's perception of poverty, their widespread application has led to the recognition of yet another kind of diversity: the diversity of people's livelihood strategies. Poor households typically employ a range or portfolio of strategies to deal with their predicament; furthermore, the portfolio tends to vary considerably for different population groups. A proper understanding of the diverse portfolios of strategies employed by the poor is essential if

¹ Kanbur and Squire (2000) discuss many implications of adopting a multidimensional view of poverty. See also World Bank (2000).

strategies for reducing poverty are to be devised and implemented in the most effective manner. A huge literature under the rubric of the "livelihoods approach" has grown up around this recognition. This approach has much to offer by way of grounding poverty reduction strategies in the reality of poor people's lives.

7. The application of participatory methods—in both assessing the nature of poverty and understanding the livelihood strategies of the poor—has led to recognition of the value of participation itself. It is now being increasingly recognized that participation of the poor is essential at all stages of formulating and implementing poverty reduction strategies. This is so for both instrumental and intrinsic reasons. Participation is instrumentally important because it makes for more effective poverty reduction strategies and it is intrinsically important because the ability to participate in the life of a community is a valuable capability in itself. An extensive literature on participation by the poor has emerged as one of the most novel elements of recent poverty discourse.

8. One strand of this literature has pushed the frontiers even further by noting that the ability to participate in the life of a community is not just a valuable capability but a fundamental human right as enshrined in international human rights laws. This strand has found resonance with a broader movement that has recently emerged to bring the human rights perspective into poverty reduction strategies in particular and into development strategy in general. By providing a normative foundation of state policies, including socioeconomic policies, the human rights framework can potentially lead to a more ethically defensible development process. How exactly to incorporate the human rights perspective into poverty reduction strategies (and into development strategy in general) in an operationally meaningful manner remains, however, a major intellectual challenge, but it has begun to be tackled.

9. These are some of the evolving ideas on poverty that are reviewed in this paper. The ensuing discussion is organized in three parts: Section II deals with the concept of poverty, Section III with the assessment of poverty, Section IV with participatory poverty assessment, and Section V with strategies for poverty reduction. This discussion is followed by some brief concluding remarks (Section VI).

II. CONCEPTUALIZING POVERTY

10. Three new but interrelated strands in the conceptualization of poverty are discussed in this section: capability, vulnerability, and social exclusion.

A. Multidimensionality of Poverty: The Capability Approach

11. Underlying the capability approach, there is a specific conception of what constitutes human well-being. At a very basic level, well-being can be thought of as the quality or the "wellness" of a person's being or living, and living itself can be seen as consisting of a set of "functionings"—the things that a person can do or be. Thus, the level of well-being depends on the level of functionings, i.e., how well a person can do or be the things he or she has reasons to value; for example, how well a person can be free from hunger or how well a person can take part in the life of a community. The concept of *capability* refers to a person's freedom or opportunities to achieve well-being in this sense (Sen 1985a).

12. To see the relevance of capability for understanding poverty, it may be noted that the defining feature of a poor person is severe restriction in opportunities to pursue well-being.

Thus, poverty can be seen as low levels of capability or “the failure of basic capabilities to reach certain minimally acceptable levels” (Sen 1992, p.109). Two properties of this concept of poverty are worth noting here.²

13. First, not all kinds of capability failure would count as poverty. Because poverty denotes an extreme form of deprivation, only those capability failures that are deemed to be basic in some order of priority would count as poverty. Different communities may, of course, have different orders of priority and hence a different listing of which capabilities would qualify as “basic.” But it is possible from empirical observation to identify certain basic capabilities that would be common to all, such as being adequately nourished, being adequately clothed and sheltered, avoiding preventable morbidity, taking part in the life of a community, and being able to appear in public with dignity.³

14. Second, once poverty is seen to consist of the failure of a range of basic capabilities, it immediately becomes a multidimensional concept. It no longer suffices to conceive of poverty unidimensionally as lack of adequate income, as has traditionally been done.

15. The idea of multidimensionality of poverty has by now become quite commonplace among both academics and practitioners dealing with poverty. Some confusion seems to exist in certain quarters, however, regarding the precise nature of this multidimensionality. It is not uncommon, for example, to come across statements to the effect that poverty has both income and nonincome dimensions of deprivation. The latter is supposed to include deprivation of such tangible assets as land, savings, and housing, as well as such nontangible assets as health, education, dignity, and security. Statements like these display a confusion of categories—between constituents and determinants of poverty. If poverty is to be seen as low level of well-being, then only the categories that describe various dimensions of well-being can be constituents of poverty, and hence be described as dimensions of poverty. Thus, for example, the capabilities to be free from hunger and to live with dignity are constituents of well-being; as such, the lack of these (basic) capabilities is constitutive of poverty and, therefore, can properly be described as a dimension of poverty. By contrast, income and assets are not in themselves constituents of well-being; they are merely instruments that affect well-being. Therefore, the lack of incomes, assets, opportunities, and other instrumental categories cannot be treated at par with lack of basic capabilities as dimensions of poverty. Of course, certain capabilities that are constitutive of poverty can also play an instrumental role through their effects on other capabilities; for example, lack of education can adversely affect health and vice versa. Nevertheless, they can be legitimately treated as dimensions of poverty because of their constitutive role, but categories that have a purely instrumental role, such as income and assets, cannot be.

16. It is nonetheless important to acknowledge that the economic category of income and assets—more generally, command over economic resources—does play an important role in defining poverty. The way it does so is not by adding a dimension to poverty but by helping to distinguish the phenomenon of poverty from a low level of well-being in general. The point is

² For more on the capability view of poverty, see Hossain (1990) and Sen (1992, 1999).

³ There is some debate in the theoretical literature on precisely how the basic capabilities are to be identified. Amartya Sen’s own analysis leaves the list open-ended on the grounds that it should be up to the individuals of specific communities concerned to decide what is to be counted as basic. To that extent, there is some degree of relativity in this conception of poverty. Martha Nussbaum, by contrast, argues that it is possible to identify, from the basic principles of moral and political philosophy, the full set of capabilities that should qualify as basic—for policy purposes—from any community’s point of view. For more on these differences, see Nussbaum (2000) and Alkire (2002).

that while poverty implies a low level of well-being, not every case of low level of well-being can be regarded as poverty. For poverty to exist, lack of command over economic resources must play a role in the causal chain leading to the low level of well-being. For example, absence of the capability to live a healthy life is certainly a case of low level of well-being. Ill health caused by genetic disorder, however, is not in itself a case of poverty,⁴ but ill-health caused by lack of access to basic health care resources is such a case.

17. The reason for restricting the concept of poverty in this way lies in the fact that discourses on poverty as a social problem and as a matter of practical policy concern have invested the concept of poverty with an irreducible economic connotation.⁵ That is why, under the rubric of poverty reduction strategy, a scientific program to combat genetic disorders would not be included, valuable though such a program might be for improving people's well-being, but a program to enhance people's access to basic health care resources would be included.

18. Two clarifications are needed here to avoid misunderstanding. First, while the concept of poverty does have an irreducible economic connotation, the relevant concept is not low income but the broader concept of *inadequate command over economic resources*, of which inadequate personal income is only one possible source. Other sources include insufficient command over publicly provided goods and services, inadequate access to communally owned and managed resources, and inadequate command over resources that are made available through formal and informal networks of mutual support. If a person's lack of command over any of these resources plays a role in precipitating basic capability failures, that person would be counted as poor.

19. Second, the recognition that poverty has an irreducible economic connotation does not necessarily imply primacy of economic factors in the causation of poverty. For example, when discrimination based on gender, ethnicity, or any other ground denies a person access to health care resources, the resulting ill health is clearly a case of capability failure that should count as poverty because lack of access to resources has played a role here. But causal primacy in this case lies in the sociocultural practices and political-legal framework that permit discrimination against particular individuals and groups; lack of command over resources plays merely a mediating role. However, the existence of this mediating role is crucial in distinguishing poverty from a low level of well-being in general.

B. Vulnerability

20. The basic idea of vulnerability originates from the realization that shocks—of both economic and noneconomic nature—can exacerbate the problem of poverty. Thus, at any point in time, there may be people who are not currently poor but are nonetheless in such a parlous state that a sudden shock could easily push them into poverty. These people are vulnerable, even if not poor. Similarly, many people who are already in poverty may be at risk of falling into even deeper poverty when faced with shocks. They too are vulnerable while being poor. Sometimes, the term *vulnerable* is reserved for the first category of people described above, making a distinction between the poor and the vulnerable. But it is clear that the notion of vulnerability applies equally to both categories, the difference being one of degree: in the former

⁴ Ill-health caused by a genetic disorder may, of course, lead to a state of poverty, for example, by preventing the afflicted person from taking up any productive activity; but the point is that ill-health in this case will have played an instrumental role rather than constituting a dimension of poverty in its own right.

⁵ As Sen notes, the real concern underlying poverty is "capability failure because of inadequate economic means." (Sen 1992, p.111).

category, vulnerability implies the risk of falling into poverty; in the latter, it implies the risk of falling into even deeper poverty.⁶

21. The concept of vulnerability clearly marks an important advance on the traditional discourse on poverty, but the exact nature of this advance is not always correctly appreciated. Some have argued, for instance, that vulnerable is a dynamic concept and as such superior to the traditional concept of poverty, which is alleged to be essentially a static concept (Moser 1998). But there is nothing essentially static about the concept of poverty. The same phenomenon can be studied either in a static frame, by looking at a situation at any given point in time, or in a dynamic frame, by studying its change over time. It is true that most studies of poverty in the past have tended to be carried out in a static frame, but that does not render the concept itself essentially static.

22. The real advance embodied in the concept of vulnerability is in the introduction of the idea of risk in the analysis of deprivation. The consideration of risk and insecurity has not only brought the study of poverty closer to reality as perceived by the poor themselves—for whom the sense of insecurity is a defining feature of their existence—but has also allowed a much richer understanding of their behavior, as shaped by their perception of risk, which has distinctive policy implications as well.

23. The analysis of risk and vulnerability in the context of poverty can be traced back to Amartya Sen's analysis of famines (Sen 1981). His work showed that, contrary to common perception, famines—even the most devastating ones—are seldom a generalized phenomenon afflicting all segments of the society equally. Certain groups of people are invariably more susceptible to famines than others; that is to say, some are more vulnerable than others. Thus, in order to understand famines and to be able to devise effective remedies against them, it is important to understand which are the more vulnerable groups and why they are so. The celebrated entitlement analysis was developed by Sen precisely for this purpose.

24. From its origin in the study of famines, vulnerability analysis was extended in the 1980s and 1990s to encompass both famine and nonfamine situations through elaboration of the concept of food insecurity.⁷ The term *insecurity* explicitly recognized the importance of the risk element in the analysis of food deprivation. The traditional analysis of food deprivation in nonfamine conditions dealt mainly with chronic undernourishment, focusing on people whose food intake fell habitually short of requirement. The analysis of food insecurity marked a departure from this tradition by drawing attention to the fact that many people who are not short of food in any given period of time may be at risk of being so in the face of adverse shocks. Such people, together with those who are habitually undernourished, constitute the totality of food-insecure people. Food insecurity was conceived as a broader concept than undernourishment and was argued to be more policy relevant because policymakers concerned with the nutritional well-being of people should be concerned with those who are at risk of being undernourished in addition to those who already are.

25. Most recently, the perspective of risk and vulnerability has been extended further from the analysis of food deprivation to embrace all kinds of deprivation that constitute poverty. This extension has been inspired by a series of empirical studies carried out over the past two

⁶ Different aspects of the concept of vulnerability, its measurement, and its consequences have been discussed, among others, by Downing (1991), Chambers (1989), Swift (1989), Moser (1998), Ellis (2000), and Pritchett, Suryahadi, and Sumarto (2000).

⁷ See the collection of papers in Maxwell and Frankenberger (1992) and Maxwell and Smith (1992), in particular, for useful reviews of the relevant conceptual and measurement issues.

decades, which showed that a large number of people tend to move in and out of poverty, even within relatively short periods of time. This indicated the existence of the phenomenon of transitory poverty as distinct from chronic poverty (or, alternatively, conjunctural as distinct from structural poverty). Once again, the perspective of risk and vulnerability came to the fore, as it was realized that in addition to the people who are already poor at any given point in time, there are many others who are at the risk of becoming poor under adverse shocks. It was argued that the analysis and policy of poverty reduction must address all these vulnerable people.

26. There are indeed good reasons for being concerned with the totality of vulnerability. In the first place, the perception of risk of falling of into poverty engenders a sense of insecurity and worry that has welfare implications of its own, in addition to those of actually falling into poverty. The anguish of a mother who is not sure whether she can feed her children in the days ahead is no less real than the agony of a mother who in fact fails to do so. There is, therefore, a sound normative reason for addressing the problem of vulnerability in general, regardless of whether the risk of deprivation translates into actual deprivation in any particular case.

27. The analysis of vulnerability is also important for practical reasons of policymaking. The perception of risk shapes the behavior of vulnerable people. It is important to understand these behavioral consequences of vulnerability if effective policies are to be formulated for combating poverty. For instance, a strong perception of risk may induce people of small means to gear their activities more toward subsistence production at the expense of market-oriented activities because of fears of market volatility, even if the latter were to promise higher average returns (Wood 2000). Such trading-off of greater average productivity for the sake of greater security is quite common and may be perfectly rational under the circumstances. The failure to appreciate the prevalence and logic of such risk-averse behavior may frustrate policymakers eager to implement productivity-enhancing market-oriented policies. It is true that the conquest of poverty ultimately depends on the sustained achievement of higher productivity. But the concept of vulnerability highlights the possibility that the achievement of this goal will be seriously hindered unless actions are taken at the same time to reduce the perception of risk that is endemic among vulnerable people. In short, the reduction of vulnerability may be an essential prerequisite for improving productivity that is so vital for sustained poverty reduction.

C. Social Exclusion

28. The idea of social exclusion first arose in the European context, and not specifically in the context of poverty. However, in recent years the idea has become increasingly prominent in the literature on poverty in both developed and developing countries.⁸

29. As the term implies, social exclusion refers to the phenomenon that certain individuals or groups of people are excluded, or at least perceive themselves to be excluded, from taking part in various aspects of social life. Both the aspects of social life from which exclusion occurs and the grounds on which it occurs are diverse—different people may experience social exclusion in different ways and for different reasons. Exclusion may occur, for example, from the labor market, from the educational system, from public provision of various kinds, or from participation in political processes. Grounds for exclusion include specific attributes, such as gender, age, race, religion, ethnicity, location, occupation, and disease (e.g., HIV/AIDS), or the more general attribute of being at the lower end of income distribution and social hierarchy.

⁸ Various aspects of the concept of social exclusion and its relationship with poverty and inequality have been explored by, among others, Rodgers, Gore, and Figueiredo (1995); Jordan (1996); Gore and Figueiredo (1997); de Haan (1997); Figueiredo and de Haan (1998); de Haan and Maxwell (1998); and Sen (2000).

30. The diversity of both the experience of and grounds for social exclusion is genuine enough, but there has been a tendency in the literature to stretch this diversity too far to include almost every conceivable type of deprivation and disadvantage. As a result, the concept has tended to become so broad as to render it almost meaningless. One commentator remarked, somewhat uncharitably but not entirely without reason, that the rapidly growing body of “social exclusion” enthusiasts have tended “to pick up the concept and are now running all over the place arranging seminars and conferences to find a reasonable research content in an umbrella concept for which there is limited theoretical underpinning” (Oyen 1997, p.63).

31. Applied with caution, however, the concept can be quite useful in the analysis of deprivation. One example can be found in the study of income inequality, or inequality in general. It is sometimes argued that we should not be greatly concerned about growing inequality as long as people at the bottom of the scale enjoy absolute improvement in their living standards. The traditional answer to this line of argument has taken the form of defining poverty in terms of relative deprivation. If poverty is defined in relative terms—as measured by social distance from the average person of those at the bottom of the scale—then growing inequality ipso facto leads to growing poverty, even if absolute standards of living are going up all along the scale. On this reckoning, if one is concerned about poverty, then one should be concerned about inequality too. This line of counterargument has had some purchase in the past, but not everyone has been convinced of the merit of the purely relativist conception of poverty. The idea of social exclusion has come to the rescue here by strengthening the hand of those who view growing inequality with great concern but do not necessarily subscribe to the relativist view.

32. Thus, the point has been made that growing social inequality leads to a greater degree of social exclusion. The argument is that the very lengthening of social distance between two ends of the social hierarchy is disempowering for those who belong to the lower strata. As growing inequality tilts the balance of power in favor of the upper strata, the resulting disempowerment of those in the lower strata is liable to make them increasingly excluded from many benefits and activities of social life. Because social exclusion is in itself a bad thing—being an affront to human dignity, if nothing else—it can be argued that aggravation of social exclusion is an undesirable consequence of rising inequality, even if it is accompanied by reduced poverty.

33. Convincing though it is, this line of argument raises the question of what exactly is the relationship between social exclusion and poverty.⁹ The argument is, in fact, based on the presumption that the two are very distinct categories so that aggravation of social exclusion can, at least in principle, go hand in hand with reduction of poverty. This distinction does make some sense if poverty is viewed in the traditional way as a case of low income. But if poverty is seen as the failure of basic capabilities, then the distinction is not exactly valid. One of the basic capabilities, whose failure counts as poverty, is the capability to take part in the life of the community. Social exclusion implies failure of this capability; therefore, social exclusion constitutes poverty. In other words, from the capability perspective, social exclusion can be seen as a dimension of poverty. One implication of seeing it this way is that it strengthens the argument against inequality. To the extent that inequality aggravates social exclusion, it can be said ipso facto to lead to greater poverty; and one can make this assertion even without taking a relativist view of poverty.

⁹ This relationship has been explored illuminatingly by Sen (2000), as part of a thorough scrutiny of the concept of social exclusion.

34. To explore the relationship between social exclusion and poverty a little further, it should be clarified that even though social exclusion constitutes a dimension of poverty as seen from the capability perspective, the two concepts are not identical, nor does one completely subsume the other. There are elements of poverty that are not covered by the concept of social exclusion, and equally there are elements of social exclusion that are not subsumed under poverty.

35. As noted earlier, poverty as capability failure has many dimensions. Social exclusion spans those dimensions that have an essentially relational character, for example, the capability to take part in the life of the community, which is in essence a matter of social relations. There are other dimensions of poverty, however, that are not relational in this sense, for example, the capability to be free from hunger.¹⁰ Thus, the concept of social exclusion does not exhaust the content of the concept of poverty and cannot replace or supplant it.

36. Likewise, social exclusion has dimensions that do not overlap with poverty. The point can be made most clearly by invoking the distinction between “agency freedom” and “well-being freedom” as elaborated by Sen (1985b). People have both well-being goals and agency goals. Some of their actions are directed toward enhancing their own well-being, for example trying to be free from hunger. But people also act to achieve goals that may not directly advance their personal well-being and, in fact, may entail a great deal of personal cost, for example, trying to advance the cause of the downtrodden. These are agency goals. Well-being freedom and agency freedom refer, respectively, to the freedom to pursue one’s well-being goals and agency goals.

37. Social exclusion implies disadvantage in terms of both kinds of freedom. The socially excluded are disadvantaged in terms of well-being freedom because they lack an important element of well-being, namely, the capability to take full part in the life of the community. But exclusion also means that people would find it hard to pursue whatever agency goals they happen to cherish. This restriction on agency freedom does not, however, constitute a dimension of poverty, because poverty is concerned with well-being, not agency.¹¹ In other words, only the well-being aspect of social exclusion overlaps with poverty, the agency aspect does not. Therefore, the concept of poverty does not exhaust what there is in the concept of social exclusion and cannot replace or supplant it.

38. Although social exclusion overlaps with only a part of the concept of poverty, the part that does overlap is a very important one. It highlights the relational features of poverty that have not been accorded the same importance that nonrelational features (such as hunger and health) have received. As noted below in the discussion on participatory poverty assessment (Section III), there is considerable evidence that the poor themselves attach a good deal of importance to the relational dimensions of their experience of poverty. The concept of social exclusion enriches the poverty discourse immensely by highlighting an aspect of poverty that did not traditionally receive the importance it deserves.

39. In fact, the importance of the concept of social exclusion for our understanding of poverty goes beyond this. Social exclusion can be said to have both constitutive and instrumental relevance for poverty. The point made above may be described as constitutive relevance because it refers to the idea that the well-being aspect of social exclusion constitutes

¹⁰ Of course, social relations may have a causal influence on this and other similarly nonrelational capabilities, but the point is that unlike the capability to take part in the life of a community, the capability to be free from hunger is not defined in terms of relations between people.

¹¹ It is entirely plausible, however, that poor people will be unable to pursue their agency goals because of their poverty, but in that case the failure of agency freedom will be a consequence, not a constituent, of poverty.

a dimension of poverty as seen from the capability perspective. In addition, social exclusion also has an instrumental relevance for poverty because the excluded people, as a result of their exclusion, may be unable to pursue other (nonrelational) dimensions of poverty. Thus, people who are excluded from the labor market on the grounds of caste, gender, etc., may not be able to achieve freedom from hunger, ill-health, and so on. Both kinds of relevance are important in the analysis of poverty. The constitutive relevance is useful for the diagnostics of poverty, while the instrumental relevance is important in the causal analysis of poverty. Either way, if used skillfully, the concept of social exclusion has a lot to offer to the analysis of poverty.

III. ASSESSMENT OF POVERTY: SOME METHODOLOGICAL ISSUES

40. Poverty assessment is concerned with two main tasks: identifying the poor and assessing the magnitude and depth of poverty. Some empirical poverty assessment exercises go one step further to include analysis of the causation of poverty. Methodologically, this is a very different exercise from the two tasks mentioned above and the present discussion is confined to those two only.

41. The methodology of poverty assessment would obviously depend on the concept of poverty one employs. Until recently, poverty was conceived primarily as a matter of inadequate income and methodological debates centered naturally around what was perceived to be the best method of identifying and measuring the inadequacy of income. An enormous literature on this issue has grown up in the past few decades, focusing on the concept of poverty-line income as the standard against which to judge the adequacy of income (Ravallion 1994, 1998; Lipton and Ravallion 1995).

42. While many issues still remain unresolved in this ongoing debate, a whole new literature has been developing over the last decade or so on the methodologies that are appropriate for the newly emerging conception of poverty that is no longer tied to the single metric of income. There is now a fairly general agreement that poverty ought to be seen as a multidimensional phenomenon. The question is how to capture this multidimensionality. The issue is complex, not just because multiple dimensions are more difficult to capture than a single dimension (such as income), but also because many of the dimensions refer to experiences of people that are inherently subjective in nature (such as lack of security and dignity) and as such pose completely new challenges for the methodology of poverty assessment. Much of the discussion that has been taking place on this issue can be organized around two interrelated themes: debate on quantitative versus qualitative methods of assessment, and the role of PPA.

A. Quantitative Versus Qualitative Methods of Assessment

43. The methodology of assessing the magnitude of income-based poverty is primarily quantitative in nature. It typically employs random-sample surveys and structured interviews to collect mainly quantifiable data and analyses them using statistical methods. As long as poverty is measured by income alone, this method is reasonably satisfactory, despite many potential pitfalls.

44. But the emergence of a partly objective, partly subjective multidimensional view of poverty has raised serious questions about the adequacy of this method. For example, can the varied experiences of poverty as perceived by people be captured through an impersonal structured interview? Are the statistical techniques that deal primarily with numerical data appropriate for analyzing subjective experiences? Will the standard methods suffice to form an

integrated (“holistic”) view of poverty that takes into consideration people’s experiences along a multiplicity of dimensions? Questions such as these have raised doubts over the adequacy of the standard quantitative methods and have given rise to a new genre of methodologies that has come to be known as the qualitative method of poverty assessment. This method has been defined as one “that typically uses purposive sampling and semi-structured or interactive interviews to collect data—mainly, data relating to people’s judgments, attitudes, preferences, priorities, and/or perceptions about a subject—and analyzes it through sociological or anthropological research techniques” (Carvalho and White 1997).

45. The rationale behind the emergence of this new method is understandable enough. But the claims about its superiority over the quantitative method are often vitiated by confusion about what exactly are the distinguishing features of this method and where exactly its superiority lies.¹² The confusion arises from a number of sources.

46. First, the literature tends to tie quantitative methods uniquely with the unidimensional view of poverty, as reflected in the estimation of poverty-line income, and qualitative methods with a multidimensional view of poverty. But there is actually no strict one-to-one relationship between the dimensionality of poverty and the method of assessment. Thus, for example, there exists a rich tradition of estimating subjective poverty-line income by seeking information on people’s perception of their own well-being through methods that resemble closely the qualitative methods currently in vogue. On the other hand, many dimensions of a multidimensional view of poverty can, in principle, be captured through quantitative methods; for example, hunger by estimation of calorie intake, health by anthropometrics and clinical measurements, and education by literacy.

47. Second, qualitative methods are sometimes characterized as nonnumerical and nonstatistical in contrast to quantitative methods, which invariably use numbers and analyze them with statistical methods. This characterization is misleading because it reflects a basic misunderstanding about the nature of numbers. Numbers can be of various types. Some are cardinal (both differences and levels of these numbers are comparable), some are ordinal (differences are not comparable but levels are) and some are categorical (neither levels nor differences are comparable). The so-called quantitative methods, which measure such variables as income and consumption, generate cardinal numbers. By contrast, the so-called qualitative methods often generate a type of information—such as people’s preferences over various alternatives or the reasons for acting in one way rather than another—that cannot be assigned cardinal numbers. But they can almost always be assigned either ordinal or categorical numbers, and there are well-known statistical methods for analyzing such numbers in a systematic way.

48. Third, a spurious superiority of the qualitative method is sometimes claimed on epistemological grounds. It is suggested that this method is based on the assumption that there are multiple realities whereas the quantitative method assumes a single reality, and because the assumption of multiple reality is presumed to be epistemologically more valid than that of single reality, the qualitative method is said to be superior. Whether reality is multiple or single is a complex philosophical question that remains deeply divisive. But regardless of how this question is resolved, the claim that the qualitative method captures multiple realities is hardly sustainable. The idea of multiple realities refers to the possibility that one may arrive at diverse evaluation of the status of the same individual depending on the perspective of evaluation. If some method

¹² For explorations of this question from many different perspectives, see, for example, Reichardt and Rallis (1994), Carvalho and White (1997), Chambers (1997), Bamberger (2000), and Kanbur (2001).

were to capture multiple realities in this sense, then it would probably fail to classify a given person uniquely as either poor or nonpoor or to rank different individuals uniquely in terms of severity of poverty. But the qualitative methods of poverty assessment do classify individuals as poor versus nonpoor and they do rank the poor uniquely. This is not consistent with the claim of capturing multiple realities. It is true that the qualitative method does have some advantages in capturing diversity among the poor who do not all experience poverty in the same way. But to capture the diversity of experience is not the same thing as capturing multiple realities.

49. Once these confusions are cleared up, the really important methodological issues would seem to revolve around the following two questions.

- (i) Given that the capability approach suggests a multidimensional view of poverty in which income does not figure as a dimension but rather as an element in the causal chain, what relevance remains of poverty-line income as a method of assessing poverty?
- (ii) It must be acknowledged that assessment of the subjective dimensions of poverty, such as lack of security and dignity, cannot but rely on qualitative methods. But when certain dimensions of poverty can, in principle, be measured by both qualitative and quantitative methods, such as the status of hunger and health, which method is to be preferred?

50. The immediate answer to the first question would seem to be that poverty-line income has no relevance for assessing poverty, defined as capability failure, because income is not a capability. But the matter is not as simple as that. Recall the point made earlier that for capability failure to count as poverty, lack of command over resources must play a role in the causal chain leading to that failure. That being so, why cannot income inadequacy, as measured against the standard of poverty-line income, be used as an indicator of poverty, even if poverty is defined as capability failure? In principle, there would be no problem in doing so, provided there existed a one-to-one relationship between a person's income and his or her various capabilities. Indeed, in this case the use of the poverty-line approach would have the great advantage of simplifying the assessment exercise by collapsing a complex multidimensional phenomenon along a single dimension.

51. The problem is that one cannot assume the existence of such a one-to-one correspondence between income and capabilities. There are at least two reasons for this. First, while capabilities do depend on resources, income is only one such resource. Other resources include publicly provided goods and services, communally owned resources, and support from friends and families. Second, the same level of income—or even of resources in general—does not always translate into the same level of capability for different individuals. Personal characteristics and the circumstances of living may vary so much among different people that they need different amounts of resources in order to achieve the same level of capability.¹³

52. The absence of a one-to-one correspondence between income and capability evidently spoils the game for the poverty-line income approach. For practical purposes, however, it may still retain some relevance as an approximation. This is especially so because the alternative route, involving a multidimensional assessment of capability failure, must also involve a lot of compromises and approximation, given the inherent difficulty of capturing a complex reality.

¹³ For elaboration of this argument, see Sen (1985a).

53. As for the second question, one may begin by acknowledging that both approaches have their advantages and disadvantages.¹⁴ The main advantage of the so-called quantitative method is that it can be used on a large scale, thereby ensuring better representation of the sample and rendering it possible to make generalizations, which is especially important for the purpose of national-level policymaking. Furthermore, with this method it is easier to maintain comparability while collecting data for different groups and locations. This is important for setting priorities among alternative uses of scarce resources, because it is only on the basis of comparable information that one can decide where the greatest needs lie.

54. The main advantage of the qualitative method is that it enables one to explore any given phenomenon much more deeply through an interactive process. This may be especially useful not only for eliciting reliable subjective information but also for generating hypotheses about causal relationships, even among quantifiable objective variables. Furthermore, this method opens up the opportunity for the poor to participate actively in the assessment and analysis of poverty, which, as discussed below, has many potential benefits for the poor and policymakers alike.

55. In view of the fact that both methods have their own strengths and weaknesses, it would seem sensible to use them in tandem to complement each other instead of viewing them as mutually exclusive alternatives. However, because the two methods have historically developed within very different disciplinary traditions—quantitative methods in economics and qualitative methods in sociology and anthropology—practitioners of the two approaches have tended to display mutual incomprehension, suspicion, and at times even hostility. Fortunately, things are changing. Attempts are being made from both sides of the disciplinary divide to use the two methods in combination (e.g., Green and Caracelli 1997; Tashakkori and Teddlie 1998; Booth et al. 1998; Bamberger 2000; Duclos, Sahn, and Younger 2000). This enterprise has thrown up fresh challenges, some of which are meta-methodological in nature, for example, whether to use the two methods simultaneously or sequentially (Ravallion 2001). Challenging as it, this new enterprise holds great promise of finding a much better way of capturing the complexity of multidimensional poverty than any that exists today.

IV. PARTICIPATORY POVERTY ASSESSMENT

56. PPA is a special class of qualitative methods of poverty assessment. It was developed in the early 1990s with the aim of not just understanding the prevalence and nature of poverty but also of increasing the participation of the poor in the formulation and implementation of policies for poverty reduction.¹⁵ A leading authority on the theory and practice of this method defines it as follows: “A PPA is an iterative, participatory research process that seeks to understand poverty from the perspective of a range of stakeholders, and to involve them directly in planning follow-up action. The most important stakeholders involved in the research process are poor men and poor women. PPAs also include decision makers from all levels of government, civil society and the local elite, thereby uncovering different interest and perspectives and increasing local capacity and commitment to follow-up action.” (Narayan 2000, p.15)

57. Several streams of research methodologies have contributed to the evolution of this method. In the late 1980s, the methodology of rapid rural appraisal (RRA) was developed to

¹⁴ For a thorough review of these advantages and disadvantages, see the collection of papers in Kanbur (2001).

¹⁵ The principles and experience of this method have been discussed extensively, among others, by Norton and Stephens (1995), Salmen (1995), Brocklesby and Holland (1998), Holland and Blackburn (1998), Robb (1999), McGee and Norton (2000) and Narayan (2000).

offer an alternative to the traditional method of collecting information through large-scale household-level surveys, which were both expensive and time consuming. RRA was based on semi-structured and/or open-ended interviews, focus-group discussions, key informants, etc. These exercises did not always have a poverty focus nor did they aim to ensure participation by the poor. But, inspired by the participatory research methodologies of sociology and anthropology, RRA soon evolved into participatory rural appraisal (PRA). PRA retained the focus of RRA on rural economy in general rather than poverty in particular, but did take participation seriously in the process of rural appraisal. Around the same time, the World Bank initiated poverty assessment exercises that focused on poverty but without the element of participation. These two streams then began to converge into PPA, bringing the force of participation to bear upon poverty assessment.

58. The proponents of PPA have claimed a number of advantages over the traditional methods of poverty assessment. These include

- (i) enriching the understanding and analysis of poverty by including the perspectives of the poor;
- (ii) broadening stakeholder involvement and thereby increasing general support and legitimacy for anti-poverty strategies;
- (iii) providing a diverse range of valuable information on a cost-effective, rapid, and timely basis;
- (iv) creating new relationships between policymakers, service-providers, and people in poor communities; and
- (v) contributing to the empowerment of the poor.

59. Not all PPAs can claim all these advantages, however. This is because the objective and design of PPAs have themselves evolved over time. The early PPAs were more concerned with the purely assessment exercise, i.e., discerning the nature of poverty and its proximate causes. In the process, these studies often came up with valuable “surprises.” For example, a pioneering PPA carried out in Bangladesh in the mid-1990s uncovered that the dowry was a more crushing burden for the poor and a much bigger source of women’s disadvantage in Bangladesh society than was believed to be the case (UNDP 1996). The later PPAs have been concerned much more with strengthening the process of policy formulation and implementation by improving the information base, strengthening stakeholder ownership, and fostering a closer relationship between policymakers and the people. Participatory studies carried out in South Africa and Uganda have set high standards in this regard (Attwood and May 1998; McGee 2000). Summing up the experience with PPAs of both vintages, a recent review concludes that “The early PPAs were remarkable for the new substantive insights they offered on the nature of poverty, while the second generation PPAs ... are less noteworthy for their new findings than for fostering and enabling new institutional characteristics, protagonists, owners and processes” (McGee and Norton 2000, p.35).

60. Much discussion in recent years has focused on the empowering aspect of participatory research methodologies. The conventional method of survey-based data collection and even the first-generation PPAs have been criticized by some for being essentially “extractive” in nature, i.e., they extract information from the poor without giving back anything to them in return. It has been argued that this practice is not just unethical but also eventually self-defeating because the information so generated cannot be of much use to the poor unless they are enabled to take part in, or even take control of, the actions and processes designed to improve their living conditions. To some extent, the second-generation PPAs have been inspired by criticisms of this sort. By involving the poor in the process of policy formulation and

implementation, these exercises hope to empower the poor, in addition to improving the effectiveness of policies.

61. Both the empowerment aspect and the policy-effectiveness aspect of participation have received widespread recognition, even beyond the research community. As a result, many national and international development agencies as well as various nongovernmental agencies engaged in community development are increasingly embracing the PPA methodology. For example, the World Bank has recognized the participatory approach as a cornerstone of the Poverty Reduction Strategy Paper (PRSP) process it has recently adopted as the main instrument of its development lending. A review of the experience of the early PRSPs shows that participation is still too fragmentary and too shallow in most cases to further the goals of empowerment and policy effectiveness. However, there are signs of improvement as countries gain more experience with the PRSP process (Booth 2001; IDA/IMF 2002).

62. Within a short time, PPA has transcended its original task of providing a better understanding of the nature of poverty to playing a catalytic role in shaping new strategies for poverty reduction. Both the “sustainable livelihoods approach” and the “rights-based approach” to poverty reduction discussed in the next section have drawn inspiration from the ethos of participation that underlies this methodology.

V. NEW APPROACHES TO POVERTY REDUCTION STRATEGY

63. This section presents two broad approaches to poverty reduction strategy that have emerged in recent years. One draws on the idea of livelihood strategies adopted by the poor and the other draws inspiration from the human rights literature. The two approaches are not mutually exclusive. Indeed, there is a great potential of exploiting the complementarity of the two approaches.¹⁶ However, these ideas are new and have to be first understood and elaborated in their own terms before the complementarities can be explored.

A. Sustainable Livelihoods Approach

64. The sustainable livelihoods approach, or just the “livelihoods approach” as it was initially called, arose out of reaction against the prevailing orthodoxy of a poverty reduction strategy that saw the poor as passive recipients of external support, be it from government or nongovernment agencies. In the orthodox view, the poor were supposed to have some “basic needs,” and the task of a poverty reduction strategy was to help meet those needs. By contrast, the livelihoods approach started from the premise that the poor do not just have needs, they also have assets, primarily labor power but also other assets of various kinds, and they try to earn a livelihood in a variety of ways by using these assets. The objective of a poverty reduction strategy should be to strengthen the ability of the poor to pursue their own livelihood strategies and to be active agents for changing their own lives.¹⁷

¹⁶ The complementarities have been explored by, among others, Farrington (2001), Moser and Norton (2001), and Conway et al. (2002).

¹⁷ The concept of the livelihood approach is generally attributed to the seminal paper by Chambers and Conway (1992). The research program on sustainable livelihoods undertaken at the Institute of Development Studies in Brighton, United Kingdom, played an important role in strengthening the conceptual and empirical foundation of the approach. However, recent intensification in interest in this approach owes itself primarily to the initiatives taken up by well-known nongovernment organizations, such as CARE (Frankenberger and Drinkwater 1999) and OXFAM (Eade and Williams 1995), and development organizations, such as the Department for International Development of the Government of the United Kingdom (DFID 1997, 2001) and the United Nations Development Programme (Roe 1998) to adopt the approach as the basis of their operations.

65. This appreciation of “agency” as a crucial aspect of the lives of the poor was greatly facilitated by the practical application of PPA methods. Initially designed to understand better the nature of poverty, these methods also yielded a clearer understanding of how the poor cope with their poverty and try to escape from it.

66. From the insights offered by the empirical studies based on this method, two findings stood out in stark relief. First, contrary to a common perception, the occupation of poor households cannot be classified along neat sectoral lines, such as farming, trading, and manufacturing. Most rural households pursue a diversified livelihood strategy spanning a number of economic sectors. Different members of a household may be engaged in different activities, or the same individual may undertake different activities at different times of the year. In short, poor households pursue a portfolio of livelihood strategies instead of single occupation (Bernstein, Crow, and Johnson 1992; Ellis 1998, 2000; Bryceson 1999).

67. Second, contrary to another common perception, the poor are not assetless. Corresponding to a portfolio of livelihood strategies, they also possess a portfolio of assets (Moser 1998; Bebbington 1999). These assets may be meager, but they are crucial for the survival of the poor, and they can be both tangible and intangible. One common way of classifying these assets is as follows: (a) labor—the most important assets of the poor; (b) human capital—the quality of health status, skills, and education, which determines the return to labor; (c) productive assets—land, housing, common property resources, etc.; (d) household relations—a mechanism for allocating household labor along different activities, pooling income, and sharing consumption; and (e) social capital—reciprocity within communities and between households based on trust and social ties.

68. Using the portfolio of assets at their command, poor households typically adopt a portfolio of activities, which makes for a diversified livelihood strategy.¹⁸ This realization led to the emergence of the sustainable livelihood approach to poverty reduction that has a number of distinctive characteristics.¹⁹

69. For example, as mentioned earlier, this approach focuses on the strengths of the poor—as indicated by their assets—rather than their needs, and tries to build on them. This calls for tailoring policies to the specific livelihood strategies of specific groups of people, making policymaking more sensitive to variation in the circumstances in which the poor make a living.

70. The approach calls for a shift away from the traditional preoccupation with sector-based policymaking to a more integrated approach involving a multiplicity of sectors corresponding to the portfolio of the poor's livelihood strategy. The question has been raised as to whether this does not hark back to the old-fashioned integrated rural development programs (IRDP), which do not by and large have a good record. While acknowledging that there is some affinity between the two, it should be noted, however, that unlike the old-fashioned IRDPs the new

¹⁸ The tendency to diversify the livelihood pattern has generally been explained in the literature as a risk-aversion strategy on the part the poor, who are supposed to be more concerned with survival than with accumulation. But partly, this is also a consequence of market imperfections. The nonmarketability of assets possessed by the poor prevents them from specializing in a particular line of activity and renders diversification necessary for maximizing the return from assets.

¹⁹ Several variants of the approach have emerged in recent times as different organizations have tried to operationalize the idea in their practical work, but they all share some core properties. Ashley and Carney (1999) and Carney (1999) provide a useful comparison of these variants. For detailed discussion of the approach in general, see Bagchi et al. (1998), Carney (1998), Scoones (1998), Thompson (2000), Murray (2001), and Adato and Meinzen-Dick (2002).

approach makes the integration contingent on a prior understanding of the livelihood strategies employed by the poor of a community. It also makes the prioritization involved in the allocation of scarce resources contingent on the poor's own understanding of the constraints and opportunities facing them.

71. Further, by taking a broad view of assets, this approach pays serious attention to the relational aspects of the poor's existence. Relations at the level of household, community, and beyond can have both negative and positive impact on the opportunities available to the poor to pursue a sustainable livelihood strategy. Understanding those relations and undertaking social actions to modify those relations in favor of the poor constitute an important element of the poverty reduction strategy encouraged by this approach.

72. Finally, by emphasizing the sustainability of livelihoods, the livelihoods approach seeks to impose certain restrictions on the set of permissible actions that would constitute a poverty reduction strategy. Two types of restrictions, corresponding to two aspects of sustainability, are imposed. The first aspect relates to the concern that livelihoods must not be allowed to become more vulnerable to sudden shocks; indeed, efforts must be made to reduce the current level of vulnerability as much as possible so that any gains made by the poor can be sustained. The second aspect relates to the sustainable use of natural resources. The livelihood strategies of the poor must be rendered compatible with a pattern of natural resource use that does not threaten the viability of livelihoods in the future.

73. The ideas underlying the livelihoods approach have clearly a lot to offer toward devising more effective strategies for rural development and poverty reduction (see, e.g., Ashley and Maxwell 2001; Devereux 2001). It is argued here, however, that a reorientation of the approach and a shift of emphasis may be needed to improve its usefulness. The need for reorientation arises from the fact that in some ways the origin of the approach lies in the literature on vulnerability and coping strategies, which was concerned more with survival in the face of destabilizing shocks than with raising the living standards of the poor. Thus, one recent study defines the approach as follows: "The Sustainable Livelihoods Approach can be seen as one of a number of analytical frameworks which deal with the dynamic dimensions of poverty and well-being through establishing a typology of assets which poor individuals, households and communities deploy to maintain well-being under changing conditions" (Norton and Foster 2001). The focus on maintaining the level of well-being is, of course, central to the literature on coping strategies, i.e., the literature that studies how the poor cope with adverse shocks by employing the variety of assets they possess in a diversified livelihood strategy.²⁰

74. One of the consequences of orienting the approach toward vulnerability and coping is that in the discussion of policy design, the livelihood strategies of the poor tend to be taken as given and policies are supposed to be geared toward ensuring their sustainability. This orientation is too limiting. While every effort must be made to reduce the degree of vulnerability faced by the poor, a poverty reduction strategy cannot be concerned solely with eliminating vulnerability or enabling the poor to cope with its consequences; this would be tantamount to perpetuating poverty. A poverty reduction strategy must aim at raising the living standards of the poor in a sustained manner. In that context, it may no longer make sense to take the livelihood strategies as given. It may so happen, for example, that a certain pattern of livelihood strategy is perfectly consistent with maintaining the well-being of the poor in the face of adverse shocks,

²⁰ For some of the major contributions to this literature, see Chambers (1989), Bernstein et al. (1992), Davies (1993), Corbett (1988), and Longhurst (1994).

but is at the same time incapable of pulling them out of poverty. In that case, there would be strong grounds for seeking to change the livelihood strategies instead of taking them as given.

75. The reorientation of the livelihood approach from coping toward poverty reduction must, of course, still begin with an examination of the existing livelihood strategies. But the objective of this examination is not necessarily to find ways to sustain an existing strategy, even if it is good enough to eliminate vulnerability, but to ascertain its strengths and weaknesses from the point of view of improving the living conditions of the poor.

76. It should be emphasized, however, that the strengths and weaknesses of a livelihood strategy cannot be ascertained simply from knowledge of the strategy alone. Whether a livelihood strategy has the potential to pull a household out of poverty depends crucially on the policy environment and the institutional framework within which the household happens to be situated. The evaluation of livelihood strategy must be specific to the policy and institutional context. This should not be taken to mean that this approach to poverty reduction demands that overall policy environment and institutions be taken as given while trying to improve livelihood strategies. What it demands is that policymakers should adopt an integrated approach toward policy formulation, institution building, and interventions aimed at changing the asset base of the poor so that the poor are able to pursue a livelihood strategy capable of lifting them out of poverty.

77. This coordination of policy and institutional environment with the livelihood strategy of the poor is the essence of what has come to be known as the macro-micro linkage in the literature on poverty reduction. Some have argued that inadequate attention to macro-micro linkages is one of the weaknesses of the livelihood approach in its present form (e.g., Shankland 2000). The argument here is that, with suitable reorientation, the livelihoods approach can be turned into a valuable analytical tool for studying and strengthening this linkage.

78. This requires integration of livelihood analysis into a broader analysis of the linkages between poverty at the micro level and economic forces operating at the macro and sectoral levels. As an example of how this integration can be accomplished, an analytical framework that has recently been developed to study the macro-micro linkage by using the notion of an employment nexus between growth and poverty (Osmani 2002a) is described briefly.

79. This analytical framework shares the basic premise of the livelihood approach that the poor are not in general passive recipients of support, but are active agents trying to make a living through a variety of means. In this, they rely mainly on the use of their labor power, whether as wage-labor or in self-employment. How much labor power they are able to use—the quantity of employment—is an important determinant of their income. Also important, however, is the return to labor—the quality of employment—which depends to a large extent on the portfolio of assets (including physical assets, human capital, and social capital) with which they pursue their livelihood. Changes in the quantity and quality of employment constitute the proximate determinants of their status in terms of income poverty.

80. These proximate determinants are in turn influenced by three sets of underlying factors: namely, the growth factor, the elasticity factor, and the integrability factor:

- (i) The growth factor is the rate at which the production potential of the economy expands, as represented by an upward shift of the production possibility frontier.

- (ii) The elasticity factor is the extent to which an upward shift of the production possibility frontier enhances the employment potential, the latter being defined as the scope for improving the quality and quantity of employment. The concern here is with the elasticity of employment potential with respect to growth in production potential.
- (iii) The integrability factor is the extent to which the poor are able to integrate into economic processes so that, when growth occurs and the employment potential expands, they can take advantage of the greater scope for improving the quality and quantity of employment.

81. It is in the analysis of the third factor that the livelihoods approach can make a significant contribution. But before elaborating this point, some brief remarks on the other two factors may be useful because these are important elements of the macro-micro linkage. The “growth factor,” i.e., expansion of an economy’s production potential as determined by the growth of its labor force, accumulation of human and physical capital, and technological progress, must be an essential component of any program of sustained poverty reduction. It is obvious that without the growth of production possibilities there can be no sustained expansion in employment potential. The only way employment can be expanded in a stagnant economy is either by depressing the returns to labor or by increasing the rate of underemployment. Neither route is good for the poor. Only a growth-induced shift in the employment potential will enable the poor to enjoy rising income, either through reduced unemployment/underemployment or through higher returns to labor.

82. Given any shift in the production potential, the next parameter that has a bearing on the poor’s income is the “elasticity factor,” i.e., the extent to which growth in output expands the scope for improving the quantity and quality of employment, that is, the employment potential. An expansion of employment potential manifests itself as an upward shift of the marginal value product curve of labor. For the wage labor sector, this is nothing but the standard demand curve for labor. For the self-employed sector, however, the term *demand curve* does not strictly apply. Even so, the common feature of both cases is that an upward shift of the curve allows the workers to improve the quality and quantity of their employment.²¹ For any given expansion of growth potential, the shift of the labor demand curve would depend on three factors: sectoral composition of output, choice of technique, and the terms of trade (the relative price between output and input). If the composition of output and the choice of technique favor the use of labor relative to other factors of production and if the terms of trade are high, then the demand for labor will rise strongly, leading to a high elasticity of employment potential.

83. Rapid growth and high elasticity of the employment potential can together ensure that economic activities create greater opportunities for workers to increase their income through a combination of greater employment and higher returns to labor. However, workers do not necessarily mean “poor workers,” and opportunities are not necessarily seized. So, even a combination of rapid growth and high elasticity does not guarantee a rapid rate of poverty reduction. If the new opportunities are such that the capabilities they demand do not match the capabilities of the poor, then either nonpoor workers will seize the opportunities or perhaps the opportunities will not be seized at all. Much, therefore, depends on the correspondence between

²¹ Precisely how the effect would be split between quality and quantity would depend on the nature of the supply curve of labor. If the supply curve is relatively flat—as in a situation of surplus labor—most of the impact would be felt as greater quantity, as reflected in reduced underemployment for the poor. If the supply curve is steep—as when surplus labor is exhausted or nearly so—most of the impact would be felt as higher quality, as reflected in higher wages in the case of wage-labor and higher returns to labor in the case of the self-employed.

the structure of opportunities that are opened up and the structure of capabilities possessed by the poor. The “integrability factor” refers to the degree of this correspondence. The greater the degree of correspondence, the more extensively will the poor be able to integrate into the processes of economic expansion and the faster will be the rate of poverty reduction for any given rate of growth.

84. There are a variety of reasons, however, why the poor may not be able to integrate fully into economic processes so as to take advantage of any expansion in employment potential created by economic growth.

85. One extreme case is illustrated by some recent nutrition-based theories of unemployment and underemployment. The problem stems from the physiological fact that every individual has to incur a “fixed cost” of energy expenditure simply to maintain the body (at rest) before incurring any additional energy expenditure for doing physical work. For an individual who does not have an alternative means of meeting the fixed cost—for example, an assetless laborer—the energy value of the returns to labor will have to be large enough to cover both the fixed cost and the variable cost associated with work. The sum of fixed and variable energy costs will then represent his reservation wage, below which he or she would not work. However, those with some asset income might be willing to work for a lower wage, because a part of the fixed cost will be met by other means. As a result, in a competitive labor market, the assetless laborers will be priced out by those who have some assets and will suffer from unemployment (Dasgupta 1993). By the same token, those who have fewer assets may be priced out by those who have more. To put it differently, the poorest among the poor may not be able to integrate into economic processes because of competition from the less poor, or perhaps the nonpoor as well, even in the face of an overall expansion in the employment potential.

86. The lack of integrability may also result from market failures, especially the failure of the credit market. It is well known that, because of informational asymmetries, the formal credit market often tends to resort to credit rationing in such a way that the poor, with their few assets, are left out or are at least severely discriminated against. Poor entrepreneurs are then compelled to turn to monopolistic informal moneylenders. But the exorbitant rates of interest charged by the latter may render it impossible to expand a business, even if there is an overall expansion of economic opportunities. Similarly, poor infrastructure, lack of information, market thinness, and other problems of living in remote areas may make the transaction costs so prohibitive that poor entrepreneurs of those areas may not find it worthwhile to expand business or to undertake new business activities even if new opportunities open up in the overall economy.

87. Labor market institutions may also play an important role by creating an insider-outsider problem. Certain types of labor laws and practices of collective bargaining may create such an asymmetry of power between insiders (i.e., those already employed in the organized sector) and outsiders (i.e., those seeking entry into the organized sector) that the insiders may be able to effectively prevent the outsiders from gaining entry (Lindbeck and Snower 1989). In that case, the outsiders will find it hard to integrate into the mainstream of economic expansion. The benefit of expansion will then accrue largely to the insiders in the form of higher returns to labor, leaving little direct benefit for the outsiders. To the extent that the outsiders are likely to be poorer than the insiders, this will be detrimental to the cause of poverty reduction.²²

²² It must be noted, however, that if the incentives provided to the insiders can be designed so as to increase their productivity, for example, by paying them efficiency wages or by improving their working environment, then the spill-over effect of higher productivity may indirectly benefit the poor outsiders. These indirect benefits must be

88. Another source of limited integrability lies in a possible mismatch of skills, that between the skills demanded by the expanding sectors and the skills possessed by the poor. A case in point is the current experience of many Latin American countries. As these countries try to open up their economies, they find that, unlike the countries in East and Southeast Asia that had opened up their economies earlier, their comparative advantage does not lie in the activities that are intensive in relatively unskilled labor. The emergence of poor and populous countries, such as the People's Republic of China and India, on the global scene has ensured that Latin America will not be able to compete in these types of products. Instead, it is in the relatively skill-intensive activities that most of the Latin American countries find their comparative advantage (Wood 1997). The opening up of these economies has, therefore, led predictably to an expansion of these skill-intensive activities, and the poor have benefited little from this expansion so far, because they do not possess the skills that are needed by the expanding sectors.²³

89. A rather different kind of mismatch relates to the gender dimension of the integrability problem.²⁴ The types of jobs for which demand rises may be culturally defined as men's jobs, whereas poverty may be concentrated mostly among women. An example can be found in parts of Africa where crop production has acquired a gendered pattern, with cash crops being identified as men's crops and subsistence food crops being identified as women's crops. Trade liberalization and greater commercialization of agriculture may boost the employment potential in cash crop production, but to the extent that gendered pattern of crop production remains a constraint, poor women will find it hard to take advantage of the new opportunities.

90. Another problem that inhibits poor women's efforts to integrate into economic processes is the time constraint. Poor labor-abundant economies may have a comparative advantage in labor-intensive activities and if market distortions are removed, such activities may indeed flourish. However, many poor women may not be able to take advantage of these opportunities. A conflict would arise between the demands of labor-intensive activities and the time constraint faced by poor women as they try to combine productive and reproductive activities within the household.

91. It is clear that an investigation into the nature and causes of integrability problems faced by particular individuals in specific circumstances would have to rely on a detailed livelihood analysis. Only by examining the livelihood strategies pursued by the poor and the structure of assets they possess can one ascertain why they fail to integrate into economic processes and how the expansion of opportunities can be engineered as to enable the poor to take advantage of it and thereby improve their livelihood in a sustained manner.

B. The Rights-Based Approach to Poverty Reduction

92. The rights-based approach to poverty reduction stems from recognition that the human rights perspective can both illuminate our understanding of the nature and genesis of poverty and help adopt a more effective strategy of poverty reduction. First, the relevance of human

weighed against the direct cost to the outsiders when considering the desirability of labor laws and practices that strengthen the hand of the insiders.

²³ The resulting phenomenon of widening wage differentials between skilled and unskilled workers has been analyzed by Behrman, Birdsall, and Szekely (2000).

²⁴ The specific disadvantages faced by poor women are discussed by, among others, DAW/UN (1999, 2001) and World Bank (2001).

rights for the discourse of poverty is discussed; then some of the major characteristics of a rights-based approach to poverty reduction strategy are outlined.²⁵

1. The Relevance of Human Rights to Poverty

93. It is useful to distinguish three ways in which human rights can be relevant to poverty: constitutive relevance, instrumental relevance, and constraint-based relevance.

94. Constitutive relevance can be inferred from the emerging view that poverty constitutes a denial of human rights. This view does have an immediate intuitive appeal, but it is still necessary to explore systematically the precise nature of this relevance. In particular, it is necessary to ask whether every case of nonfulfillment of rights constitutes poverty, and if not, what conditions must be met for nonfulfillment of rights to count as poverty.

95. One way of answering these questions is to adopt the capability approach to human well-being, which defines poverty as the absence or inadequate realization of certain basic freedoms, such as the freedoms to avoid hunger, disease, illiteracy, and so on. The reason why this conception of poverty is concerned with basic freedoms is that these are recognized as being fundamentally valuable for minimal human dignity. But the concern for human dignity also motivates the human rights approach, which postulates that people have inalienable rights to these freedoms. If someone has failed to acquire these freedoms, then obviously that person's rights to these freedoms have not been realized. Therefore, poverty can be defined equivalently as either the failure of basic freedoms—from the perspective of capabilities, or the nonfulfillment of rights to those freedoms—from the perspective of rights.

96. Using this conceptual equivalence between the perspectives of capabilities and rights, it can be argued that just as not all cases of capability failure would count as poverty so not all cases of nonfulfillment of rights would count as poverty. Recalling the features of the capability view of poverty discussed earlier, it can be stipulated that nonfulfillment of rights would count as poverty when it meets the following two conditions:

- (i) The rights involved must be those that correspond to the capabilities that are considered basic by a given society.
- (ii) Inadequate command over economic resources must play a role in the causal chain leading to the nonfulfillment of rights.

97. The idea that nonfulfillment of only certain kinds of rights and not others will count as poverty may seem to militate against the principle of indivisibility of rights, which states that all rights are equally important. But, in fact, it does not, because in the first place if a right is not relevant to poverty it does not mean that efforts should not be made to promote that right; all it means is that promotion of such rights falls outside the scope of a poverty reduction strategy. More importantly, however, rights that do not fulfill the two conditions mentioned above may still be relevant to poverty, because rights can be relevant to poverty in multiple ways. The nonfulfillment of rights that meets the two conditions can be said to have constitutive relevance to poverty. But there still remain instrumental and constraint-based relevance. When a right

²⁵ The following discussion draws heavily on Osmani (2002b) and Osmani et al. (2002). For a sample of the rich and growing literature on human rights and poverty (and on human rights and development in general), see HRW (1992), Hausermann (1998), Helmich (1998), UNDP (1998, 2000), Maxwell (1999), DFID (2000), Osmani (2000), Vizard (2000), Wodon (2000), Hunt, Novak, and Osmani (2002), and Sengupta (2002).

does not have constitutive relevance to poverty, it may still be relevant for the other two reasons.

98. Instrumental relevance refers to the ability of certain rights to promote the cause of poverty reduction. In fact, two types of instrumental relevance may be distinguished, evaluative and causative.

99. The idea of evaluative relevance stems from the observation that analysis of poverty requires social evaluation of various kinds, and the fulfillment of civil-political rights may be a necessary precondition for the right kind of evaluation. Recall, for instance, that characterization of poverty requires a prior judgment as to what are to count as basic capabilities. In order to be ethically defensible, this judgment must be reached through a process of social consultation in which people from all walks of life are able to participate fully. But such participation can only be possible when the whole spectrum of civil and political rights is respected. Civil-political rights are, thus, instrumentally relevant for characterizing the poverty situation and identifying the poor in an ethically defensible way.

100. Civil and political rights can also play an important causative role. The most well known example is the one that has been made familiar by Amartya Sen in his pioneering work on famines. His analysis points to the empirical regularity that famines never occur in a functioning democracy with a reasonable degree of civil-political freedoms, especially with a relatively free media allowed to openly criticize the powers of the day. The reason for this regularity lies in the fact that democratically elected politicians cannot afford to be oblivious to the hue and cry that a free media would raise in the event of a famine, with the result that the government tends to take appropriate preventive measures before an impending famine has the chance to strike. Civil-political rights play an important causative role in preventing the worst manifestation of poverty, which takes the shape of famines. Obviously, however, the same causative relevance can also exist even in a situation of less extreme but persistent poverty.

101. The final way in which rights can be relevant to poverty is to act as a constraint on the types of action that are permissible in the quest for reducing poverty. For instance, while it is entirely sensible that a highly populous but resource-poor country would want to adopt measures for population control as part of a strategy for poverty reduction, it would not be permissible to adopt draconian measures such as forced sterilization that violate people's personal liberty and their right to choose. The general point is that rights whose violations are not in themselves constitutive of poverty, and whose promotion may not have instrumental value for reducing poverty either, may still have a bearing on the nature and contents of a poverty reduction strategy, by ruling out certain types of action as not permissible.

102. To conclude, although only a subset of rights may have constitutive relevance to poverty, a much wider range of rights is relevant in any discourse on poverty and in the formulation of a strategy for poverty reduction. It is on the basis of this fundamental proposition that the details of a rights-based strategy for poverty reduction must be formulated.

2. Salient Features of a Right-Based Approach to Poverty Reduction

103. The perspective of human rights can provide the normative foundation to policymaking in general, including policies for poverty reduction. Once this foundation is adopted, it will have ramifications for all aspects of policymaking. It is useful to think in terms of three stages or aspects of a policy regime, viz. (a) the process of policy formulation, (b) the content of policies, and (c) monitoring of policy implementation. For a poverty reduction strategy to pass the test of

the rights-based approach, each of these aspects would have to display certain distinguishing characteristics. Some of the major characteristics are discussed below.

a. Characteristics of Rights-Based Process of Policy Formulation

104. In order to satisfy the requirements of the rights-based approach, the process of policy formulation will need to possess two important sets of characteristics, relating respectively to

- (i) participation by stakeholders, and
- (ii) progressive realization of rights.

105. One of the most important characteristic features of a rights-based approach to policy formulation is that it should be participatory in nature. In particular, the population groups that are affected directly or indirectly by a particular policy should have a say in the nature of policy that is formulated.

106. It is recognized, however, that the affected people may not always be able (or even willing) to participate directly in discussions on all the details of all kinds of policies. Some policies may be more amenable to direct participation, for example, those that are formulated at the community level through some form of local-level governance. In other cases, participation can only be indirect, through representatives—elected or otherwise. Participation is necessarily diverse in form and shape, but the essential point is that there must exist institutions (legal and otherwise) that allow genuine participation of the affected people in shaping policies.

107. For genuine participation to be possible, however, some preconditions must be met and certain other rights must be fulfilled. The essential precondition is that the ordinary people must be empowered to claim their rights and to participate effectively in the decision-making process. The process of empowerment can itself be quite complex and time consuming, because of the deep-rooted nature of the asymmetries of power that exist in most societies. Sympathetic agents, such as civil society organizations, may have to invest in years of consciousness-raising and other grass-root activities so as to help achieve empowerment for disadvantaged groups. For this to be possible, however, the State must create an enabling environment in which civil society organizations can flourish.

108. The creation of such an enabling environment is in turn contingent on the fulfillment of a range of civil and political rights. These include the right to information, the right to freedom of expression, the right of association, and the right of equal access to justice. Without the fulfillment of these rights, empowerment is not possible; without empowerment, effective participation is not possible. Thus, taking measures to fulfill these rights is also a characteristic feature of the rights-based approach to development.

109. The second set of characteristics relevant at the stage of policy formulation relates to the notion of progressive realization of rights. The discourse on human rights recognizes that in view of resource constraints, many rights—especially, the rights to food, health, and education, which are of central importance to poverty—can only be fulfilled over a period of time in a progressive manner. However, the recognition of the need for progressive realization does not give the State a license to defer or relax the efforts needed to realize rights. The State is obliged to ensure that its efforts are satisfactory in some well-defined sense. In particular, the process of progressive realization will have to possess the following two characteristics.

- (i) First, the State must begin immediately to take steps to fulfill the rights as expeditiously as possible by developing and implementing a time-bound plan of action. The plan must spell out, *inter alia*, when and how the State hopes to arrive at the full realization of rights.
- (ii) Second, the plan must include a series of intermediate, preferably annual, targets. These intermediate targets will serve as benchmarks, against which the success or failure of the State will be judged. For this purpose, the State will have to identify some indicators in terms of which targets will be set. Realistic time-bound targets will have to be set in relation to each indicator.

110. These characteristics are essential for ensuring accountability of the State, without which the concept of right becomes indistinguishable from mere aspiration. Because the full realization of most of the rights that are constitutively relevant for poverty can be achieved only over a time period that typically exceeds the tenure of most governments, the only way to hold them accountable is in terms of the policies and intermediate targets they are required to formulate as part of a coherent plan to move toward the goal of full realization. Corresponding to the rights to be achieved in the, possibly, distant future, people have currently a meta-right to these policies and intermediate targets, and the State is obliged to formulate them, achieve them, and be accountable for them.

b. Characteristics of the Contents of Rights-Based Policies

111. The contents of policies refer here to the goals and targets that are set by the State, the resources that are committed for the realization of those targets, and the methods that are adopted to achieve them. It is recognized that setting targets and committing resources for them will necessarily involve setting priorities, which in turn will involve consideration of trade-offs among alternative goals. Both these acts of setting priorities and accepting trade-offs must necessarily involve some value judgments. For a policy regime to be consistent with the rights-based approach, these value judgments must be shaped by human rights norms. The principles set out in various human rights instruments and the deliberations of various treaty bodies provide the normative framework from which one can derive the value judgments that are consistent with the rights-based approach. This has several implications for the characteristics of policy contents.

112. First, because human rights norms emphasize the principles of equity and nondiscrimination, the goals and resource commitments laid down by the policies must give special consideration to the interests of the most deprived and the most vulnerable individuals and groups.

113. Second, the goals and targets set by the State must conform to those set by various human rights instruments and elaborated by the relevant treaty bodies. In particular, the State must ensure immediate fulfillment of a set of minimum targets that have been identified as “core obligations” of the State with respect to each of the rights that have constitutive relevance to poverty. Only the obligations not specified as core can be subject to progressive realization.

114. Third, while trade-offs are unavoidable, it must be noted that the human rights normative framework explicitly disallows certain kinds of trade-offs. For example, the core obligations must be fulfilled as a minimum requirement; these cannot be traded-off for the sake of any other rights. More generally, the balancing of different kinds of right must satisfy the principle of “non-retrogression”, which requires that in trying to improve the level of enjoyment of any particular

right, it is not permissible to reduce the absolute level of enjoyment of any other right. This implies, in particular, that it is not permissible to deny people their civil and political rights in the name of pursuing their socioeconomic rights.

115. Fourth, the contents of policies must be guided not only by possible trade-offs between rights but also by possible complementarities among them. The complementarity may arise from the fact that the realization of certain rights (e.g., the right to health) may be facilitated by simultaneous fulfillment of some other right (e.g., the right to education). For this reason, it is important to adopt an integrated approach toward the realization of various rights within a single comprehensive plan of action, taking note of trade-offs as well as complementarities among rights, rather than deal with each right separately.

c. Characteristics of Rights-based Monitoring of Policy Implementation

116. Monitoring and evaluation of performance are necessary parts of any kind of policymaking, rights-based or otherwise. The characteristic feature of the rights-based approach is that it emphasizes the notion of accountability in a way that traditional approaches do not.

117. The very notion of rights implies the notion of duties or obligations. For example, when the State ratifies a treaty that enshrines the right to food, it undertakes an obligation to fulfill that right (albeit, through progressive realization). This implies that the reason for the State to adopt appropriate policies for fulfilling various rights is not merely that it is desirable for the State to pursue these goals out of its goodwill or benevolence but that it has a duty to do so. But a duty can only be meaningful if the duty-bearer can be held accountable for failing to perform its duty. The need to ensure accountability is, therefore, centrally important for the rights-based approach to development.

118. The duty of the State in respect of any right is of three kinds: the duty to respect, the duty to protect, and the duty to fulfill. The duty to fulfill has two components: to facilitate and to provide. The rights-based approach to development demands that it must be possible to hold the State accountable for each element of these duties. The emphasis on accountability in turn entails that the process of monitoring of policy implementation must possess a number of characteristics, as follows.

- (i) First, there must exist mechanisms through which the culpability of the State can be assessed in case of failure to adopt and implement appropriate policies, and sanctions can be imposed if it is indeed found culpable. These accountability mechanisms can be of various kinds: judicial, administrative, community-based, and so on.
- (ii) Second, accountability procedures must be participatory in nature so that citizens, especially those directly affected by policies, are able to hold the State accountable for its actions.
- (iii) Third, by ratifying various treaties, the State has agreed to make itself accountable to different treaty bodies, thereby subjecting itself to some form of external accountability. These procedures set up by the treaty bodies to ensure such accountability must be respected.
- (iv) Fourth, because the duty to fulfill rights falls in part on the world community at large, there must also exist procedures to hold the external actors, such as the

donor community, international nongovernment organizations, multinational corporations, etc., accountable for their role in influencing the realization of rights of any country's citizens.

- (v) Finally, it must be noted that certain correlated rights, such as the right to information, the right to free speech, and the right to access to justice, that were argued to be important for effective participation, are also essential in the context of accountability. Without the fulfillment of these rights, it is impossible to make accountability, especially internal accountability, effective.

VI. CONCLUDING REMARKS

119. This paper has tried to offer a brief but critical overview of some of the new developments that have taken place in the last decade or so in the literature on poverty. Many issues have been addressed, under three general headings: the concept of poverty, assessment of poverty, and approaches toward developing a poverty reduction strategy. Under the concept of poverty, the notions of capability, vulnerability, and social exclusion were discussed. The discussion on assessment methods focused on the debate between quantitative versus qualitative methods, with special emphasis on PPA. Finally, two general approaches to developing a poverty reduction strategy were discussed, viz., the sustainable livelihood approach and the rights-based approach.

120. No attempt is made to summarize the discussion here; the issues and the ideas discussed are too diverse to lend themselves to a neat summary. This is not to suggest, however, that the ideas discussed in this paper have nothing in common. The ideas of diversity in the experience of poverty and the need to ground poverty reduction strategies on the reality of the poor's experience are some of the common themes that permeate all the issues addressed here. The idea of the agency of the poor is also a common theme that informs both the livelihoods approach and the rights-based approach to poverty reduction as well as the participatory method of poverty assessment. Nevertheless, the ideas discussed in this paper did not originate from a common conceptual framework, nor at the present stage can they be said to add up to a common framework in an ex post sense. However, as the discussion has tried to demonstrate, there is enough substance of value in each of the ideas and a sufficient dose of commonality among them to make it worthwhile to weave them together into a single analytical framework. To some extent this work has already begun, but a lot more remains to be done.

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