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Confronting Persistent Ultra-Poverty: Why It Exists and What Might We Do?



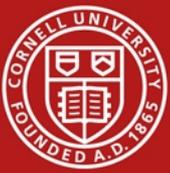
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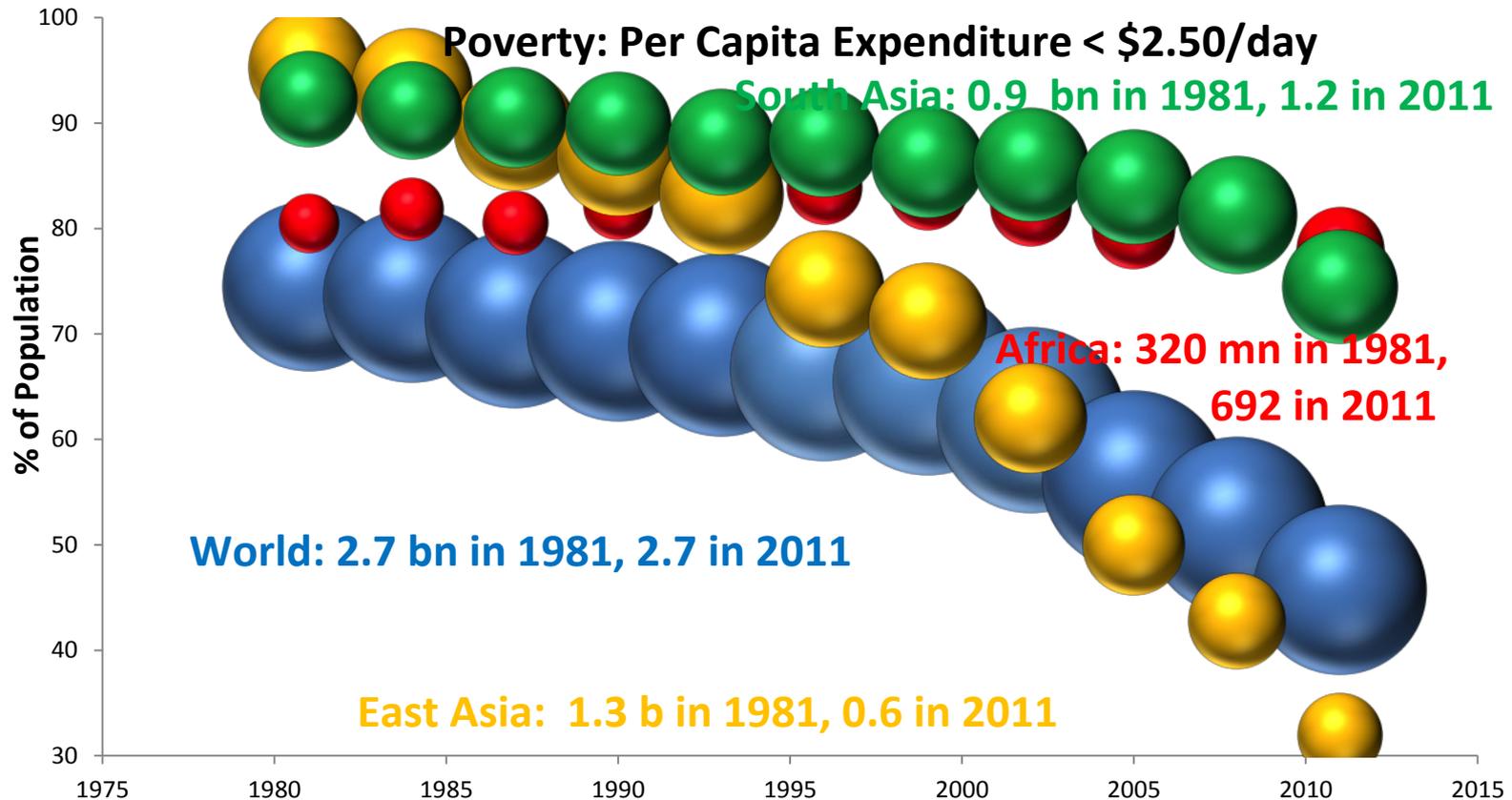
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February 7, 2016

New Life Presbyterian Church, Ithaca, NY



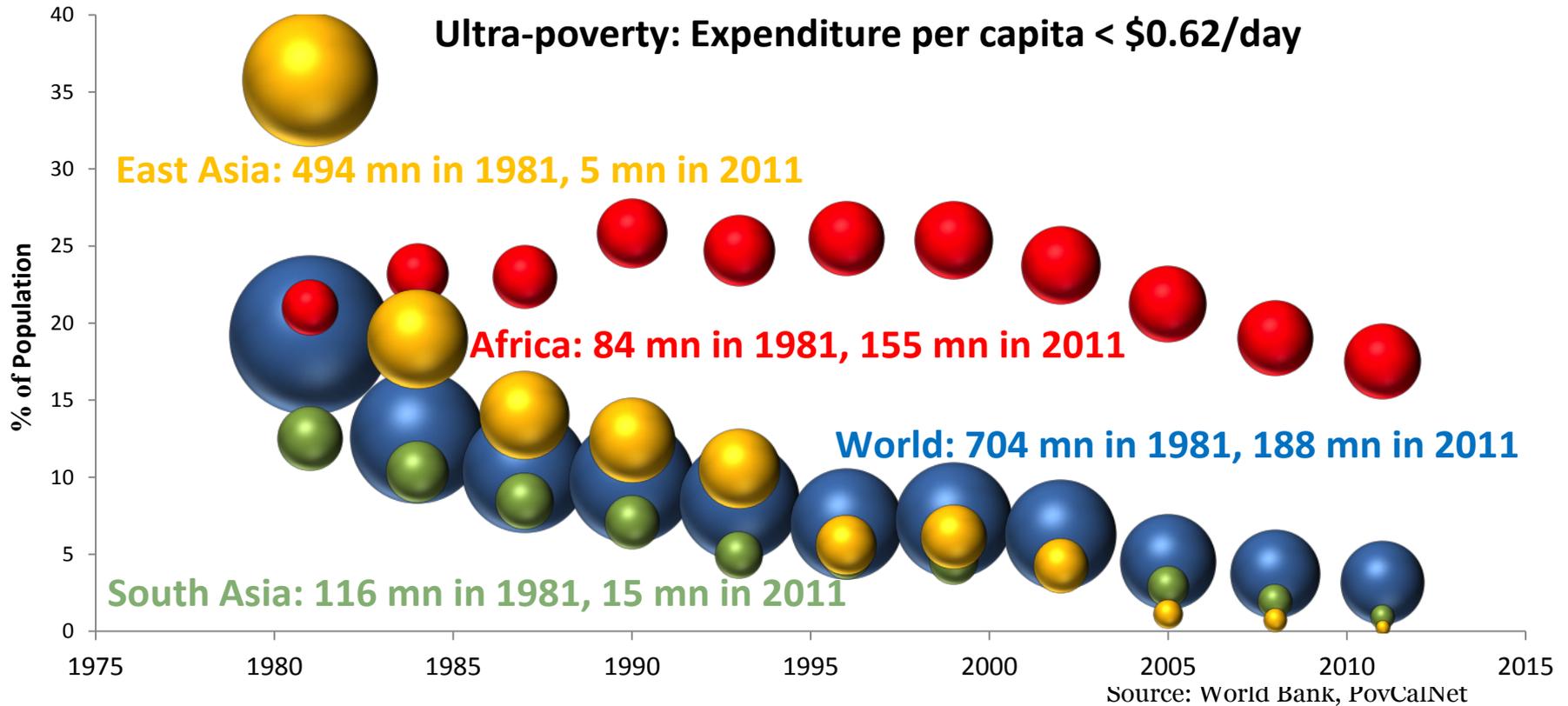
Rapid, large-scale poverty reduction is possible ... just look at East Asia.



But little progress in Africa at this level.



The big challenge is the persistence of concentrated ultra-poverty ... in Africa,



In 1981 Africa was home to 12% of the world's ultra-poor ... 30 yrs later: 83%



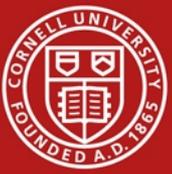
What leads to persistent ultra-poverty?

Poverty traps: self-reinforcing feedback that poor 'initial conditions' lead to optimal behaviors that perpetuate poverty.

Examples:

- malnutrition causes poverty, which itself leads to further malnutrition
- high risk exposure leads to risk averse livelihood strategies that lock in poverty
- discrimination excludes people from opportunities that impede skills acquisition and prompts 'statistical discrimination'
-





How do people escape chronic ultra-poverty?

- Market access:
enhance the value of what they own/produce
- Finance: savings, insurance, credit to enable investment and shield against shocks
- Education
- Early childhood health/nutrition (1st 1000 days)

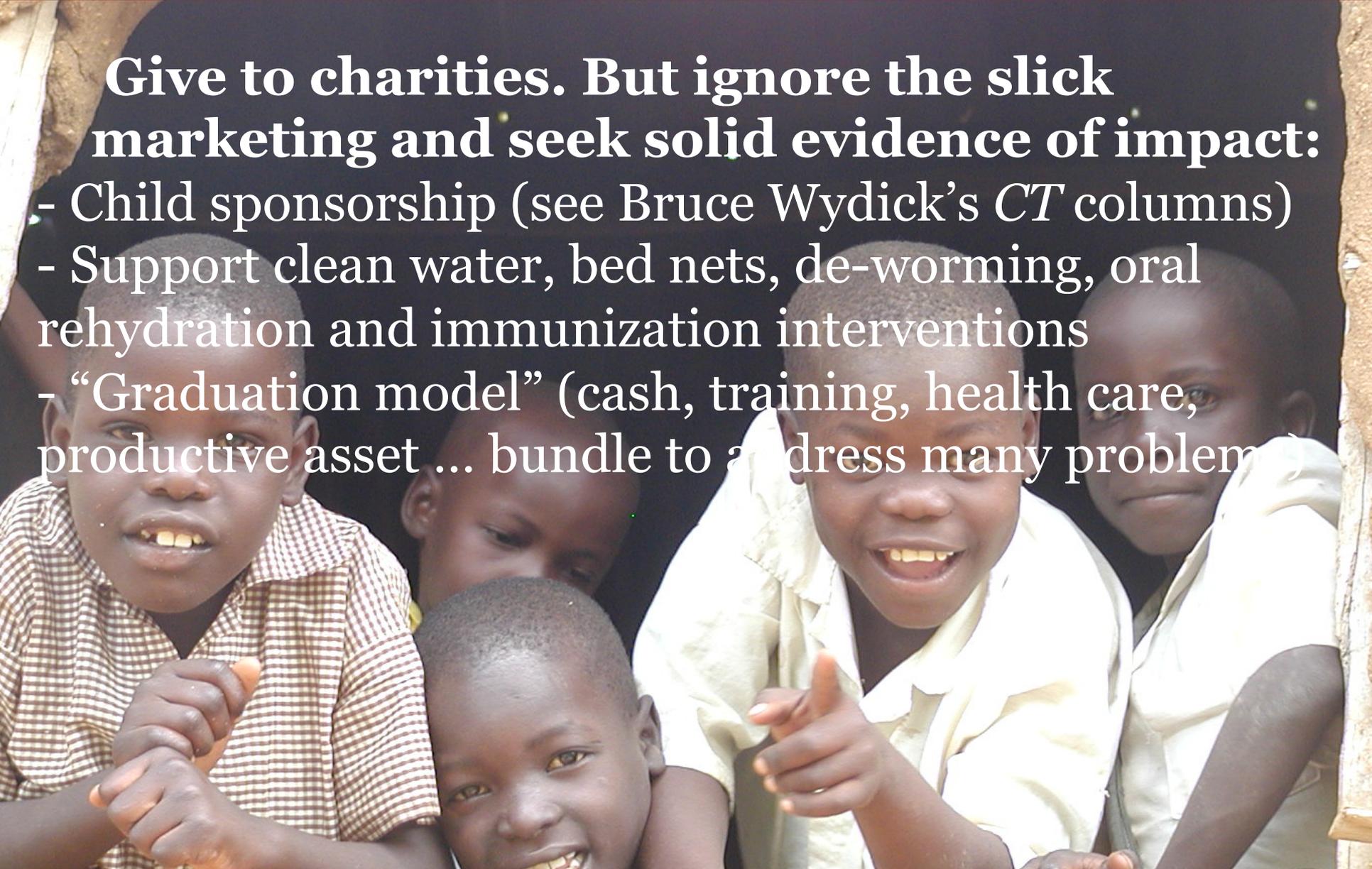


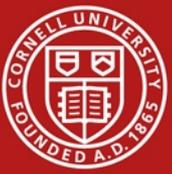
... empower the poor to invest in human capital and grow richer through their own efforts



Give to charities. But ignore the slick marketing and seek solid evidence of impact:

- Child sponsorship (see Bruce Wydick's *CT* columns)
- Support clean water, bed nets, de-worming, oral rehydration and immunization interventions
- "Graduation model" (cash, training, health care, productive asset ... bundle to address many problems)





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It requires more than aid

Net aid given by governments:

only ~7.5 ¢/day pc (overstated due to “tying”)

Private gifts (foundations, companies and NGOs):

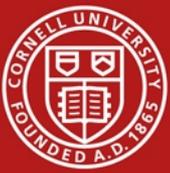
only ~ 6 ¢/day pc

**The BIGGEST benefits come from new technologies,
remittances, private investment, better institutions
... mostly from private enterprise and individuals**



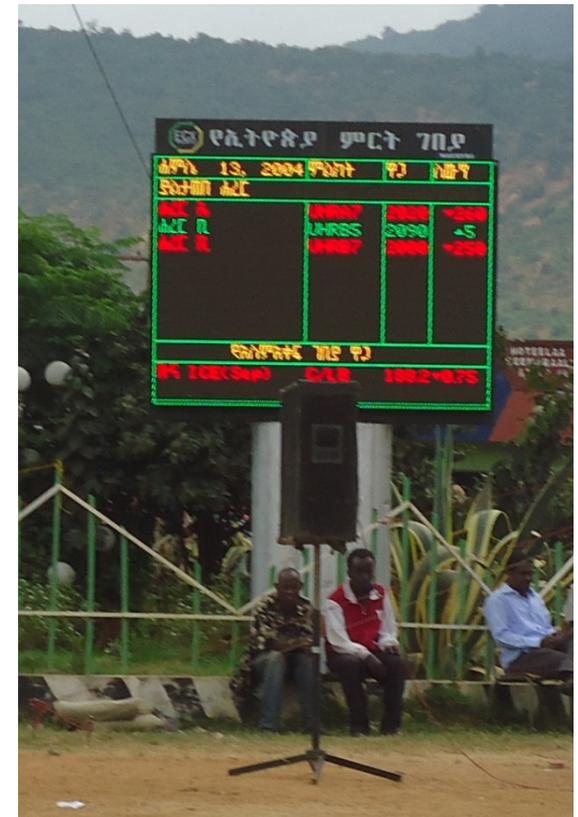
Index-based livestock insurance to protect vs. drought

- Individuals buy policies to protect their herds
- Private underwriters, global reinsurers
- Commercial pilot in Kenya in 2010; big win in 2011 drought
- Now spread to Ethiopia, going nationwide in Kenya
- Major, positive effects in both countries: 12-20x the marginal benefit/cost of cash transfer programs



Cell phones and the internet rapidly improving lives:

- Improved early warning systems, delivery of emergency aid
- Small farmers/traders can find best prices: ECX
- Agricultural extension/health message delivery
- Call centers and back office data entry





Vibrant commercial distribution of farm inputs and outputs is transforming parts of rural Africa:

- Contract farming and retail revolution
- Rapid spread of fertilizer, agrochemicals and improved seed



“Most of the people in the world are poor, so if we knew the economics of being poor we would know much of the economics that really matters.”

- Theodore W. Schultz

Opening sentences of 1979 Nobel Prize in Economics lecture



Cornell has great, perhaps unique, capacity to help



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Many ways exist to help the poor enjoy a brighter future

