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Executive summary

Conference objectives

What should governments prioritise, and how should the international development community support these priorities, to enable growth and promote equity during, and following, the global financial crisis? This was the central question of the 2009 Growth and Equity conference entitled ‘Enabling growth and promoting equity in the global financial crisis’.

The Growth and Equity Programme at the Overseas Development Institute (ODI) works to close the gap between two major but often divergent themes in development thinking: growth and poverty reduction. The programme works through multidisciplinary, evidence-based and policy-focused research to inform donors and policymakers on the challenges inherent in working effectively at the growth–equity interface.

The conference objective was to bring together policymakers, practitioners and researchers to share ideas, examine critical growth-equity issues and develop policy and programmatic priorities on enabling growth and promoting equity during, and following, the global financial crisis. To do so, a range of methodological and disciplinary perspectives were presented around three key themes: inclusive growth; exclusion, discrimination and exploitation; and risk and vulnerability.

Inclusive growth

The inclusive growth session drew on the perspectives of a Ugandan government official, a British historian and the leader of ODI’s Growth and Equity Programme. Godfrey Bahiigwa highlighted the challenges of achieving growth and equity in Uganda – stressing that these existed prior to the financial crisis and would go on well beyond the crisis. Simon Szreter showed that a comprehensive social protection system in 17th century England spurred broad-based economic growth, so much so that England was able to outpace its rivals, France and Netherlands, in terms of development. Kate Bird highlighted the damaging impact of inequality and stressed the importance of addressing spatial poverty traps when promoting inclusive growth.

Underlying the session was a discussion about policy trade-offs and sequencing. Southern countries do not have the financial, institutional or human capacity to target all poor people simultaneously. The human development and growth costs of inaction are enormous, however. The challenge for governments, and donors supporting governments, is how to prioritise and sequence appropriate policies.

Key messages from the inclusive growth session were:

• Effective policy instruments for inclusive growth reflect historical, political, spatial and social considerations, and address the core constraints poor people face in accessing markets.
• Many aspects of the growth and equity agenda are as relevant now, as we face the consequences of the financial crisis, as ever. To mitigate against the negative consequences of the financial crisis, policy responses must balance urgent, medium- and long-term needs.
• Social protection is an effective tool for improving wellbeing and growth at the country level.
• To ensure Southern governments have space to develop coherent and context-relevant policies, policy continuity and coherence are important. Donors must resist ‘policy stampedes’.
• Development processes take time – it is important for policies and development agendas to reflect a long-term vision.
Exclusion, discrimination and exploitation

The focus of the exclusion, discrimination and exploitation session was to look beyond money-metric views of poverty to consider how issues of powerlessness, capabilities and agency play out in key markets and services. There was a specific focus on labour markets in this session.

Ursula Grant and Kate Higgins showed how inclusive labour markets can contribute positively to growth and equity and that exclusive, discriminatory and exploitative labour markets are likely to hinder both growth and equity. They used urban labour markets as a window into such processes. They argued that employment is the best ‘safety net’ for poor people and is critical for poverty reduction. Stephanie Barrientos examined how labour is positioned within global value chains (GVCs), how the dynamics of GVCs are changing and what the implications are for workers, in particular in the context of the financial crisis. Shireen Huq argued that making the link between growth and equity in Bangladesh requires addressing gender exclusion and discrimination and outlined the implications of gender discrimination in the Bangladeshi labour market. She emphasised the need to take a longer-term approach to development if we wish to support a shift in the cultural and social dynamics that entrench gender inequalities in Bangladeshi society.

Key messages from the exclusion, discrimination and exploitation session were:

- Labour markets and global value chains are central to the growth–equity nexus. They can drive growth and result in employment for poor people, but can also be sites of exclusion, discrimination and exploitation.
- The impacts of the financial crisis will be layered. First-round impacts, felt mostly by groups engaged in activities associated with the global market, will be distinct from second-round impacts, felt by people whose livelihoods depend more significantly on national markets. The depth and duration of these impacts is difficult to predict, but will depend on the structure of economies and societies.
- Empowerment (along both gender and non-gender lines), and the protection of workers, is necessary to enable workers’ choices. Strategies need to be adopted that push immediate change but also tackle the entrenched social and cultural barriers that result in exclusion, discrimination and exploitation.
- There is a continuum of formality in enterprises and labour markets. A key question is how we protect workers at different points on the informality–formality continuum to ensure that their rights and interests are protected while leaving space for further employment generation.

Risk and vulnerability

Understanding risk and vulnerability is important when developing policies to enable growth and equity – and particularly so in the context of the current financial crisis. Increasing levels of unemployment, rising prices and a reduction in demand for products pose significant risks to vulnerable people and communities. Poor people will cope by drawing on available assets, sometimes with adverse and long-term consequences. It is therefore critical to reduce people’s vulnerability (by building their asset base) and to mitigate against adverse coping strategies.

John Bennett examined how family circumstances affect the investment decisions of entrepreneurs in the absence of external finance or social protection. His analysis (based on a paper with Stephanie Levy of the Growth and Equity Programme) finds that substantial economic growth in Senegal’s economy was manifested in the creation of new firms in the informal sector, rather than in the enhanced capacity of existing firms. He argues that this is explained by the poverty and vulnerability of the families of the small entrepreneurs in the sample. Bennett suggests that policies, such as social protection, which aim to reduce vulnerability, should be seen as growth complementing because of their ability to support investment.

Fiona Samuels and Michael Drinkwater examined how the vulnerability of people in two communities in Zambia changed between 1993 and 2005, and how this changing vulnerability affected people’s ability to cope with AIDS. Their study used clusters linked by exchange relationships as the unit of
analysis, rather than individuals, households or communities. Despite an increase in health and livelihood-related shocks, caused also by AIDS-related mortality and morbidity, over the 12-year period, their study found unexpected resilience in clusters. They conclude that policy responses need to go beyond technical/fiscal strategies, and offer a more creative approach to buttress the social protection functions of livelihood networks so as not to obstruct local strategies and coping mechanisms.

Francisco Jose Perez discussed how small and micro enterprises (SMEs) in Nicaragua will be affected by the financial crisis, through reduced demand for exports, for example. He also highlighted the struggle SMEs face through competition with large multinationals (for example Wal-Mart) and the need to integrate SMEs into multinational value chains.

Key messages from the risk and vulnerability session were:

- Social protection is a key strategy for reducing risk and vulnerability.
- Remittances are an important transfer and falling remittances as a result of the financial crisis will have a poverty impact.
- Many issues that require attention are central to the development agenda, rather than specific to the financial crisis. This emphasises that we need to retain our medium-term objectives, despite the crisis, supplementing them, as appropriate, with measures to support well-being, resilience and enable economic flexibility.

Key conference messages

Drawing together the highlights from all sessions of the conference, the following key messages have been identified:

- Growth and equity – on their own – are necessary but not sufficient for sustained national development.
- Both theory and the evidence base on the relationship between growth and equity has been sharpened in recent decades, but there is much less clarity on the policy package that will simultaneously enable growth and promote equity. Identifying the policy priorities, sequencing and trade offs required to support growth with equity must be a development priority. This is particularly critical in the context of the global financial crisis, where there is an opportunity for countries to ‘build back better’.
- The impacts of the global financial crisis will be sequenced and layered. First-round impacts, felt mostly by groups engaged in activities associated with the global market, will be distinct from second-round impacts, felt by people whose livelihoods depend more significantly on national markets.
- A key priority for enabling growth and promoting equity is addressing the barriers poor people face in accessing financial, labour, input and commodity markets. Approaches are likely to include improving infrastructure and access to transport, but also need to address the institutional, political, social and cultural barriers poor people face in accessing and benefiting from markets.
- Poor people must be able to access financial, labour, input and commodity markets on favourable terms. For example, employment generation (informal and formal) is critical to ensure poor people benefit from growth, but the conditions of employment also require attention to ensure jobs do not themselves act as poverty traps.
- Social protection is a key policy instrument for tackling the risk and vulnerability of poor people, building their assets and facilitating their integration into markets. It is critical that social protection responses be informed by and support local livelihood networks and coping mechanisms.
Climate change is an important component of the growth-equity nexus. The most vulnerable are the hardest hit by climate change, and green growth offers options to move out of the financial crisis.

Achieving gender equity has direct implications for equitable growth and must remain on the agenda.

Donors must resist ‘policy stampedes’ and give Southern governments space to develop coherent and context-relevant policies.

In striving to deal with the immediate consequences of the crisis, we should remain focused on fundamental development priorities. In seeking to mitigate the negative consequences of the financial crisis, the challenge will be balancing urgent, medium-term and long-term needs.

The way forward

For the Growth and Equity Programme at ODI, economic growth is not an end in itself. Economic growth is a means to an end, which involves enhanced wellbeing, particularly of poor people, and greater equity within societies. We have chosen to work at the nexus between growth and equity to explore and understand the inextricable linkages between the two phenomena. The Growth and Equity Programme is staffed by a multidisciplinary team with expertise spanning economics and modelling through to geography and anthropology. As such, it embodies deep substantive and technical knowledge while being, at the same time, well equipped to work in a holistic way. We apply a systems approach which enables us to, for example, examine the macro–micro linkages transmitting damage from the global financial crisis through the economy down to the household and sub-household level. We are interested not only in understanding the policies and practices that enable growth but also in exploring the power relations, economic and social structures and institutions that influence the extent to which a certain pace and pattern of growth enhances equitable outcomes.

Reflecting on issues that emerged strongly during the conference, and the three pillars of the Growth and Equity Programme (inclusive growth; exclusion, discrimination and exploitation; and risk and vulnerability), medium-term thematic priorities for the programme have been identified and are outlined in the table below:

<table>
<thead>
<tr>
<th>Growth and Equity Programme</th>
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<tr>
<td><strong>Pillar 1</strong></td>
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<tr>
<td>Inclusive growth</td>
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<tr>
<td>Theme 1: The right policy package for inclusive growth</td>
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<td>Theme 2: Economic change, poverty and inequality/polarisation</td>
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<td>Theme 3: Tax, spend and growth</td>
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<td>Cross-cutting theme - Theme 9: What kind of policy instruments best enable growth with equity and what role can aid play?</td>
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Introduction

Session 1

Speakers: Simon Maxwell, Director, Overseas Development Institute
Kate Bird, Leader, Growth and Equity Programme, Overseas Development Institute

Conference objectives and overarching question

The Growth and Equity Programme at the Overseas Development Institute (ODI) works to close the gap between two major but often divergent themes in development thinking: growth and poverty reduction. The programme works through multidisciplinary, evidence-based and policy-focused research to inform donors and policymakers on the challenges inherent in working effectively at the growth–equity interface.

The objective of this conference was to bring together policymakers, practitioners and researchers to share ideas, examine critical growth–equity issues and develop policy and programmatic priorities on enabling growth and promoting equity during and following the global financial crisis.

The conference aimed to address the following question: What should governments prioritise (and how should the international development community support these priorities) to enable growth and promote equity during and following the global financial crisis?

To do so, a range of methodological and disciplinary perspectives were presented around three key themes: inclusive growth; exclusion, discrimination and exploitation; and risk and vulnerability. The cross-cutting theme was the financial crisis.

The objectives and questions of the conference were set out in advance of the conference in a short prospectus.

Report’s structure and objectives

This report follows the structure of the conference, outlining speakers’ key messages, followed by a synthesis of issues and questions raised in plenary discussion. The final section draws on the conference to outline priorities for the Growth and Equity Programme to engage with and take forward over the short to medium term. The report does not necessarily represent the opinions of the Growth and Equity Programme, the ODI or the conference funders. Rather, it aims to represent the key issues raised in presentations and plenary discussions.

The context: Global financial crisis

The financial crisis is having serious poverty and equity implications for developing countries. In this context, we ask which policies governments and donors should prioritise to protect equity and promote equitable growth.

According to the UK Department for International Development (DFID), the number of people living on less than $1.25 a day will rise by about 90 million by December 2010 as a result of the financial crisis. The International Labour Organization (ILO) estimates an increase of between 24 and 52 million people unemployed worldwide. There is already evidence of rising unemployment in export sectors – Zambia saw a 30% drop in the labour force in the copper sector in 2008.
Cambodian news reports that 50,000 garment workers were laid off in the first two months of 2009. Empirical evidence from around the world shows that poor people may resort to adverse coping mechanisms to cope with falling incomes – taking children out of school, using the sex-trade as a source of income, selling assets (e.g. livestock, land, goods) or drawing down on social capital. These strategies can undermine people’s current and future well-being and damage their ability to engage in markets and to contribute to and benefit from future growth.

As a result of the crisis, government budgets will be under pressure as growth decelerates, tax revenues shrink, aid flows fall and debt mounts (resulting from depreciating currencies). The need for social safety nets and mitigation measures will rise as the implications of the financial crisis filter through the real economy.

Some countries have the fiscal reserves and institutional capacity to propose stimulus packages and expand social programmes. Yet, with limited resources, all developing countries will have to prioritise certain policies. To protect equity and to ensure an equitable recovery, what should a country’s policy package look like? What kind of trade-offs will be faced? What lessons do past experiences provide?

**Thematic conference questions**

**Inclusive growth:**

1. What is likely to happen to the interaction between growth and equity in the context of the current financial crisis?
2. What policies should be prioritised to enable equitable and inclusive growth?
3. Sequencing and trade-offs are implicit in this prioritisation. What are they? And are they politically feasible?

**Exclusion, discrimination and exploitation:**

1. How are people excluded, discriminated against and exploited in key markets and services?
2. How can policies make access to key markets and services equitable?
3. What are the implications of the financial crisis for exclusion, discrimination and exploitation in key markets and services?

**Risk and vulnerability:**

1. How do risk, vulnerability and coping affect poor people’s ability and capacities to engage in growth processes?
2. What do we know about the impact of the global financial crisis on the South?
3. What are the likely short-, medium- and long-term implications of the global financial crisis for inclusive growth and equity in the South?

**Plenary discussion**

Key questions and comments raised during the first plenary discussion were as follows:

- **Where do we fit the question of climate change into this discussion?**
  Kate Bird replied that climate change should be considered to be a cross-cutting theme, running across sessions on inclusive growth; exclusion, discrimination and exploitation; and risk and vulnerability. Another speaker from the floor proposed that perhaps this issue could fit in under opportunities for escaping the financial crisis, for example via investments in green technology.
Enabling Growth and Promoting Equity in the Global Financial Crisis

- **What political space is available for developing countries to select their own responses to the crisis?**
  This is influenced by the behaviour of their trading partners and it is alarming to see the emergence of protectionist behaviour by some developed nations (including the UK).

- **What is the role of the private sector in responding to the crisis and in enabling equitable growth?**
  It is clear that governments will not be able to resolve the financial crisis without the support of the private sector. It is critical that all actors in the development community engage with the private sector on issues relating to growth and equity.
Inclusive growth

Session 2

Chair: Dr. Andy McKay, Professor of Economics, University of Sussex, and Associate Director, Chronic Poverty Research Centre

Speakers:

Dr. Godfrey Bahiigwa, Director of the Plan for the Modernisation of Agriculture Secretariat, Uganda, ‘Policy Instruments to Enable Inclusive Growth: Questions, Challenges and Lessons from Uganda’

Dr. Simon Szreter, Reader in History and Public Policy in the History Faculty, University of Cambridge, and Fellow of St John’s College, Cambridge, ‘Combining Growth and Equity in an Agrarian Economy: Development in England c.1600-1830’

Kate Bird, Programme Leader, Growth and Equity Programme, Overseas Development Institute, ‘Overcoming Spatial Poverty Traps Policy and Programmatic Responses’

This session offered three perspectives on the broad theme of inclusive growth: a Southern government official, a British historian and the leader of ODI’s Growth and Equity Programme.

Godfrey Bahiigwa drew on the Ugandan experience to outline some of the challenges faced by low-income developing countries in pursuing a growth and equity agenda. He argued that many of these challenges existed prior to the crises (food, fuel and financial) but had been intensified by them. Along with responding to global phenomena, the Ugandan government inevitably has to respond to the shifting development agendas of donors (a ‘policy stampede’), which at times makes it difficult for the government to articulate its own approach or to focus on growth fundamentals.

Simon Szreter offered a historical perspective to the issue of inclusive growth by demonstrating how the English Poor Laws – a comprehensive system of social protection – contributed significantly to improved wellbeing and economic growth in 17th century England. He emphasised how long changes in social protection practice took to embed, practically and institutionally, and how important they were in creating the necessary preconditions for England’s economic growth.

Kate Bird stressed the importance of integrating spatial poverty traps (SPTs) into national markets when seeking to promote inclusive and equitable growth. She commended the 2009 World Development Report for putting spatial issues on the agenda, but challenged some of the assumptions and policy implications of the report.

Underlying the session was a discussion about policy trade-offs and sequencing. Southern countries do not have the financial, institutional or human capacity to target all poor people simultaneously. The human development and growth costs of inaction are enormous, however. The challenge for governments, and donors supporting governments, is how to prioritise and sequence appropriate policies.

Key messages from this session were:

- Effective policy instruments for inclusive growth reflect historical, political, spatial and social considerations, and address core constraints poor people face in accessing and benefiting from markets.
- Many aspects of the growth and equity agenda are as relevant as ever. To mitigate negative consequences of the financial crisis, policy responses must balance urgent medium and long-term needs.
- Social protection is an effective tool for improving wellbeing and growth at the country level.
- Policy stampedes constrain Southern governments’ space to design their own policies.
- Development processes take time – it is important for policies and development agendas to reflect a long-term vision.
Enabling Growth and Promoting Equity in the Global Financial Crisis

Policy instruments to enable inclusive growth questions: Challenges and lessons from Uganda

Godfrey Bahiigwa drew on the Ugandan experience to outline some of the challenges in pursuing a growth and equity agenda, arguing that many of these challenges existed prior to the crises (food, fuel and financial) but had been intensified by them. Along with responding to global phenomena, the Ugandan government inevitably must respond to the shifting development agendas of donors (a ‘policy stampede’), which at times makes it difficult for the government to articulate its own approach or to focus on growth fundamentals.

Godfrey Bahiigwa’s presentation and executive summary

Godfrey Bahiigwa framed his presentation by arguing that the challenge of reconciling growth and equity existed prior to the global financial crisis. There is a range of questions to consider. Can and should we pursue growth and equity objectives concurrently in developing countries? Is it possible to target interventions without excluding some groups? How far we should go to involve poor people in setting a country’s development agenda?

To address these questions, Bahiigwa drew on Uganda’s experience. Uganda has seen considerable economic growth and poverty reduction, but also rising inequality (i.e. as measured by the Gini coefficient). This rise in inequality can be explained partially by regional disparities. Underpinning these and other disparities are the constraints that Uganda faces to achieving growth and equity, including limited financial capacity to address critical development priorities and limited human capacity to implement a decentralised system of government. Further, Uganda faces the challenge of achieving a consensus with development partners on priority areas and implementation modalities.

The global financial crisis has followed hard on the heels of the food and fuel crises in Uganda. As a result, Uganda is experiencing reduced levels of investment by both the private and public sector; a revised gross domestic product (GDP) growth rate from 9% to 5%; job losses from companies scaling down or closing; the weakened ability of the government to invest in areas that can reduce regional disparities; and the increased vulnerability of households dependent on remittances from abroad. These crises make it even more difficult for Uganda to pursue growth and equity objectives – the government finds itself playing a ‘catch-up game’ to respond to these dynamic global phenomena. Alongside these shifting global phenomena are shifting development agendas, which move at such a pace that there is often no time for government to settle down and think about the basics of what drives growth. Such ‘policy stampedes’, whereby country governments are bombarded with shifting development agendas by the international development community, constrain the space national governments have to design their own policies in order to implement development plans or to respond effectively to crises.

Beyond the new challenges posed by the financial crisis, Uganda is grappling with three contentious issues. The first is the debate around the focus of Uganda’s development agenda: should it be based on a ‘passive’ model of poverty reduction or a ‘pro-active’ model of wealth creation? The political leadership in Uganda is pushing for wealth creation, but over the past 10 years the bureaucracy and donors have pushed the government to remain committed to a poverty reduction agenda.

The second contentious issue is the challenge of overcoming a fragmented approach to rural development. Multiple and conflicting government interventions in rural development (i.e. the Plan for the Modernisation of Agriculture (PMA), the new Rural Development Strategy (RDS) and the Prosperity for All (PFA) approach) have frustrated Uganda’s development partners, who are unhappy with shifting rural development policy, with implications for their funding and with possible ‘unholy’ alliances.

The third contentious issue is the extent to which, and how, poor people should participate in shaping government policy. While Bahiigwa acknowledged that empowering poor people is important, he
suggested that the Ugandan government should exercise caution when relying on the results of participatory or citizen consultation exercises as the sole means of designing policy prescriptions. For instance, research shows that some farmers’ choice of crop contradicts what might be predicted by their region’s soils and agro-climatic zone. Sub-optimal farmer choices are limiting Uganda’s progress in terms of agro-processing and export earnings. This poses a challenge for policymakers, who want to see Uganda’s agriculture succeed through greater commercialisation and a growth in the production of tradable surpluses.

Combining growth and equity in an agrarian economy: Development in England c.1600-1830

Simon Szreter offered a historical perspective to this session on inclusive growth, by presenting on the development of England’s Poor Laws. The Poor Laws – a comprehensive system of social protection – comprised four components:

- **Progressive taxation**, which mandated that every parish in England create a parish fund, financed by a local tax on property, to support the parish’s poor all year round, if necessary, and not just in times of acute harvest failure.
- **Parish registers**, which kept a record of individuals’ births, marriages and deaths, provided information for the social protection system and were the foundation of a national identity registration system – and ‘identity rights’.
- **Justice of the peace**, to address potential problems of corruption, where the magistrate was completely disconnected from local social elites. The poor had a recourse where parish elites were corrupt or not meeting their obligations and justices could try issues such as ‘mishandling of funds’ in a court.
- **Settlement laws**, which were a concerted effort to prevent free-riding and established eligibility criteria for obtaining relief from a particular parish. They also meant that individuals could move from their natal or marital parish and expect their entitlement to relief to be transferred with them to their new parish.

The Poor Laws had significant benefits for England. In fact, they contributed to 17th-century England outpacing France and the Netherlands in terms of development. They changed rules of the game and enabled land-owning elites to shed labour (constrained by the knowledge that they would be taxed to feed unemployed workers) supporting productivity-raising innovations in agriculture. The new entitlement-based approach to social protection gradually replaced the previous (and patchily effective) patronage-based approach to social protection and supported labour mobility by giving citizens entitlements to the parish system no matter where they were in the country. The new system also facilitated capital mobility, resulted in falling mortality rates and reduced migration from rural to urban areas (especially during epidemics or famines). Essentially, entitlement-based social protection freed English citizens from the fear of mortality in food crises.

We can draw on this historical experience to shape our thinking about policy responses today. Specific lessons are that universal social security is essential for achieving sustained growth; economic development should empower individuals with an accessible and secure system for registering their own identities; and the identity system should be multifaceted to simultaneously promote economic growth and population health and welfare. Importantly, this experience also highlights the fact that the development of a comprehensive social security system can take generations to embed.
Kate Bird focused on spatial poverty and spatial inequality in her presentation. She described different types of spatial poverty traps (SPTs) and highlighted the role that spatial inequality plays in holding back inclusive growth. She commended the 2009 World Development Report (WDR) ‘Reshaping the Economic Geography’ for putting spatial issues back on the development agenda. She noted that the report highlighted the unevenness of economic development at local, national and international levels. Further, it argues that this unevenness is inevitable, and in fact necessary, because economic development requires the spatial concentration of production and economic integration.

Kate Bird provided several critiques of the 2009 WDR. First, one size doesn't fit all. There seems to be an inherent assumption in the 2009 WDR that what worked in Organisation for Economic Co-operation and Development (OECD) countries will also work in countries with different historical contexts. The report’s approach is ahistoric, ignoring the fact that key opportunities were available in the past which might not be available now. Second, the agriculture sector is downplayed. The report appears to assume that urban/manufacturing sectors will drive development in developing countries and downplays the importance of agriculture and rural development in supporting poverty reduction and development, especially in sub-Saharan Africa. Third, the report is apolitical and asocial and assumes away specific developing country contexts. Finally, the collateral damage caused by the ‘inevitability’ of uneven economic development is severely downplayed.

Bird offered policy suggestions for addressing spatial poverty traps through an inclusive growth agenda. She argued that universally applied sectoral policies are inadequate. Rather, they should be context specific, promote a mixed economy and enable and support market functioning, accompanied by a strong focus on social and redistributive policies (including static and dynamic redistribution). Policy instruments must be layered to address vulnerability as well as the issues of categorical groups (e.g. lifecycle groups – older people, children) and key entry points need to be identified in order to facilitate the relevant sequencing of policies.

Bird concluded by indicating that it is difficult to predict how people living in spatial poverty traps will be affected by the crisis. Some, strongly engaged in national and global markets as producers, workers and consumers, may be harmed by first-round effects. Others, only partially engaged in fragmented local markets, are more likely to be touched by second-round effects, including reduced government expenditure. Where SPTs had limited ex-ante benefits from state provision, inhabitants may experience time-lagged and muffled effects, but they are also less likely to benefit from targeted mitigation programmes.

Plenary discussion: Inclusive growth

In the context of the financial crisis, and with the relationship between growth and equity in mind, it is important to consider how fiscal stimuli and protectionist policies in the North will affect developing countries that are heavily dependent on trade, investment and aid. From the Ugandan perspective, the government’s aspirations – in infrastructure, energy and human capital development – all require capital. This will become more difficult when the cost of external borrowing is rising, the prices of commodites are fluctuating and less aid is being disbursed.

A broad set of policies is relevant to cope with the financial crisis – these include policies for creating jobs and income, concentrating on big financial programmes that give incentives and support to enterprises after the financial crisis, but also policies for the provision of social safety nets.
Opponents of universal social protection in developing countries argue that many low-income developing countries are not ready to implement such schemes because of weak institutions. But, as the example of the Poor Laws shows, not only can social protection be critical to spurring future economic growth, but also institutional capacity can improve concomitantly as social protection expands. While there is obviously no single policy prescription for social protection, and developing countries now face different challenges to England in the 17th and 18th centuries (i.e. high levels of market integration and globalisation; different land tenure systems; different levels of institutional capacities to implement an effective progressive taxation system), lessons from England’s past demonstrates that poor countries with limited human capital can develop and implement universal social protection. The example illustrates the strength of investing in such a system both to protect the most vulnerable and to provide the security and peace of mind that enable poor people to engage in activities beyond subsistence. It also shows that perhaps both governments and the international development community take too short a time horizon when seeking to judge the impact of policy change or new interventions. Szreter emphasised that it took 60 years for the system of Justices of the Peace to root out free-riding between parishes and even longer before the implementation of the English Poor Law provided poor English men and women with the necessary confidence to reduce risk aversion and increase entrepreneurialism – boosting economic growth.

A challenge is accurate targeting. The state must consider different types of excluded people (across gender, age and geographic dimensions, for example) and the poverty profiles of different regions. For example, Uganda has fairly accurate knowledge about where poor people live, but poverty incidence is the highest in the north (higher percentage) while the poverty headcount is highest in the east (greater absolute numbers). Given that there are trade-offs to be made and given that policies and interventions will have to be sequenced, where should the government of Uganda focus its attention? Finally, to ensure that the most vulnerable and marginalised are reached by social protection and public services, Szreter reminded us that the international development community must do more to reach those whose birth has not been registered and those without identity documents.

To address spatial poverty traps, Bird argued that the World Bank’s current approach could be enhanced by deepening contextual analysis. As well as improving infrastructure to strengthen market integration, stronger institutions are required to correct unbalanced and dysfunctional markets. In addition, countries need a set of instruments that are contextual (i.e. take into account historical and political dynamics) and linked directly to addressing spatial problems, in addition to any universal and vertical programmes.

In terms of timeframes, policymakers need to consider how to balance short-, medium- and long-term priorities, while acknowledging that a perfect balance is not necessarily feasible in the context of this financial crisis. Donors must avoid a ‘policy stampede’ which creates a short-term focus and distorts the decision-making processes of Southern governments.
Exclusion, discrimination and exploitation

Session 3

Chair: Duncan Green, Head of Research, Oxfam GB

Speakers: Ursula Grant and Kate Higgins, Researcher Officers, Growth and Equity Programme, Overseas Development Institute, ‘Linking Growth and Equity: Addressing Exclusion, Discrimination and Exploitation in Labour Markets’

Dr. Stephanie Ware Barrientos, Senior Lecturer, Institute of Development Policy and Management, University of Manchester, ‘Exploitation, Economic Performance and Global Value Chains’

Shireen Huq, Activist and Co-founder, Naripokkho, ‘Gender Discrimination and Exclusion in Bangladesh’

Seeking to address exclusion, discrimination and exploitation requires thinking beyond the money-metric view of poverty, and encourages analysts to consider issues of powerlessness, capabilities and agency. The focus of this session was to understand how exclusion, discrimination and exploitation play out in key markets and services. There was a specific focus on labour markets in this session.

Ursula Grant and Kate Higgins showed that inclusive labour markets can contribute positively to growth and equity and that exclusive, discriminatory and exploitative labour markets are likely to hinder both growth and equity. They used urban labour markets as a window into such processes. They agreed that employment is the best ‘safety net’ for poor people and is critical for poverty reduction. More attention must be paid to labour market and employment issues in international development policy.

Stephanie Barrientos examined how labour is positioned within global value chains (GVCs), how the dynamics of GVCs are changing and what the implications are for workers, in particular in the context of the financial crisis.

Shireen Huq argued that making the link between growth and equity in Bangladesh requires addressing gender exclusion and discrimination. She outlined the key implications of gender discrimination in the labour market and provided concrete policy recommendations to address them. She also emphasised that both governments and donors need to take a longer-term approach to development if they wish to support a shift in the cultural and social dynamics that entrench gender inequalities in Bangladeshi society.

Key messages from this session were:

- Labour markets and GVCs are central to the growth–equity nexus. They can drive growth and result in employment for poor people, but can also be sites of exclusion, discrimination and exploitation.
- The impacts of the financial crisis will be layered. First-round impacts, felt mostly by groups engaged in activities associated with the global market, will be distinct from second-round impacts, felt by people whose livelihoods depend more significantly on national markets. The depth and duration of these impacts is difficult to predict, but will depend on the structure of economies and societies.
- Empowerment (on gender and non-gender lines) and the protection of workers is necessary to enable workers’ choices. Strategies need to be adopted that push immediate change but also tackle entrenched social and cultural barriers that result in exclusion, discrimination and exploitation.
- There is a continuum of formality in enterprises and labour markets. A key question is how we protect workers at different points of the informality–formality continuum to ensure that their rights and interests are protected while leaving space for further employment generation.
Linking growth and equity: Addressing exclusion, discrimination and exploitation in labour markets

Ursula Grant and Kate Higgins showed that inclusive labour markets can contribute positively to growth and equity and that exclusive, discriminatory and exploitative labour markets are likely to hinder growth and equity. They used a review of urban labour markets as a window into such processes. They agreed that employment is the best ‘safety net’ for poor people and is critical for poverty reduction. More attention must be paid to labour market and employment issues in international development policy.

Ursula Grant’s and Kate Higgins’ presentation and executive summary

Labour markets are at the nexus between growth and equity. Inclusive labour markets have the potential to promote growth, as people across the income distribution are included in and benefit from employment, and levels of national productivity are increased. Inclusive labour markets also enhance equity, as employment gives poor people the capacity to invest in household assets and offers them more choices. They may also promote social cohesion, as people across society are engaged in and benefiting from paid work. On the other hand, exclusive, discriminatory and exploitative labour markets hinder growth and equity: un- and underemployment, lower levels of productivity and a low tax base will negatively affect growth. Higher levels of inequality, poverty and social tension and unrest further entrench inequities.

Urban labour markets provide a window into such processes. Rapid urbanisation in developing country contexts has seen expanding opportunities for work, increased commercial activity and improved access to services and societal freedoms for many. However, a number of concurrent processes are worrying: rising urban inequality, the ‘urbanisation of poverty’ and exclusive, discriminatory and exploitative labour markets. Poor terms of engagement in urban labour markets result from poor people’s weak labour market position, low remuneration, poor working conditions and, in some cases, the control of informal sectors by particular groups. The long-term impacts of this are that work can, in fact, increase poor people’s vulnerability, and limit their escape from poverty.

Despite critical links between employment, economic growth and equity, and despite distortions in some labour markets, trapping workers in poverty and poor working conditions, it seems that issues affecting labour markets are weakly addressed by international development policy. Related issues are often discussed as part of the discourse on private sector development, investment and trade, but they are rarely tackled head-on. We know that employment is an effective ‘safety net’ and an effective route out of poverty. It should therefore be recognised as a critical arena for policy interventions designed to stimulate both growth and poverty reduction.

The financial crisis will have significant impacts on employment, and particularly affect vulnerable workers. The ILO estimates that more than 200 million workers may be pushed into extreme poverty. Lessons from the East Asian crisis show that poor households were most seriously affected, members of which then responded by increasing working hours, taking children out of school and migrating to cities or countries. This suggests that policy priorities should include public works programmes, conditional cash transfers, active labour market programmes and analysis of the impact of the crisis on labour markets (both formal and informal).

Finally, Grant and Higgins suggested that a more comprehensive approach to labour market issues is needed, and that lessons can be drawn from the ILO’s ‘Decent Work’ agenda and the World Bank’s MILES’ framework.

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1 Macroeconomic stability, Investment climate, Labour market reforms, Education and skills, and Social safety net.
Exploitation, economic performance and global value chains

A value chain is a chain of activities through which products pass, where – at each additional link – value is added to the product. The study of GVCs involves looking at the changing dynamics of trade, particularly in the South, and this trade increasingly involves large global corporations. GVCs often span countries and involve a range of outsourcing arrangements and often ‘just-in-time’ ordering. These value chains are coordinated through information technology and distribution systems so it is possible to track individual goods throughout the whole process.

GVCs have generated a great deal of employment in the South, but result in highly leveraged employment relations and have attracted criticism from a number of quarters, such as Oxfam. Despite generating large profits at the buyer end, they frequently rely on people working for very low wages at the supply end of the chain.

Trading relationships today are quite different from those assumed in traditional trade models, which assumed international trade between nations. For example, China’s sixth largest trading partner is Wal-Mart (rather than a country). The dynamics of GVCs are also changing. Increasing dependence on the financial sector has driven short-termism. There has been an expansion in low-price high-volume markets, bilateral trade agreements are increasingly exploited and there is increasing competitive pressures for value chain ‘rationalisation’ (whereby pressures are passed on to suppliers and workers owing to highly imbalanced power relations). China has been increasingly outsourcing work to Africa. China’s position is also shifting from being solely a producer to being also a buyer.

These changes have several implications for workers. There have been increases in jobs as a result of China and India’s growth and inclusion in the World Trade Organization (WTO). Global outsourcing has increased labour contracting and economic migration. Codes of labour practice, which have had some profile in recent years, create tensions: purchasing practices encourage corporations to stipulate minimum conditions but suppliers are under such pressure they are unable to comply.

The impact of the global recession is likely to be quick, as just-in-time buying becomes just-in-time cancellation. The most vulnerable workers are likely to be hit hardest and the impact will be gendered. The lack of labour protection is likely to see risk and vulnerability rippling through the system.

There are a number of policy issues to be grappled with. First, what are the implications of protectionism? Should voluntary or regulatory approaches to labour standards be adopted? How can financial markets be regulated in a ‘moral’ way?
Gender discrimination and exclusion in Bangladesh

Shireen Huq argued that making the link between growth and equity in Bangladesh requires addressing gender exclusion and discrimination. She outlined the key implications of gender discrimination in the labour market and provided concrete policy recommendations to address them. She also emphasised that both governments and donors need to take a longer-term approach to development if they wish to support a shift in the cultural and social dynamics that entrench gender inequalities in Bangladeshi society.

Shireen Huq’s presentation and executive summary

In Bangladesh, the rural poor are the most excluded, exploited and discriminated-against group. They are frequently excluded from development activities (e.g. growth centres, markets, services and facilities). This is because they are physically distant and structurally peripheral, and they have little or no information on rights or opportunities. In other words, they live in spatial poverty traps. This leads to chronic insecurity, which prevents enterprise, asset formation and the development of collective identity and interest.

Women are the most voiceless, disadvantaged, excluded and insecure. Discrimination against women is widespread and systemic, reinforced by social norms and religious values. Women are least able to express, assert or claim their rights. This is reflected in the labour market, which is highly segregated along gender lines. There is clear evidence of wage discrimination against women, despite the entry of large numbers of women into the labour force. Discrimination is sometimes exacerbated by the livelihood struggles of poor women – for instance, while migrating in search of income, some women have faced sexual abuse, and this stigmatises female migrant workers on their return home.

Several decades of policy attention to such gender issues has borne some fruit, but women’s position remains greatly subordinate to men. Some potentially important steps that could be taken to improve women’s position relate to facilitating safe migration for women; identifying new international markets for work; providing migrant workers with embassy support; informing and training women on their rights and improving their negotiating skills; and establishing transnational support systems (such as trade unions) to influence employers and recruitment agents.

Huq emphasised the value of supporting ‘backward linkages’ (the underlying causes of increased migration) by increasing the pool of women workers with skills and basic education. This would require donors and governments to consider long-term planning to gradually shift social and cultural dynamics (e.g. invest in comprehensive, high-quality science education for girls). Governments and donors must move away from ‘quick fixes’ towards complex, multi-sectoral packages with long timeframes in order to address discrimination and exclusion.

Plenary discussion: Exclusion, discrimination and exploitation

The sequencing of the impact of the financial crisis on the South is important. The more globalised sectors will be those hit first; only later will the impact be felt amongst those with fewer links to globalised markets. This may initially protect some very poor producers, but poor workers and consumers may rapidly feel the effects. Therefore, we should ensure that safety nets are rapidly put in place to mitigate impacts on poor people. Poor people also cope with crises by drawing on their assets (social, political, natural, etc.) Building poor workers’ assets changes their ‘backstop position’ in negotiations, improving their negotiating power and agency and supporting their choices.

Institutions have a role in addressing exclusion, discrimination and exploitation. Policies can support labour unions, legal frameworks (that support workers’ choices) and advocacy groups. Governments should also engage with the private sector. Businesses want to see low unit costs as well as quality and recognise that efficient distribution chains need educated workers. There are commercial imperatives for engaging with exclusion from labour markets (including gender-based exclusion). How should informalisation be handled? Informalisation can rise in both economic downturns and in economic booms. Changes will be context specific. There is a continuum of formal to informal jobs,
and the key issue is about how workers are protected at different points of the continuum. Should formalisation be encouraged by strengthening labour market compliance, for example? Should social safety nets be independent of employment status? Should policies seek to achieve both?

Policy trade-offs between more growth and greater equity need to be recognised, where they exist, and considered in the context of the financial crisis. For example, physical infrastructure can contribute to future growth, but may not be labour intensive or sufficiently link poor people to markets or services. In the context of the financial crisis, short-term labour-intensive projects should be pursued, as they will have immediate impacts on poor people. But we must design policies carefully – it is essential to implement safety nets that will last beyond the crisis. Policies that are too short-sighted can have unintended negative impacts.³

³ In post-1997 Indonesia, for example, the government subsidised petrol and supported a system for the distribution of rice. Short-term impacts were positive but resulted in large distortions and took 10 years to roll back. In 2005, the government introduced a safety net programme to make up for the abolition of the petrol subsidy.
Understanding risk and vulnerability is important when developing policies to enable growth and equity – and particularly so in the context of the current financial crisis. Increasing levels of unemployment, rising prices and a reduction in demand for products pose significant risks to vulnerable people and communities. Poor people will cope by drawing on available assets, sometimes with adverse and long-term consequences. It is therefore critical to reduce people’s vulnerability (by building their asset base) and to mitigate adverse coping strategies.

John Bennett examined how family circumstances affect the investment decisions of entrepreneurs in the absence of external finance or social protection. His analysis (based on a paper with Stephanie Levy of the Growth and Equity Programme) finds that substantial economic growth in Senegal’s economy was manifested in the creation of new firms in the informal sector, rather than in the enhanced capacity of existing firms. He argues that this is explained by the poverty and vulnerability of the families of the small entrepreneurs. This is because successful entrepreneurs are required to support large extended families in times of need, including the provision of start-up capital for new enterprises. This limits their ability to invest in expanding their own enterprises. Bennett suggests that policies, such as social protection, which aim to reduce vulnerability, should be seen as growth complementing because of their ability to support investment.

Fiona Samuels and Michael Drinkwater examined how the vulnerability of people in two communities in Zambia changed between 1993 and 2005, and how this changing vulnerability affected people’s ability to cope with AIDS. Their study used clusters linked by exchange relationships as the unit of analysis, rather than individuals, households or communities. Despite an increase in health and livelihood-related shocks, caused also by AIDS related mortality and morbidity, their study found unexpected resilience in clusters. They conclude that policy responses need to go beyond technical/fiscal strategies, and offer a more creative approach to buttress the social protection functions of livelihood networks so as not to obstruct local strategies and coping mechanisms.

Francisco Jose Perez discussed how small and micro enterprises (SMEs) in Nicaragua will be affected by the financial crisis, through reduced demand for exports, for example. He also highlighted the struggle SMEs face through competition with large multinationals (for example Wal-Mart) and the need to integrate SMEs into multinational value chains.

Key messages from this session were:

- Social protection is a key strategy for reducing risk and vulnerability.
- Remittances are an important transfer (although they generally benefit the less poor) and falling remittances as a result of the financial crisis will have a poverty impact.
- Many issues that require attention are central to the development agenda, rather than specific to the financial crisis. This emphasises that we need to retain our medium-term objectives, despite the crisis, supplementing them, as appropriate, with measures to support well-being, resilience and enable economic flexibility.
Vulnerability and investment behaviour in Senegal: The role of the extended family

John Bennett examined how family circumstances affect the investment decisions of entrepreneurs in the absence of external finance and social protection. His analysis finds that substantial growth in Senegal’s economy was manifested in the creation of new firms in the informal sector, rather than in the improvement in capacity of existing firms, and argues that the poverty and vulnerability experienced by the families of small entrepreneurs explains this trend. Therefore, policies such as social protection, aimed at reducing vulnerability, should be seen as complementary to policies, such as microfinance, aimed at supporting investment.

John Bennett’s presentation and executive summary

John Bennett’s research, carried out with Stephanie Levy (ODI), aimed to examine the hypothesis that, in the context of a lack of external finance and social protection, family circumstances can have a fundamental effect on the behaviour of small firms in a developing country.

They show that the investment function at the firm level depends not only on the usual economic and financial factors, but also on parameters related to the poverty and vulnerability of the entrepreneur’s extended family. The effect of family circumstances is magnified by social obligations in Senegal, which mean that an entrepreneur may feel obliged to support a number of relatives. Data from Senegal indicate that entrepreneurs often use their profits to finance the start-up of their relatives’ informal enterprises. Since this use of funds may preclude the expansion of entrepreneurs’ existing enterprise, it has potentially important implications for the size distribution of firms in Senegal.

Bennett and Levy therefore argue that parameters that relate to the entrepreneur’s family are significant in explaining investment decisions, and considerations of poverty and vulnerability should be brought to the fore in analysing firm behaviour (physical capital accumulation and patterns of growth).

Policies such as social protection, which aim to reduce vulnerability, should be seen as growth complementing because of their ability to support investment. This growth effect could possibly be included in cost-benefit analyses of social protection measures, encouraging their adoption in some countries.

Vulnerability and coping with AIDS in Zambia

Fiona Samuels and Michael Drinkwater examined how the vulnerability of people in two communities in Zambia changed between 1993 and 2005, and how this changing vulnerability affected people’s ability to cope with AIDS. Their study used clusters linked by exchange relationships as the unit of analysis, rather than individuals, households or communities. Despite an increase in health- and livelihood-related shocks in the intervening 12 years, their study found unexpected resilience in clusters. They conclude that policy responses need to go beyond technical/fiscal strategies, and offer a more creative approach to buttress the social protection functions of livelihood networks so as not to obstruct local strategies and coping mechanisms.

Fiona Samuel’s and Michael Drinkwater’s presentation

Fiona Samuels and Michael Drinkwater used a cluster approach to examine how the vulnerability of people in two communities in Zambia changed between 1993 and 2005, and how this affected their ability to cope with AIDS. A cluster is a group of individuals between whom there are critical resource flows; a cluster can range in size from approximately five (a single household) to 20 (multiple households) people. As the cluster approach takes a group of people linked by exchange relationships (rather than a household or an individual) as the unit of analysis, it provides a broader lens through which to understand vulnerability and resilience.
The 2005 results indicated that, as predicted, mortality rates increased, most likely as a result of AIDS; food insecurity and vulnerability also increased; and clusters incorporated increased numbers of dependants. Despite this, resilience was greater than expected.

It is important to note, however, that the category of persons who had died in the cluster proved crucial. If the main producer died of AIDS, resilience declined. If the primary producer in a cluster was young and fit, then the cluster found it easier to recover from shocks. This led to a risk-reducing strategy of actively recruiting younger men into clusters, to act as new producers. Other factors, such as length and degree of incapacity during AIDS-related illnesses, drew down on the cluster’s resources, forcing members of the cluster to sell assets.

Key implications of these findings are that one needs to look longitudinally to understand resilience and coping behaviour, that context matters and that one needs to understand local structures and mechanisms for buttressing against shocks and stresses. Social protection policies are important to address issues of vulnerability although careful consideration of how they are implemented is crucial so that they do not obstruct or destroy local strategies and coping mechanisms. One approach, following the success of the English Poor Laws in the 17th and 18th centuries, could be to decentralise social protection strategies, taking into account local support systems and structures. While creative technical/fiscal strategies are important in order to redistribute wealth and encourage equitable access to markets and other services, social protection strategies need to also consider micro-level effects and ways of coping.

Risk and vulnerability: A view from COPLA’s work on SMEs

Francisco Jose Perez discussed how SMEs in Nicaragua will be affected by the financial crisis, through reduced demand for exports, for example. He also highlighted the struggle Nicaraguan SMEs face through competition with large multinationals (for example Wal-Mart) and the need to integrate SMEs into multinational value chains.

Nicaragua experienced positive growth between 1990 and 2008, but levels of poverty and inequality have seen limited improvements. Poverty fell by 5% between 1993 and 2003 – a marginal amount given growth rates. Because of population growth, absolute numbers of people in poverty have increased substantially. Today, more Nicaraguans are living below the extreme poverty line than in 1993. About 70% of the rural population lives below the poverty line and 30% below the extreme poverty line. Almost half of the wealth is held by 20% of the population.

SMEs in Nicaragua are the main employers of poor people. Typically, they use household labour, have fewer than 10 workers and are found in several sectors (e.g. furniture, artisans, services, domestic markers and food). SMEs often experience cash flow problems and limited access to credit. For the most part, they produce low value-added goods, and the production and distribution system is labour intensive. Monopolistic practices are institutionalised in Nicaragua through the absence of competition policies. This is exemplified by the dominance of a single company in the import and wholesaling of flour and the power of Wal-Mart as a grocery retailer. This lack of competition significantly undermines SMEs, limiting their ability to compete in the domestic market.

The financial crisis will significantly affect SMEs in Nicaragua. Decreased demand for exports (i.e. exports of agricultural products such as seafood, meat, coffee and sugar will decrease owing to reduced consumption in key importing countries) will lead to decreased levels of production. This will result in increases in unemployment. In addition, rising unemployment in key developed countries (e.g. the US, Spain and the tourism sector in Costa Rica) will affect migrant workers from Nicaragua and the remittances they send home, which are used mainly to pay for food and healthcare.

4 COPLA is a DFID-funded project that explores the linkages between trade, poverty and social exclusion in Latin America.
In response to the financial crisis, the Nicaraguan government is cutting public expenditure by 20%. In addition, it is attempting to promote productive credits and increase funds for food security programmes. As we have seen, employment is a major source of ‘social protection’ and SMEs are a significant source of employment for poor people. Given this role, the Nicaraguan government needs to pay particular attention to enabling successful SMEs.

Policy recommendations for supporting SMEs are:

- Pursue alternative markets and/or integrate SMEs into value chains;
- Reduce intermediaries along the timber value chain to open up opportunities to reach a wider range of potential consumers;
- Create a ‘bank’ of inputs in sectors such as timber, baking and agriculture to enable producers to benefit from both economies of scale and have access to alternative sources of credit;
- Consider creating ‘fair trade’ markets (e.g. coffee, sesame, artisanal goods); and
- Stimulate consumption of goods produced by SMEs through support to credit associations and cooperatives which (a) lend to artisans for inputs and/or (b) offer credit to consumers to buy SME-produced goods.

It is important to note, however, that none of these measures will be successful if the large retail chains do not ‘play by the rules’. There is a pressing need to integrate Parmalat, CISA Exportadora and Wal-Mart value chains into agricultural production processes in a way that enables SMEs to compete.

**Plenary discussion: Risk and vulnerability**

Definitional issues featured in the plenary discussion. What is meant by resilience? Michael Drinkwater defined resilience as ‘bounce-back-ability’ (i.e. the ability of households and individuals to restore wellbeing following a shock). The term is useful because it captures the ‘ups and downs’ of real life (whereas concepts such as ‘sustainable livelihoods’ imply steadiness). What is meant by shocks? The chair pointed out that some of the shocks discussed (e.g. marriage) are not as ‘shocking’ as others (e.g. death of livestock). Some were lifecycle events and others were trends (positive and negative). The panel agreed that in many shocks were ignored in the presentations – largely because of the (lack of) data available.

Resilience was found to be ‘higher than expected’ in the study by Fiona Samuels and Michael Drinkwater. This is because vulnerability and risk are substantially mitigated by complex social arrangements and transfers within clusters of individuals. This should, however, not be taken to mean that social protection is unnecessary. Rather, social protection policies are important to address issues of vulnerability, and careful consideration of how they are implemented is crucial so that they do not obstruct or destroy local strategies and coping mechanisms.

The role and expectations of social protection were discussed. Vulnerability and risk reduce investment because primary producers divert funds to individuals who have been negatively impacted by shocks instead of investing in their own firms. One implication of the papers is, therefore, that social protection can serve as a form of microfinance – not only smoothing consumption but also enabling investment and so promoting both equity and growth.

Social protection is unlikely to contribute to aggregate national GDP figures but might facilitate growth in incomes and productivity experienced by poor people. Changes at this level have significant marginal benefits and can generate powerful multipliers. A question remains: to what extent is social protection a route to long-term growth/structural change? Francisco Jose Perez argued that social protection in the form of a safety net will not deliver long-term structural change and growth in Nicaragua, as this will depend on changing power relationship between social and economic actors.

In the context of the financial crisis, remittances are likely to fall. This has significant implications for countries such as Nicaragua. It was highlighted that further research is needed on the relative

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5 CISA Exportadora is a green coffee exporting company based in Nicaragua.
impacts on domestic versus international remittances (the former have been shown to be better at improving equity).

Many of the issues discussed were central development issues and not solely connected to the financial crisis. A strong recurrent theme was the need to continue to address declines in wellbeing resulting from the crisis while investing in the building blocks needed for enabling equitable growth over the long term.
The ‘policy toolbox’: Trade-offs and sequencing for equitable growth

### Session 5

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<th>Chair:</th>
<th>Dr. Alan Winters, Chief Economist, Department for International Development</th>
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<tr>
<td>Speakers:</td>
<td>Dr. Andy McKay, Professor of Economics, University of Sussex, and Associate Director, Chronic Poverty Research Centre</td>
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<td>Duncan Green, Head of Research, Oxfam GB</td>
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<td></td>
<td>Dr. Armando Barrientos, Senior Research Fellow and Associate Director, Brooks World Poverty Institute, Manchester, and Senior Researcher, Chronic Poverty Research Centre</td>
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This session brought together the chairs of the three thematic sessions to identify ‘take home’ messages, unanswered questions and emerging issues.

Key messages were:

- The impact of the financial crisis will be sequenced, with the poorest facing second-round effects. Policies to cope with the financial crisis should therefore consider the short-, medium- and long-term implications of the crisis, as well as how different groups will be affected. Policies should not lose sight of long-term development goals.
- Social protection is a key policy instrument to reduce the vulnerability of poor people and facilitate their integration into markets. However, its design must be contextualised.
- Climate change is an important component in the nexus between growth and equity. The most vulnerable are the hardest hit by climate change, and green growth offers options to move out of the financial crisis.
- Achieving gender equality has direct implications for equitable growth.
- To ensure Southern governments have space to develop coherent (and context-relevant) policies of their own to cope with crisis, policy continuity and coherence is important. Donors must resist ‘policy stampedes’.
- A historical perspective, drawing on developing and developed country experiences (e.g. England’s 17th century Poor Laws), provides important lessons and insights for dealing with today’s development challenges. We need ‘more history, less maths’.
What should governments prioritise to enable growth and promote equity during, and following, the global financial crisis?

Economies go through cycles, through peaks and troughs. Alan Winters opened the session by asking, are we in a crisis or a downturn? We are not facing a catastrophe of enormous proportions. Yet the impacts of the crisis are much broader and more serious than localised natural disasters. Both developed and developing countries are implicated in the crisis and, as a result, poor countries may find themselves with ‘no one to turn to’. Therefore, we need to work quickly and decisively.

Many countries were making good progress towards achieving the Millennium Development Goals (MDGs), but how will this progress be affected by the downturn? DFID estimates that 90 million more people will fall into poverty as a consequence of the financial crisis – there is a need to know more, as the crisis will have distinct impacts in different contexts. Solid information on the effects of the financial crisis on development and on poor people is needed, as is information on how best to mitigate these impacts.

Andy McKay offered his reflections on the inclusive growth theme of the conference. He argued that inclusive growth is about poor people’s participation in the growth process. Inclusive growth also has a redistributive element. For example, as growth increases, government revenue and remittances rise.

A key constraint preventing poor people from participating in the growth process is their vulnerability. McKay identified four key things that matter for inclusive growth:

1. Gender equality is critical and an issue worthy of attention in inclusive growth policies and debates. Shireen Huq, in her presentation, showed that gender equality at the bottom end of the income distribution can improve both growth and equity.
2. Reducing vulnerability is important for growth because it allows poor people to make positive choices. Simon Szreter spoke about the importance of the Poor Laws in England, not only in preventing famine but also in facilitating economic growth. Social protection policies are challenging to implement in low-income developing countries, particularly now, in the context of the financial crisis. Nonetheless, such long-term strategies are important.
3. Investment is important for job creation, and job creation is key to poverty reduction. Investment is strongly linked to the nature of the financial sector and therefore is likely to be adversely affected in times of financial crisis, with important knock-on effects on poverty.
4. A message for donors is that policy stampedes should be avoided. Uganda has become more assertive, and speaks in terms of wealth creation, as does Rwanda. Donors and development practitioners should engage in and help shape this dialogue so that growth is not just for the top 10% but, rather, is broad based.

Duncan Green offered his thoughts on the exclusion, discrimination and exploitation theme of the conference. He challenged the audience to discuss power, politics and environmental constraints, and specifically to consider what policymakers should do when less aid is available, remittances fall, tax revenues drop and the implications of climate change become even more real.

He argued that we should focus our energy on things that become easier to change during times of economic crisis. In the case of the UK, for example, it has become easier to re-regulate, cut bonuses and change the way the finance sector works. He also called for ‘more history, less maths’. Simon Szreter’s presentation showed that the challenges we face are not new, and history has lessons for us. What can we learn from the Great Depression, and what was its impact on equity? He suggested a historical perspective be applied to ten developed countries to identify what set and sequence of factors brought about their development.
Three conclusions from the session on exclusion, exploitation and discrimination were:

1. Address exclusion, particularly gender-based exclusion, in the labour market.
2. Empowerment is needed as well as social protection.
3. There is a clear need for more science teachers in girls’ schools in Bangladesh.

An unanswered and contentious question from the session was whether informalisation should be combated – are bad jobs better than no jobs?

Armando Barrientos provided his reflections on the risk and vulnerability theme. He argued that an overwhelming theme of the conference was that reducing risk and vulnerability is critical for sustainable and inclusive growth.

Social protection was identified as a key strategy for addressing risk and vulnerability. It can be used to achieve human capital and development objectives, increase returns to labour and offer greater resilience to external shocks. But it is neither a panacea nor the only solution, and a number of caveats were identified.

Social protection on its own is not guaranteed to reduce risk and vulnerability and deliver equitable growth. It is also unlikely to contribute to aggregate national GDP growth, although it will, facilitate income and consumption growth in poor households. Social protection can contribute to poverty reduction, but is not always able to improve equity.

Rapid rollout of social protection programmes in the context of the financial crisis is important. However, the lack of institutional capacity inherent in the majority of low-income countries will hamper effective scale-up in the short term. In the middle-income countries of Latin America, scale-up will be faster and more effective than scale-up and implementation in low-income countries in sub-Saharan Africa. The lesson is that institutions for social protection need to be put in place before crises hit.

**Policy recommendations**

To promote growth and equity in the context of a global financial crisis, ten policy recommendations for governments and the international development community emerged.

1. **Pro-poor infrastructure.** Governments should invest in pro-poor, community-driven and labour-intensive infrastructure to create jobs and enable poor people to access services. Building roads, bridges, small dams, slum upgrading, irrigation and market infrastructure are sound options. Conference participants noted that Asia (particularly India and China) have been investing in large infrastructure projects (such as energy plants) which will not necessarily benefit the poor immediately and may serve to reinforce vulnerability at a time of increased global risk. Thus, governments should consider small-scale infrastructure with a direct and quick benefit on the lives of poor people.

2. **Promote gender equality and broader equity.** The crisis will impact on vulnerable groups (including women, children and both women and men from marginalised and minority groups). Therefore, we need to promote gender equality and equity across other social dimensions. This has direct linkages to better nutrition and low birth rates, which play a role in reducing risk and vulnerability and promoting economic growth.

3. **Job creation.** The economic downturn will promote disinvestment, which will result in job losses and ultimately increases in poverty. Job creation is therefore an important policy priority. A key question that arose in discussion was whether ‘bad jobs’ were better than no jobs. Bad jobs are a reprieve in the short term but might serve as an income trap in the longer term.

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6 This relates to women’s and girl’s strategic gender needs. By improving girls’ knowledge of science, they are able to take advantage of new opportunities and increase the wage rates they can command – with impacts on agency and mobility.

7 In Chile, for example, social protection contributed to reducing poverty but inequality rose, showing its inadequacy for tackling equity.
term if the labour market does not evolve. Therefore, the quality of jobs being created and the short- and long-term impacts, are an important consideration for governments. Linked to this is the need to nurture and develop the financial sector in developing countries. Investment requires a strong financial sector to provide the right mix of financial services, including savings, credit and insurance to all parts of the country and all segments of society. If the financial sector is constrained, there is no lending, leading to decreased investment and ultimately job losses or minimal job creation.

4. **Productivity-based growth.** Decreasing global demand for commodities is driving prices down and putting pressure on developing country budgets. Therefore, there is a need to boost the agricultural production base of sub-Saharan Africa and to stimulate a second wave in Africa’s ‘green revolution’. A question was raised on the role of China in Africa. Some leading Asian countries are seeking to cement their food supplies through production-based agreements with developing countries – particularly in Africa. There are concerns amongst some that Africa might become a net food exporter and still remain food insecure, as weaknesses in entitlements combine with fragmented local and national markets.

5. **Scaling up social protection.** Lessons should be gleaned from success in China, India and South Africa. Can such lessons be adapted to low-income developing countries, particularly those in sub-Saharan Africa? Social protection programmes should reach as many poor people as possible. How can this be done? Perhaps implementation needs to be decentralised. For example, China centralised social security principles but decentralised implementation, allowing flexibility between localities. It also facilitated a faster scaling-up process. Nonetheless, it was noted that China’s phenomenal scale-up of social protection could also have owed its success to a strong system of government and the ethos of a developmental state.

As countries develop and scale up social protection, the concept needs to be incorporated into broader national development plans. In most cases, social protection has been a parallel system, detached from economic growth policies and dealing with those ‘left behind’ by development. Another issue to note is that, besides its contribution to reducing risk and vulnerability, social protection can strengthen the state–citizen contract, indicative of a more responsive state, but is – in turn – reliant on a supportive social contract, by which the non-poor agree to pay tax to reduce the vulnerability of poorer people.

A hallmark of effective social protection is its predictability and sustainability, and for developing countries (especially low-income countries) this will be a challenge. It was agreed that, for sustainability, social protection has to be institutionalised, and this can only be supported by efficient tax and administration processes. Therefore, major tax and administration reforms need to be undertaken to ensure a steady and firm financial base for sustainable social protection implementation.

6. **Policy continuity** was highlighted as a critical element in enabling equitable growth and in responding to the economic downturn. There is some core business to see through while at the same time generating responses to the economic downturn.

7. **Addressing climate change** was viewed by some as fundamental to addressing inequality—inequality will expand and the most vulnerable will be most severely affected as climate change worsens.

8. **Protectionism is not the way out of the crisis.** The financial systems of most developing countries are weakly connected to the global economy. Impact of the financial crisis will be transmitted through changes to trade and reduced consumer confidence in importer nations, plus impacts on the international and national business environments. An intuitive response would be to look inwards instead of outwards, but this may draw down on economies’ ability to recover over the long term. During the 1970’s-1980’s oil price crisis, countries that were more connected to the global economy endured a heavier blow than those that were less connected. However, they were also quicker to recover. Caution should be taken when considering protectionist policies – ‘looking inwards’ is not a way out of the crisis.
9. **Data and information.** While data collection and availability has improved in developing countries over the past 15 years, there are still few panel data sets available, which makes it difficult to track changes over time and assess policy effectiveness.

10. **Learning from past crises and from Asia's response.** There is a great deal to learn from previous crises. Lessons can be gleaned from the Asian financial crisis, the Great Depression and the oil price crisis. There are also big changes going on in East and South Asia (in particular China and India). We should learn from these experiences and identify policies that could be replicated elsewhere in the South.
Key conference messages

Drawing together the highlights from all sessions of the conference, the following key messages have been identified:

- Growth and equity – on their own – are necessary but not sufficient for sustained national development.

- Both theory and the evidence base on the relationship between growth and equity has been sharpened in recent decades, but there is much less clarity on the policy package that will simultaneously enable growth and promote equity. Identifying the policy priorities, sequencing and trade-offs required to support growth with equity must be a development priority. This is particularly critical in the context of the global financial crisis, where there is an opportunity for countries to ‘build back better’.

- The impacts of the global financial crisis will be sequenced and layered. First-round impacts, felt mostly by groups engaged in activities associated with the global market, will be distinct from second-round impacts, felt by people whose livelihoods depend more significantly on national markets.

- A key priority for enabling growth and promoting equity is addressing the barriers poor people face in accessing financial, labour, input and commodity markets. Approaches are likely to include improving infrastructure and access to transport, but also need to address the institutional, political, social and cultural barriers poor people face in accessing and benefiting from markets.

- Poor people must be able to access financial, labour, input and commodity markets on favourable terms. For example, employment generation (informal and formal) is critical to ensure poor people benefit from growth, but the conditions of employment also require attention to ensure jobs do not themselves act as poverty traps.

- Social protection is a key policy instrument for tackling the risk and vulnerability of poor people, building their assets and facilitating their integration into markets. It is critical that social protection responses be informed by and support local livelihood networks and coping mechanisms.

- Climate change is an important component of the growth-equity nexus. The most vulnerable are the hardest hit by climate change, and green growth offers options to move out of the financial crisis.

- Achieving gender equity has direct implications for equitable growth and must remain on the agenda.

- Donors must resist ‘policy stampedes’ and give Southern governments space to develop coherent and context-relevant policies.

- In striving to deal with the immediate consequences of the crisis, we should remain focused on fundamental development priorities. In seeking to mitigate the negative consequences of the financial crisis, the challenge will be balancing urgent, medium-term and long-term needs.
The way forward

For the Growth and Equity Programme at ODI, economic growth is not an end in itself. Economic growth is a means to an end, the end of which involves enhanced wellbeing, particularly of poor people, and greater equity within societies. We have chosen to work at the nexus between growth and equity and to explore and understand the inextricable linkages between the two phenomena. This suggests a broad agenda and we have chosen to organise our work under three complementary pillars: Inclusive growth; exclusion, discrimination and exploitation; and risk and vulnerability.

The Growth and Equity Programme is staffed by a multidisciplinary team with expertise spanning economics and modelling through to geography and anthropology. As such, it embodies deep substantive and technical knowledge while being, at the same time, well equipped to work in a holistic way. Members of the Growth and Equity Programme employ a flexible toolbox of Q-squared and disciplinary specific methods to explore themes at the growth–equity nexus.

Effective policy advice requires a comprehensive understanding of context, an ability to identify plausible entry points and knowledge of alternative policy instruments. We apply a systems approach which enables us to, for example, examine the macro–micro linkages transmitting damage from the global financial crisis through the economy down to the household and sub-household level. We are interested not only in understanding the policies and practices that enable growth but also in exploring the power relations, economic and social structures and institutions that influence the extent to which a certain pace and pattern of growth enhances equitable outcomes.

Why growth and equity?

As discussion in the report above shows, economic growth and improved equity are – on their own – necessary but not sufficient for sustained national development. Where policies and programmes effectively deliver both, the conditions are set for both short- and long-term improvements in efficiency across the national economy and in wellbeing for all social groups. For example, improved access to good quality education can improve the chances that young people from poor parts of a country can negotiate better conditions when they migrate for work, giving them and their families the chance to exit poverty and also (plausibly) increasing the contribution that they make to economic growth. On the other hand, having well-functioning produce markets can provide poor producers with greater opportunities, enabling them to accumulate and invest, keeping their children in school and building for the future.

The reciprocal and mutually reinforcing relationship between economic and social spheres (i.e. education leads to wealth creation and wealth creation leads to education) is what the Growth and Equity Programme seeks to understand.

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8 We are not limited by programme boundaries and the Growth and Equity Programme works effectively with professionals from a range of disciplinary and sectoral traditions, both within and outside ODI. This has recently seen us contribute to ODI’s cutting edge work on the global financial crisis, the empowerment of poor people and the political economy of pro-poor growth.
Priority themes for the Growth and Equity Programme

This section of the report proposes medium-term thematic priorities for ODI’s Growth and Equity Programme. In doing so, it draws on issues that emerged strongly during the conference, particularly focusing on those corresponding to the strategic direction that the programme wishes to take. These thematic priorities are organised under the three main pillars of the Growth and Equity Programme:

- Pillar 1: Inclusive growth
- Pillar 2: Exclusion, discrimination and exploitation
- Pillar 3: Risk and vulnerability

The thematic priorities should be regarded as ‘sketches’, which will be worked up more fully into concept notes and proposals in a sequenced and prioritised manner over the coming months.

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Pillar 1: Inclusive growth

We propose work on three thematic areas to contribute to this pillar.

- Theme 1: The right policy package for inclusive growth
- Theme 2: Economic change, poverty and inequality/polarisation
- Theme 3: Tax, spend and growth – the role of fiscal policies and inclusive growth

Below, we sketch out possible work under these three themes.

**Theme 1: The right policy package for inclusive growth**

Much is known about the theory of enabling growth and even the theory of enabling growth alongside equity. However, less is known about how to achieve these complex goals in practice and in different contexts. ODI’s Growth and Equity Programme plans to focus its attention very strongly on identifying the policies and practices most likely to deliver both growth and equity in different contexts.
We will explore empirical evidence, undertake policy analysis and work with both government officials and members of the international development community to identify policy priorities for achieving inclusive growth. We will explore head-on the challenges around policy sequencing (i.e. should policymakers seek to stimulate growth first, then use tax and public expenditure to support poverty reduction) and trade-offs (i.e. does a focus on reducing inequality, polarisation and poverty dampen growth? Do attempts to stimulate pro-poor growth compromise growth rates?) We will seek to understand the following questions:

- What policy package is required to deliver inclusive and pro-poor growth?
- To what extent does this package vary by context?
- What are the binding constraints, in particular contexts, to economic growth and a pace and pattern of growth that is at once inclusive and pro-poor?
- What are the sequencing and trade-off considerations? Do they differ between different country contexts?
- To what extent do inequality and polarisation limit growth?
- What are the trade-offs and spill over effects between growth policies and human development/social policies?

Theme 2: Economic change, poverty and inequality/polarisation

This theme will explore how economic changes impact on poverty and inequality/polarisation. This work will explore the role of key transmission channels – employment, taxes and transfers (remittances and increases/reductions in government revenue), prices, access to services, assets and investment – in transmitting economic changes to households. Figure 1 provides a schematic representation of this framework.

Currently, the global financial crisis is having serious poverty and equity impacts in developing countries. In this context, we will use the transmission channels framework outlined above to understand how the crisis is affecting and will affect poverty and equity (see Theme 6). Other work could involve policy-focused studies on the poverty and equity impacts of privatisation, or changes in subsidies or taxes, for example.

**Figure 1: Analytical framework for analysis of the impacts of financial crisis on poverty and equity**

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Transmission channels describe the pathways through which policies and interventions trigger results. Primary channels are those directly activated by the policy or intervention (e.g. a road is built – access). Secondary channels are activated as a result of behavioural changes (e.g. reduced transport costs lead to cheaper prices for goods (prices) and increased economic activity (employment).
Theme 3: Tax, spend and growth—the role of fiscal policies and inclusive growth

Work on this theme will link members of the Growth and Equity Programme with ODI’s International Economic Development Group and external specialists. Together we will seek to explore what progressive fiscal policies can do to enable both growth and equity. We will draw on existing empirical and theoretical work to discuss the following questions:

- What are the main technical and political economy challenges in building a viable tax base in low-income developing countries?
- How can progressive governments in such countries keep resource mobilisation costs low while constructing a system of progressive taxation?
- How can such governments avoid punitive taxation, which act as a disincentive to investment and growth, while at the same time managing aid dependence?
- How can resource-rich countries ensure a tax system that enables broad-based benefits from growth in a specific sector (e.g. copper in Zambia, oil in Nigeria)?
- How can such governments maintain an optimal volume of development investment in ‘the right things’ while budgeting for recurrent costs and avoiding overstretching national budgets, requiring borrowing and/or stimulating inflation.
- So, in given country contexts, what approach to public spending is likely to both enable economic growth and build equity?

Pillar 2: Exclusion, discrimination and exploitation

We propose work on two thematic areas to contribute to this pillar.

- Theme 4: Stimulating employment-rich growth
- Theme 5: Vulnerability, exclusion and the growth process – does HIV/AIDS have a discernable impact on economic growth?

Theme 4: Stimulating employment-rich growth

Governments around the world struggle to know how best to enable economic growth that generates employment. Poor people rarely prefer either social protection or self-employment. They want jobs. As such, employment generation and the functioning of labour markets are at the centre of any growth/equity debate. Work under this theme will examine whether international experience generates useful lessons on how governments, the international development community and the private sector can best enable a pace and pattern of growth that results in employment growth. Work under this theme will also examine the terms by which people are included in labour markets. Questions explored will include:

- What do governments need to prioritise to stimulate employment-rich growth?
- What must be done to ensure job creation benefits poor and low-skilled workers?
- How should donors engage with partner governments on employment and labour market issues?
- How can governments and donors engage constructively with informal labour markets to maximise economic and wellbeing benefits?
- What creates and perpetuates power asymmetries in labour markets and what can external (or internal) actors do to mitigate their effects?

These ‘right things’ might include a judicial mix of public and merit goods (e.g. education, health, infrastructure) to create an attractive investment climate, while at the same time reducing the risk exposure and vulnerability of poor people and building their assets, capabilities and agency so that they can grasp opportunities and engage beneficially in growth processes.
Theme 5: Vulnerable groups and the growth process – people living with AIDS

HIV/AIDS has changed the way that many people in high prevalence rate areas live their lives. It has forced some to draw down on household and productive assets. It has changed dependency ratios, making some people too ill to work, pulling others out of economic work and into the ‘care economy’. Evidence suggests that HIV/AIDS has affected labour productivity, enterprise profitability and savings rates – limiting resources for reinvestment. Evidence from Zambia suggests that, with greater access to anti-retroviral treatments (ART) and through reciprocal care and coping mechanisms, resilience is greater than might have been expected. Evidence from Rakai District in Uganda (one of the early epicentres of the pandemic) suggests that excess mortality has, counter-intuitively, enabled poverty escapes of those left behind – because of their greater access to productive land. This stream of work will:

- Identify discernable patterns in the relationship between HIV/AIDS and economic growth.
- Examine resilience and coping at the household, cluster and community level and in doing so explore some of the building blocks and barriers to ‘bottom-up growth’.
- Analyse the relationship between HIV/AIDS incidence rates, ART availability and adherence and productivity and identify whether there are macro-effects that we need to be aware of.
- Identify key factors in aid instruments to promote effective micro-level health outcomes with macro-economic stability.
- Develop a synthesis of these thematic studies and identify whether there are any cross-country policy lessons for development practitioners and governments.

Pillar 3: Risk and Vulnerability

We propose work on three thematic areas to contribute to this pillar.

- Theme 5: Understanding and managing risk-related blockages to growth and equity
- Theme 6: Policy responses for post-crisis recovery
- Theme 7: Climate change, resilience and equitable growth

Theme 6: Understanding and managing risk-related blockages to growth and equity

Exposure to risk leads to both ex-ante and ex-post risk mitigation and risk coping behaviour that can hamper growth and have damaging impacts on wellbeing. Risk aversion promotes enterprise diversification and can limit the types of investment behaviour and specialisation likely to generate productivity gains. Ex-post risk coping draws down on household and individual capital and can lead to adverse coping, limiting the abilities of individuals, households and extended families and ‘clusters’ to respond proactively to growth-related opportunity. Both ex-ante and ex-post risk coping can contribute to low levels of intergenerational human capital investment, limiting capabilities. They can also see both individuals and households locked into patron–client relationships. Limited agency can combine with low levels of assets to disable poor people’s realisation of market-related opportunities – meaning that for them positive engagement in growth processes remains elusive.

Much is already known about risk. However, the Growth and Equity Programme will link with others in ODI’s Social Protection Programme and its cross-institute programme on risk as well as with researchers in the Chronic Poverty Research Centre (CPRC) (www.chronicpoverty.org) to explore what the most critical ex-ante and ex-post priorities are for enabling people, particularly poor people, to deal with risk. There are likely to be a mix of ex-ante priorities and ex-post priorities. Ex-ante priorities might include building assets, capabilities and agency and extending public service provision to poor people and spatial poverty traps, extending appropriate financial services and access to political decision making to poor and marginalised groups. Ex-post policy priorities might include social protection, rebuilding the assets of poor people and targeting tailored public services to specific groups and areas. What is currently unclear is what policy and programmatic mix is best suited to enable both growth and equity. Also, while it is a truism that context matters, what is not clear is
how important it is and whether contexts (and policy responses) can be clustered. So, for example, will the policy or programmatic prescription differ considerably in relation to the following factors:

- Sources and nature of risk, shock or trend (covariant, idiosyncratic, compound or sequenced)
- Political economy/nature of the state/state–citizen contract and social compact
- Depth and incidence of (ex-ante) poverty
- Determinants of poverty and poverty exit
- Determinants and correlates of inequality and polarisation
- Structure of opportunities and challenges in livelihoods and the local and national economy
- Degree to which poor people are linked to the global economy through consumption, production, employment or institutions

Initial work on this theme will be in the form of a scoping study to explore these issues before the development of a policy-oriented project proposal.

Theme 7: Policy responses for post-crisis recovery

This work will seek to understand the differentiated effect of the global financial crisis and suggest the different policy packages most likely to aid recovery in different contexts. It links with work outlined in Theme 2.

We will start by exploring the differentiated effects of the global financial crisis in a number of low-income developing countries. To do this, we will use recently collected data and explore the differentiated impact of the crisis on poverty dynamics, polarisation and inequality. We will seek to answer questions about first- and second-round effects, the mechanisms by which damage is transmitted through the economy and a plausible policy package to lock together policies which both manage the economic effects of the crisis – creating the necessary conditions for recovery – and mitigate the negative effects of wellbeing. This work will build on available evidence of the differentiated impact of the crisis (e.g. generated by previous work by ODI, Institute of Development Studies and the new analysis proposed under Pillar 1, Theme 3, above). See the bullets below for examples of the questions that we may seek to answer.

- What policies should governments put in place to manage the impact on the economy and support inclusive economic recovery?
- What policies should government put in place to mitigate negative impacts – particularly on the poorest people – and support their resilience and recovery?
- How can these policies be ‘locked together’ to ensure that poor people are engaged in, and benefit from, an equitable post-crisis growth and recovery process?
- What enabling factors can promote a post-crisis response that generates both growth and equity?

Theme 8: Climate change, resilience and equitable growth

It is impossible to work on development issues without considering climate change. It is known that climate change will negatively affect the poorest and most vulnerable profoundly, both through its macro effects and through direct and first-round effects. It is likely that it will influence both the pace and pattern of growth. This influence is likely to be deep in those countries most vulnerable to the negative consequences of climate change.

The Growth and Equity Programme proposes that it will work on this theme with ODI’s programme on Climate Change, Environment and Forests. Together we will seek to answer the following questions:

- Climate change risk and adaptation
  - What are the links between green growth and inclusive growth?
  - How do we stimulate inclusive growth with green investments?
  - What would ‘carbon neutral growth’ look like and is it feasible in low-income developing countries?
• Green growth
  » What are the links between green growth and inclusive growth?
  » How do we stimulate inclusive growth with green investments?
  » What would ‘carbon neutral growth’ look like and is it feasible in low income developing countries?

Crosscutting theme

Theme 9: What kind of policy instruments best enable growth with equity and what role can aid play?

A key goal of the Growth and Equity Programme is to identify the policy priorities, sequencing and trade-offs involved in simultaneously enabling growth with equity. How can governments support growth with equity and what role can aid play? The Centre for Aid and Public Expenditure (CAPE) leads ODI’s work on aid instruments and the reform of the aid architecture. The Growth and Equity Programme will seek to work on this theme with colleagues in CAPE, with members of the cross-Institute programme on the Future of Aid and with members of the international network on the Forum for the Future of Aid. Together, we will attempt to identify what kinds of policy instruments, supported by what kind of aid instruments, are most likely to support growth with equity in different policy environments, including fragile states.
### Annexes

**A. List of participants**

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<td>Jane</td>
<td>Saultor</td>
<td>German Development Cooperation (GDC)</td>
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<td>Myra</td>
<td>Schmiedjahn</td>
<td>Federal Ministry for Economic Cooperation and Development (BMZ), Germany</td>
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<tr>
<td>Maria</td>
<td>Selvati</td>
<td>Centre for Strategic and International Studies (CSSIS), Indonesia</td>
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<td>Sarah</td>
<td>Seawanyana</td>
<td>Economic Policy Research Centre (EPRC), Uganda</td>
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<td>Simon</td>
<td>Szmetner</td>
<td>University of Cambridge, UK</td>
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<td>Gyakye</td>
<td>Taitoh</td>
<td>Third World Network Africa</td>
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<td>Jeff</td>
<td>Turner</td>
<td>Africa Community Access Programme (AFCAP)</td>
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<td>Jan</td>
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<td>Ellen</td>
<td>Wissink</td>
<td>Department for International Development (DFID), UK</td>
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B. Speakers’ biographies

Armando Barrientos
Armando Barrientos is Senior Research Fellow and Associate Director at the Brooks World Poverty Institute at the University of Manchester in the UK. He is also a Senior Researcher with the Chronic Poverty Research Centre, leading research on Insecurity, Risk and Vulnerability. His research interests focus on the linkages existing between social protection and labour markets in developing countries, and policies addressing poverty, vulnerability and population ageing. His work has been published widely, including articles in World Development, Applied Economics and the Manchester School and Geneva Papers on Risk and Insurance. His most recent book is Social Protection for the Poor and Poorest, Concepts Policies and Politics (Palgrave, 2008, edited with David Hulme). He has acted as an advisor to the ILO, the World Bank, DFID, UNRISD, IADB, WIEGO, UN-DESA, UNICEF and the Caribbean Development Bank.

Stephanie Barrientos
Stephanie Barrientos is Senior Lecturer at the Institute of Development Policy and Management, University of Manchester. She was previously a Research Fellow at the Institute of Development Studies, University of Sussex (2000-2007). She gained her BA and PhD in Political Economy at the University of Kent. She has researched and published widely on gender, global production, employment, migrant labour, decent work, international labour standards, corporate social responsibility, fair trade and ethical trade. She has undertaken research in Africa, Asia, Latin America and the UK. She coordinated a research project on Gender and Ethical Trade in African Horticulture (funded by DFID) and was European Coordinator of an international research programme on the mainstreaming of fair trade (funded by Ford Foundation and Leverhulme Foundation). She coordinated the UK Ethical Trading Initiative Impact Assessment (2003-2006). The assessment examined the impact on workers of codes of labour practice applied by ETI member companies in their global value chains. She coordinated a project on social protection for migrant workers in pineapple exports in Ghana under the DRC Migration. She has advised and provided training for a number of companies, NGOs and international organisations on issues concerning gender, agribusiness, ethical trade, decent work, and impact assessment, including: DFID, DEFRA, ILO, UNCTAD, UNIDO, World Bank, Body Shop, Cadbury Schweppes, Timberland, CAFDOD, Christian Aid and Oxfam.

Godfrey Bahiigwa
Godfrey Bahiigwa, currently Director of PMA Secretariat, holds a PhD in Agricultural Economics from the University of Missouri-Columbia, US. He joined the PMA Secretariat from Nairobi, where he was a Regional Coordinator of a knowledge management initiative (Regional Strategic Analysis and Knowledge Support System - ReSAKSS) based at the International Livestock Research Institute for two years. Before that, he spent about eight years as a Senior Research Fellow at the Economic Policy Research Centre in Kampala. On the policy front in Uganda, Mr. Bahiigwa was involved in the formulation of the PEAP and PMA, and most recently in the discussions around the PFA.

John Bennett
John Bennett is Professor of Economics at Brunel University and Director of the Centre for Economic Development and Institutions. He worked previously at the University of Wales, Cardiff and Swansea, and he has been a visiting professor at Washington University, St Louis, and Queen’s University, Kingston, Ontario. He has published articles in the American Economic Review, Journal of the European Economic Association, European Economic Review, Journal of Public Economics, Journal of Money, Credit and Banking and other leading journals. He has been a member of the editorial boards of the Journal of Comparative Economics and Economic Systems. His current research relates to developing and transition economies, focusing on the informal sector, corruption, entry, privatisation and public–private partnerships.
Kate Bird
Kate Bird is an ODI Research Fellow and the Programme Leader of ODI’s Growth and Equity Programme. She is a socio-economist with a particular interest in pro-poor growth. Her current work is exploring the social and poverty implications of trade policy change and the aid for trade agenda. She also leads work on ex-ante tools for poverty and social impact analysis and on chronic and intergenerationally transmitted poverty. Her work leading the Chronic Poverty Research Centre’s research into spatial poverty traps has delivered insights into intrahousehold and intergenerational drivers of poverty. Kate now leads CPRC’s interdisciplinary and multi-country work on the intergenerational transmission of poverty, which is exploring – amongst other things – the impact of conflict on IGT poverty, sources of resilience and policy instruments for poverty interruption.

Ursula Grant
Ursula Grant is a Research Officer with ODI’s Growth and Equity Programme. She has worked extensively on poverty dynamics and chronic poverty, and was Managing Editor for the Chronic Poverty 2008-2009: Escaping Poverty Traps. Previously, she was a Research Fellow at Birmingham University where her research focused on urban governance, urban poverty and vulnerability, as well as labour market exclusion and exploitation. She works in East and West Africa, and spent several years in Kingston, Jamaica, working on urban violence and poverty programmes.

Duncan Green
Duncan Green is Head of Research at Oxfam GB and author of From Poverty to Power: How Active Citizens and Effective States can Change the World (Oxfam International, June 2008). He was previously a Senior Policy Advisor on Trade and Development at the Department for International Development, where he covered agricultural and non-agricultural trade in goods. He went to DFID on secondment from CAFOD, the Catholic aid agency for England and Wales, where he was a Policy Analyst on trade and globalisation (www.cafod.org.uk/policy). Prior to going to DFID, he was also Head of Research and Engagement at the Just Pensions project on socially responsible investment (various papers on www.justpensions.org), an Advisory Board Member of the Globalisation and Poverty Programme (www.gapresearch.org) and a Board Member of the Ethical Trading Initiative (www.ethicaltrade.org). He is the author of several books on Latin America including Silent Revolution: The Rise and Crisis of Market Economics in Latin America (2003, 2nd edition) and Faces of Latin America (2006, 3rd edition).

Kate Higgins
Kate is a Research Officer with the Growth and Equity Programme at the Overseas Development Institute. Her research interests are inclusive growth, labour markets and employment, chronic poverty and the intergenerational transmission of poverty, spatial poverty and the poverty impacts of conflict and forced migration. While at ODI, she has worked for the World Bank on poverty and social impact analysis and spatial poverty traps, DFID on trade-poverty linkages, on the interface between pro-poor growth and human rights, the Swiss Agency for Development and Cooperation on equity and the Chronic Poverty Research Centre on the linkages between conflict and the intergenerational transmission of poverty. Prior to joining ODI, Kate worked for the Australian Agency for International Development. She has also worked with the Norwegian Refugee Council in northern Uganda, the Burmese Migrant Workers’ Education Committee on the Thailand/Burma border and remote aboriginal communities in northern Australia. She has an MPhil in Development Studies from the University of Oxford and a Bachelor of Economics (Honours) from the University of Sydney.

Shireen Huq
Shireen Huq is a women’s rights activist and gender and development specialist. She has been a long-time advisor to DANIDA in Bangladesh. Shireen is a dedicated advocate of women’s issues and is Co-founder and an active member of Naripokkho. Launched in 1983, Naripokkho (pro-women or on the side of women) is one of the more significant human rights advocacy organizations in Bangladesh that was established as a response to the need for an autonomous ‘third view’ on the woman question in the country. Shireen is an active member of the International Women’s Rights Action Watch/Asia Pacific, a member of the Advisory Group to the Participation cluster at the Institute of Development Studies at the University of Sussex and Chair of the Board of the Women, Law and Development International (WLDI). Shireen was member of the ARENA Executive Board 2000-2003 and is active in the ARENA programme on Gender.
Andy McKay
Andy MacKay is a Professor of Economics at the University of Sussex. He is also an Associate Director and active Researcher in the DFID funded Chronic Poverty Research Centre. His research focuses on issue of poverty including the impact of policy changes on poverty, and he also works actively on the issue of pro-poor growth. He was an active participant in the multi-donor Pro-Poor Growth project in 2003-2005 and currently acts on the Steering Committee of the African Economic Research Consortium’s collaborative research programme on the growth–poverty nexus.

Francisco Jose Perez
Francisco Jose Perez is Director of the Research Program of Nitplan, Institute of the Central American University in Managua. An MA graduate in International Development Studies from Ohio University, he was also a Fulbright grantee from 2003-2005. He is part of the COPLA initiative with ODI and Access to Market Research Group with Michigan State University. He also works with the World Bank and the Intra-American Bank of Development on topics related to value chain analysis and poverty reduction.

Fiona Samuels
Fiona Samuels is a Research Fellow based within the Growth and Equity Group at ODI. A social anthropologist, she has over 15 years of experience crossing the fields of development and public health and has worked extensively in Africa, Asia and Latin America, but with a particular focus on sub-Saharan Africa. Fiona’s current remit is to develop and increase ODI’s research and consultancy portfolio on issues related to health and HIV/AIDS, including its links with poverty, exclusion, migration and livelihoods. Prior to joining ODI, Fiona was Head of Research at the International HIV/AIDS Alliance, where she managed a number of large-scale, multi-sited and multi-country research projects. Before joining the Alliance, as well as obtaining her Doctorate in social anthropology and lecturing at the University of Sussex, Fiona undertook long-, medium- and short-term assignments for a range of organisations including NGOs, private firms and international organisations, e.g. the World Bank, DFID, UNICEF and UNCDF. Themes of particular concern to the current and recent research and advisory work that Fiona has carried out include: HIV vulnerabilities and coping in fragile/emergency contexts; livelihoods, coping and resilience in relation to health shocks; access to health services for vulnerable groups; and the role of community structures, social networks and social capital for addressing the needs of vulnerable groups in order to support livelihood strategies and build resilience.

Simon Szreter
Simon Szreter, MA, PhD, is Reader in History and Public Policy in the History Faculty, University of Cambridge, and Fellow of St John’s College, Cambridge. He is a founding Member of the History and Policy Network and Co-editor of its electronic journal (www.historyandpolicy.org), a joint initiative of Cambridge University History Faculty, the Institute of Contemporary British History, University of London, and the Centre for History of Public Health in the London School of Hygiene and Tropical Medicine. He teaches modern British economic and social history since 1700 and the comparative history of population and development and environment. His main fields of research are demographic and social history, the history of empirical and official social science and the relationship between history, development and contemporary public policy.