

Precise Definitions of Poverty: The Pros and Cons in Latin American Poverty Reduction

Written by Amy Cumming

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<https://www.e-ir.info/2009/05/19/precise-definitions-of-poverty-the-pros-and-cons-in-latin-american-poverty-reduction/>

AMY CUMMING, MAY 19 2009

The way policy makers define poverty dictates the types of strategies that they use for alleviation, and their success. In Latin America numerous definitions have been employed, the current favourite being the profiling approach used by Conditional Cash Transfer Programmes such as *Opportunities* in Mexico, and *Bolsa Escola* in Brazil. This essay aims to examine the various definitions of poverty on offer to Latin America, and the various problems associated with each of them. I will also study the failures and successes of the profiling approach through the two aforementioned case studies, including issues regarding methodology. In conclusion I will offer some ideas on how Latin American social policy makers could change their approach to defining poverty in order to achieve more progress. I will argue for new research aiming to find out who the deprived themselves feel really needs help and how. Latin America must adopt a more wide-spread, structural approach using broad, and institutional definitions of the problem in order to compliment it's remarkable economic progress by easing or even alleviating poverty within it's borders. This is the point which I ultimately aim to convey.

INTRODUCTION

The way Policy makers define the complex concept of social deprivation which we have come to know under the umbrella term of 'poverty', is critical in dictating what kind of solutions they will employ, and their effectiveness. In Latin America the most recent trend is to define poverty using a typical profile of a poor person; whose most notable features are lack of income, education and nutrition. In this essay I will explore the various positives and negatives of ways in which poverty can and has been defined. Measures of some kind are clearly essential. We cannot solve a problem if we do not know what the problem is. Also, impact evaluations are vital for social security programmes. These can only take place if you have a clear view of what and who you are trying to help (Rawlings, 2004).

Definitions must accommodate the complex nature of the problem. There are huge complexities involved in the causes and symptoms of poverty in Latin America, making it extremely difficult to create a streamlined definition of exactly what the problem consists of. The usefulness of precise definitions of poverty is entirely dependent on the extent to which they can capture a wide range of symptoms, causes, and catalysts. Critical to allow this is the broad view that the problems commonly associated with 'poverty', are problems because they negatively affect quality of life, wellbeing, and opportunity. I will use these terms to refer to the problem throughout.

Focusing on finding an appropriate definition of poverty in order to create effective social policy must not obstruct broader reform to Latin American institutions in order to foster a culture of even growth and opportunity throughout society. Solving the problem of how to define poverty and create alleviation policies, is not the only battle that Latin America faces in making a more evenly prosperous society. In this context, I will highlight how recent approaches have been accused of "*aggressive prioritisation of the poor*" (Rawlings, 2004, pp.7), to the detriment of more thorough reform of wider systemic inequalities.

Although this essay will focus on problems of poverty in Latin America, it is first necessary to examine the more general problems with precise measures of poverty which have been tried and tested in Latin America. I will then go onto look at two key case studies of Latin American social policy; *Opportunities* in Mexico, and *Bolsa Escola* in

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Brazil. I will examine how the programmes work, and how the particular ways in which the policy makers have identified the poor have, mainly negatively, affected their success. I will then touch on some other general problems with creating very precise definitions of poverty before suggesting some ideas on how Latin America might move forward and develop its conception of poverty into a theory which is more conducive to really effective policies.

DEFINITIONS OF POVERTY: TRIED AND TESTED

Monetary Poverty Lines

The 'poverty line', pioneered by Charles Booth and Seebhom Rowntree in studies of the British working class in the late 1800s, has become the most widely used method of measuring and defining poverty in the developing world. Adopted in 1990 by the World Bank, the 'dollar-a-day' extreme poverty line has been used in global initiatives like the Millennium Development Goals, as well as by Latin American governments to define extreme poverty in the region.

Monetary poverty lines provide a simple common standard for comparison of poverty in different countries, evaluating the progress of policy approaches, and identifying bands of extreme, and relative poverty (Chen and Ravallion, 2008). Monetary measures are also effective for use in development education in the west, allowing people to gain a concept of the extent of poverty, with the hope that they might be motivated to act or lobby governments. However, as emotive as monetary statistics can be, there is little evidence for their effectiveness in converting empathy into active altruism as most developed nations have yet to meet their pledged 0.7% in ODA (IPC, 2004).

Despite these advantages, monetary measures are now widely recognised by the development community as being inadequate as a definition of poverty (IPC, 2004). The income of a household does not necessarily determine its quality of life, or level of opportunity. Poverty lines fail to encompass the complex web of issues that contribute to deprivation. The International Poverty Centre has now concluded that "*Global poverty counts based on \$1 a day have neither normative value, nor empirical relevance for poverty analysis*" (IPC, 2004, pp. 5). Monetary measures are also unable to be universal and accurate because of fast economic changes, and differences in local purchasing powers. The poverty line becomes useless during an economic crisis, exemplified by the Latin American inflation crisis in the 1980s when the price of living and the availability of funds deteriorates (Helwege, 1995). Furthermore, World Bank Economists have recently alleged that the use of the 'dollar-a-day' poverty line has led to a significant underestimation of global poverty, and the measures required to ease it (Chen and Ravallion, 2008). The negatives of monetary measures are therefore beginning to far outweigh the positives in both Latin America, and beyond.

Combined Measures

In light of the problems with monetary definitions, a new range of combined monetary and social measures have emerged to identify poverty, such as the Human Development Index (HDI). Combined measures are a progression from monetary measures as they acknowledge that raising income is not enough to lift people out of poverty, and that there are a whole range of issues that need to be tackled in order to improve people's quality of life and opportunity. For example education, gender equality, health, and even sustainable development (World Bank, 2000/1). They lead to policies which adopt a multi-dimensional approach.

However, combined measures still feature fairly specific criteria which are applied to many different countries and communities around the world, all of which experience different problems, and different forms of deprivation. The problem of universality is therefore still relevant. Also, different elements of the measure improve at different rates, making it difficult to highlight exactly which area still needs work. For example, in Brazil in the 1990s the government announced massive improvements in the HDI, but this was mainly due to increases in access to knowledge rather than health care or income, which remained poor. (IPC, Jan 2004).

Profiling the Poor

Profiling has been the method used to define and identify the poor in Latin America's most recent social policy

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strategies, principally the Conditional Cash Transfer (CCT) Programmes now in place all over the region. They reflect an understanding of the idea that poverty is not just about Economic Growth and income (Birdsall, 1998), as well as accepting the need for a precise definition and target population given the limited nature of government budgets (Lavinias, 2001).

Once the definition of who the poor are is established, means-testing has to be used to identify the individuals who fit into that bracket. This has led to various problems, not least a huge increase in bureaucracy, complex computer systems, corruption and considerable expense in many regions (Rawlings, 2004). In her recent Research on Mexico's *Oppurtuniades*, Molyneux (2006) found that participants felt means-testing was unfair and inaccurate. Many of the beneficiaries felt that there were people greatly in need, who did not fit into the precise definition of poverty implied by the means-tested profile. A good example is those who fall into the particular profile categories only during a recession or during a low in informal employment (Molyneux, 2006). I will discuss these problems further in case studies of Brazil and Mexico.

Sen's Capability Measure

"Poverty must be seen as the deprivation of basic capabilities rather than merely the lowness of incomes" (Sen, 1999, pp.87)

Amartya Sen's *Development as Freedom* (1999) defines poverty as anything that severely decreases a person's capabilities. I will argue that Sen's definition is more successful in incorporating the complex range of issues that may be a part of the deprivation, than the other measures I have mentioned. He goes beyond basic indicators such as a lack of income or decline in health and nutrition. For example, the other measures would include unemployment as a cause of poverty because of its affects on income and nutrition and something which might be solved by cash transfers or education. Sen however, acknowledges that in reality there are also issues of psychological harm, loss of motivation, loss of skill, decline in self-confidence, disruption of family relations, social stigma, and gender asymmetries. None of these things have anything to do with income, or even the standard quality of life indicators, however they can be just as much of a problem (Sen, 1999). Sen's definition of poverty should play a key role in informing improvements in poverty alleviation schemes in Latin America.

POLICY APPROACHES SEEN IN LATIN AMERICA

Latin America's social policy has been described in the literature as *"a laboratory of tests, structural adjustments, and philanthropy"* (Haagh, 2006, pp. 347). Across the region, there have been experiments with various definitions of poverty and resulting alleviation policies in attempts to solve the problems caused by rapid uneven development (Haagh, 2006). The key debate currently is whether poverty and the policies designed to tackle it, should be based on targeted schemes for the poorest, or on widespread reform of institutions and structures. Some see poverty as a phenomenon affecting specific social groups; others view it as a more wide-reaching problem which needs to be addressed by the whole of society (Haagh, 2006). I will argue that the current trend of state-sponsored, locally administered, targeted, 'bottom-up' programmes has to change, and that broader structural reform is necessary before long-term improvements in the quality of life of the poorest can be sustained. I will first outline two examples of the CCT schemes in the region, and how the way they have defined poverty has dictated the design of the policies, negatively and positively; *Oppurtunidades* in Mexico, and *Bolsa Escola* in Brazil.

Mexico's Oppurtunidades

Oppurtunidades is Mexico's CCT scheme. It is based on a definition of poverty which revolves around lack of income; education; and nutrition. The programme also employs the theory of 'co-responsibility'; the idea that the solution to the problem lies in the empowerment of the poor themselves, and in equipping them with the tools they need to help themselves (Molyneux, 2006). The programme had 25 million beneficiaries in 2005 (Molyneux, 2006) receiving cash transfers and nutritional assistance per family, means-tested according to their income and dependents and conditional on the school attendance of their children.

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Opportunidades uses existing gender roles to distribute assistance to have maximum chance of increasing educational attainment and family income. Cash grants are given to the mothers in the families, the school fee stipend is 10% higher for girls, and pregnant and breast feeding women are given particular support. (Molyneux, 2006). The belief that poverty can be defined as a mainly feminine problem is not totally false, however *Opportunidades* is an example of how using precise definitions of poverty for policy, can cause problems. Molyneux argues that focusing so much on a definition of poverty which puts lack of education above all else as the principle cause and symptom, neglects the complexity of the situation. The programme targets mothers as the vessel through which child welfare and education can be improved, and poverty eased. She argues that in doing this, and in excluding men from any responsibility for their children's welfare, the scheme reinforces restrictive traditional female roles, and increases their work load. The scheme does not include any kind of help for women to increase their own opportunities for example job training. It only uses their culturally engrained place as a Mother to further educational improvements for their children (Molyneux, 2006).

As seen with the case study of Mexico's *Opportunidades*, gender is an enormous issue for social and welfare policy, and must be considered in any definition of poverty. Pay gaps between sexes are an important factor. The World Bank estimates that women earn 14-53% less than men in Latin America. (Helwege, 1995). However, Helwege (1995) and Molyneux (2006) argue that policy makers must not confuse poverty as an issue that often appears at the same time as gender inequality, with an issue that causes gender inequality. Women are poor because of wider structural issues within Latin America. Policy makers need to be very careful about reinforcing these structural problems, or detracting from the real reason that they exist when defining poverty (Jackson, 1996).

Brazil's Bolsa Escola

Bolsa Escola is a similar CCT in Brazil which originated in Brasilia and has now been taken up all over the country. It is a carefully targeted scheme which defines the poorest as those with least access to education and income, in particular children vulnerable to child labour (Lavinias, 2001). The programme consists of a family allowance for chosen beneficiary households conditional on the school attendance of the children. Child labour has not been eradicated, as the programme is limited to classroom time. Children are still working at the weekends and after school which seriously restricts their chances of progress (Lavinias, 2001). However, the International Labour Organisation argues that it has been very successful in improving the credentials of the extreme poor, for example a huge improvement in school attendance, health, and education. (ILO, 2001).

There are several problems associated with the narrow profile of the poor employed by *Bolsa Escola*. In some regions, for instance the Rio slums, the use of profiling in order to determine who the poor are, has made it possible for local distributing bodies to impose their own personal beliefs on the distribution of assistance. In Rio the evangelical church began using their own criteria to determine who would receive state food cheques through the programme on "*religious, moral and behavioural criteria*" (Lavinias, 2001, pp. 4).

Secondly, in Lavinias's 2001 evaluation of the programme in Recife, she found that teachers dealing with children who returned to school as a result of the programme, experienced severe problems with disruption, behaviour, and a hugely increased workload (Lavinias, 2001, pp.50) This problem is a result of the programme not identifying with broader causes and symptoms of deprivation for example psychological issues and low-self esteem. In order to really help those pupils, the programmes definition of poverty must be wider still and begin tackle anti-social behaviour through counselling and special attention for vulnerable children.

The *Bolsa Escola* definition of poverty means that coverage of the target population is fairly low. The scheme identifies the poorest by income (half or one third of the minimum wage) and then further cuts down its recipients to those who have children aged 7 to 14, and other criteria including number of dependents. The overlapping of these criteria and rigorous targeting means that many people who have an extremely low quality of life and low quality of opportunity are excluded (Lavinias, 2001). Money being spent on heavy bureaucracy and administration for targeting and profiling the poor could go to better use (Rawlings, 2004). *Bolsa Escola* only covers primary school children; features no long term goals for beneficiaries; and no possibility of funding for higher education; or improved access to training schemes for long-term improvements in quality of opportunity for the deprived.

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It is clear that the current trend for 'bottom-up' schemes targeting only the poorest, and using narrow definitions of what the problems of poverty are, have many problems. This is because the deprivation which is so rife in Latin America is not of one type or category. As I shall outline, there are many different faces to the problem, and it is almost impossible to create a totally efficient social policy which is based on any specific definition of poverty.

SOME DIFFICULTIES WITH PRECISE DEFINITIONS OF POVERTY

Through case studies it can be seen that factors such as gender can make the various definitions of poverty which I have described very difficult to apply to policy choices. I will now discuss two more of the factors which make creating effective and precise definitions of poverty extremely difficult, before outlining some of my own ideas about how Latin American legislators might avoid obstacles to precise definitions, while still managing to identify and combat deprivation and lack of opportunity.

Urban and Rural Poverty

"The Urban poor face a different set of risks and opportunities to the rural poor. Understanding these differences is critical to creating effective social safety nets" (Fay, 2005, pp. 13)

In different regions, different factors signify deprivation, a poor quality of life, or minimal opportunity. It is almost impossible to create a universal definition of poverty that can be applied to all projects in one region (IPC, 2004, pp. 9). The need for broad and flexible definitions is particularly evident with the example of rural and urban poverty differences in Latin America. The growing poverty in the enormous cities of the region brings problems unique to their location, which require a whole new system of defining and identifying the poor. Any allegation that urban poverty is less acute because of proximity to public services, is false. Increased proximity rarely leads to increased access for the poorest, and the problems in the cities are more complex than ever (IPC, 2005).

For the urban poor, it is much more important to include vulnerability to violent crime in a definition of poverty. In Brazil, half of all homicides take place in Rio de Janeiro, and Sao Paulo, and violent crime is most common in deprived areas (IPC, 2005). Violence must be included in defining urban poverty because of the possible loss of human capital as a result of homicide, injury, or mental illness (IPC, 2005). However, the fear that urban violence generates is also a significant hindrance to opportunity and quality of life, which has to be considered when defining urban poverty, but is less relevant to rural areas. The problem of crime and gang culture is associated with the weak family ties, diversity, population density, and lack of opportunity unique to the deprived in cities. In rural areas there tend to be more stable social networks, including family and village safety nets (Fay, 2005). Violence is also increased in urban areas by special dangers such as the close proximity of rich and poor leading to resentment and an increase in crime. This is a particular problem in Mexico City (Fay, 2005).

The urban poor are more likely to be positively affected by growth because they are more integrated into the market economy, however they are also more vulnerable to shocks in the market, for example huge rises in unemployment or food prices (Fay, 2005, pp.3). Urban services are totally overwhelmed because of high population density, and are weak and inefficient for the poorest, in particular, poor water supply and sanitation which often leads to disease. Housing for the poor in Latin American cities consists mainly of temporary shelters, and favellas, often on steep areas prone to flooding, landslides and seismic activity; further compounding infrastructural problems.

Therefore different definitions of poverty for urban and rural poverty must be created, and different types of measures must be employed in order to combat them.

Methodology

Defining and identifying poverty opens up a minefield of methodological problems. Even to establish the most basic monetary definition is extremely difficult. The dollar-a-day line was established by putting together similar poverty lines from 33 countries. However, many of those lines were arrived at by unofficial, unskilled researchers. Also, the sample included data from rich countries like Japan and the USA where the standard and cost of living are much

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higher (IPC, 2004). Once it is established, a poverty line is likely to be almost immediately inaccurate somewhere, as economies, exchange rates, and prices change. The dollar a day line for example was based on 1985 data and exchange rates, but was not updated until this year, when Chen and Ravallion (2008) recommended an increase of the extreme poverty line to \$1.45 a day in order to prevent the underestimation of poverty.

Latin America is a notoriously difficult region in which to collect data and census material, because of the geographic and demographic diversity of the area. Country specific poverty lines have therefore been sketchy. Despite that, the most recent working paper for the World Bank Development Research Group argues that data for the region has improved massively. The population represented by the data used by the World Bank to devise policy has risen from 48.2% in 1981, to 95.7% in 2005 (Chen and Ravallion, 2008)

However, the same problems still remain. For example, in order to obtain data for combined measures, poverty profiles, or poverty lines, units of measurement must be employed. This creates a plethora of further problems. Every unit of measurement which estimates poverty on more than an individual basis is going to disguise disparities between social groups. For example, the 'per household' measure which has been widely used to establish definitions of poverty by international institutions, has been criticised for disguising gender and age disparities within each household which may be important (IPC, 2004). However to collect accurate data per individual, would not only be extremely time consuming and expensive, but it would also restrict the ability to compare and evaluate the data.

A MORE HOLISTIC APPROACH

Establishing precise definitions of poverty whose 'cons' do not outweigh their 'pros' is therefore extremely difficult. However, in order to combat deprivation in Latin America, policies must be developed to help get people on the ladder of rapid growth. In order to create these policies, governments must have some definition of who they are aiming to assist. Three points can be made about possible future approaches to defining poverty in order to combat this. Firstly, there should be a focus on less specific, more capability based definitions like that of Sen (1999); secondly, new methodologies should be adopted in order to find out from the poor themselves who needs help; and thirdly, more emphasis should be put on broad structural reform in order to make the institutions of Latin America more conducive to equitable distribution of wealth and opportunity.

Focus on Quality of Life, Opportunity, and Capability

Poverty and deprivation are about opportunity to improve your own quality of life. Many things can affect this. People on the lower end of the economic spectrum have extremely complex 'livelihood strategies', which may not always be based on income, especially in rural areas (Chambers, 1997). Definitions of poverty must be open and flexible, focusing not on what policy makers believe to be the precise material ingredients of a poor life, and rather on what people themselves believe to be restricting their quality of life and opportunities. The administrators of *Bolsa Escola* in Recife, Brazil, focused determinedly on primary school attendance, informed by a definition of poverty which revolved around income, and education, or the lack of. However, as Lavinias notes, increasing primary school attendance rates does not necessarily increase a family's ability to escape poverty. The programme may even have been better to focus on fewer families, but for longer periods of time in order to make a real difference (Lavinias et.al. 2001)

Amartya Sen's definition mentioned at the beginning of this discussion employs vaguer criteria, which still allows policy makers to definitely identify who is poor. He suggests that in order to uncover the extreme poor, on a group by group, area by area basis, we simply try to discover who has "*the basic capability to live to a mature age without succumbing to premature mortality*" (Sen, 1999). To identify different levels of relative poverty, we should then raise the question to include more advanced forms of capability, and establish who, for whatever reason, can achieve basic goals for example achieving a certain level of nutrition for their families. This definition based on the concept of capability accommodates the possibility that different negative factors will have different degrees of damage on different social groups for example on the basis of gender, or race.

"Sen's capabilities framework offers a more flexible approach to well-being, since capabilities may be formulated

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which reflect specifically gendered disadvantage, and include, for example, freedom from violence”

New, Participatory Methodology

The growth of Participatory and Rapid Rural appraisal techniques for use in anti-poverty programmes at the community level (Chambers, 1997) should now be accommodated into defining poverty with a view to policy responses. When Molyneux interviewed participants in Mexico's Oportunidades Programme she found that many people felt the problems with the programme would have been eliminated by allowing them to have a role in the planning, implementation, and evaluation of the scheme. For instance, the well intentioned community work element of the programme has led to the ostracising and humiliation of some beneficiaries from the local community because culturally it is seen as demeaning. Perhaps if local women who are privy to this kind of knowledge had been involved in the planning stages, this kind of disillusionment would have been avoided or minimised (Molyneux, 2006). One beneficiary said *“The government says it is helping me, but the only thing it is giving me is a lot of work!”* (Molyneux, 2006, pp. 437).

These problems could be combated by employing PRA techniques such as ranking in poor Latin American communities to hear from the people who are living in deprivation themselves where the money should go and how the problem should be solved (World Bank, 2008). However, as Helwege points out there are several cultural problems which would need to be overcome, such as the *“muted vocabulary”* of women in many Latin American communities (Helwege, 1995, pp.500)

Shift of Focus to Broader Reforms for Even Growth

Research on ways to redefine poverty in a way that is going to encourage more effective targeted policies is important. However, what is even more vital in Latin America, is the restructuring of institutions and welfare provisions to provide social security and the opportunity for a better life to everyone in the region, whatever their income. So far, Cuba is the only Latin American nation to have developed an all-inclusive welfare system. Argentina, Chile, Uruguay, and Costa Rica, all have versions of a welfare state, but they are not comprehensive (Molyneux, 2006, pp. 426). This lack combined with the rapid, uneven economic growth the region has been experiencing since the 1970s play a huge part in the causes of poverty.

In order to combat this aspect of the problem, a holistic approach needs to be adopted, improving inclusiveness in all institutions as well as those which are confined to the poorest. Anti-poverty schemes are of no significance whatsoever if the wider economy and social systems in the country do not complement them. For example, educational programmes rely on the labour market to then produce jobs for any hope of having a long term effect on deprivation. If there is discrimination or a lack of opportunity within the labour market, educational supplements or conditions of cash transfers are arbitrary.

Haagh argues that approaches to poverty in Latin America have been negatively shaped by the fact that neither state nor society are *“independently consolidated, financially secure, or politically stable”*. (Haagh, 2006, pp.344). Governments are vulnerable to being swayed by excessive lobbying and participation from particular social groups reacting to a crisis, or sectional minority interest rather than the need for real, wide reaching change. The response is often an offering of short term, poorly planned funding offered to certain specific groups who deem themselves to be exposed to poverty and social hazard; for example the Metal Work Unions in Sao Paulo, Brazil (Haagh, 2006). She argues that these measures will have little lasting effect on the distribution of prosperity across the region. As an alternative, Louise Haagh cites the examples of East Asian economies which complemented their own rapid development with more comprehensive and wide reaching social security for all, such as South Korea. She states *“Only stable and universal policies can provide proper security”* (Haagh, 2006, pp.347).

“CCTs are but one instrument in what needs to be a comprehensive approach to social protection” (Rawlings, 2004, pp. 16).

CONCLUSION

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The negative conclusions drawn by organisations such as the International Poverty Centre about monetary definitions of poverty, have shown that a high level of precision does not signify a high level of understanding. In response to this, new combined and profiling measures have given rise to a new breed of anti-poverty policy targeting non-income measures, principally education. These have been moderately successful in improving human capital, and increasing access to the basic public services of medical dispensaries, health centres, and schools.

However, programmes like *Opportunidades* are neglecting both the particularly micro, and particularly macro causes of deprivation. On a micro level, the impact of psychological damage to excluded children, and the complex livelihood strategies (Chambers, 1998) that might be in place are neglected by a definition which is determined that the provision of health and education will be enough. On a macro level, most nations in Latin America, including Mexico and Brazil, have yet to make the appropriate structural, broad based institutional changes which would begin to fix problems like societally engrained gender inequalities, and disparities between urban and rural poverty.

In order for social policy to tackle these problems, a new, more holistic approach to defining poverty must be adopted from the top. It must include Sen's theory of capabilities which can accommodate the differences in types of poverty across the region; a new methodology which allows the poor themselves to accurately identify the problems as they see them; and recognition of the need for broader reform of public services and institutions.

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*Written by: Amy Cumming
Written at: University of ork
Written for: Dr Louise Haag
Date written: 2008*