

Assets, Poverty Traps and Rights

USAID Seminar Series: Natural Resource Management and Poverty Reduction

**Chris Barrett
Cornell University**

**December 9, 2004
Washington, DC**



Asset-Based Poverty



Assets underpin the generation of income
and self-insurance against adverse shocks
... the foundation of livelihoods

Five main types, 0/w three key for the poor:

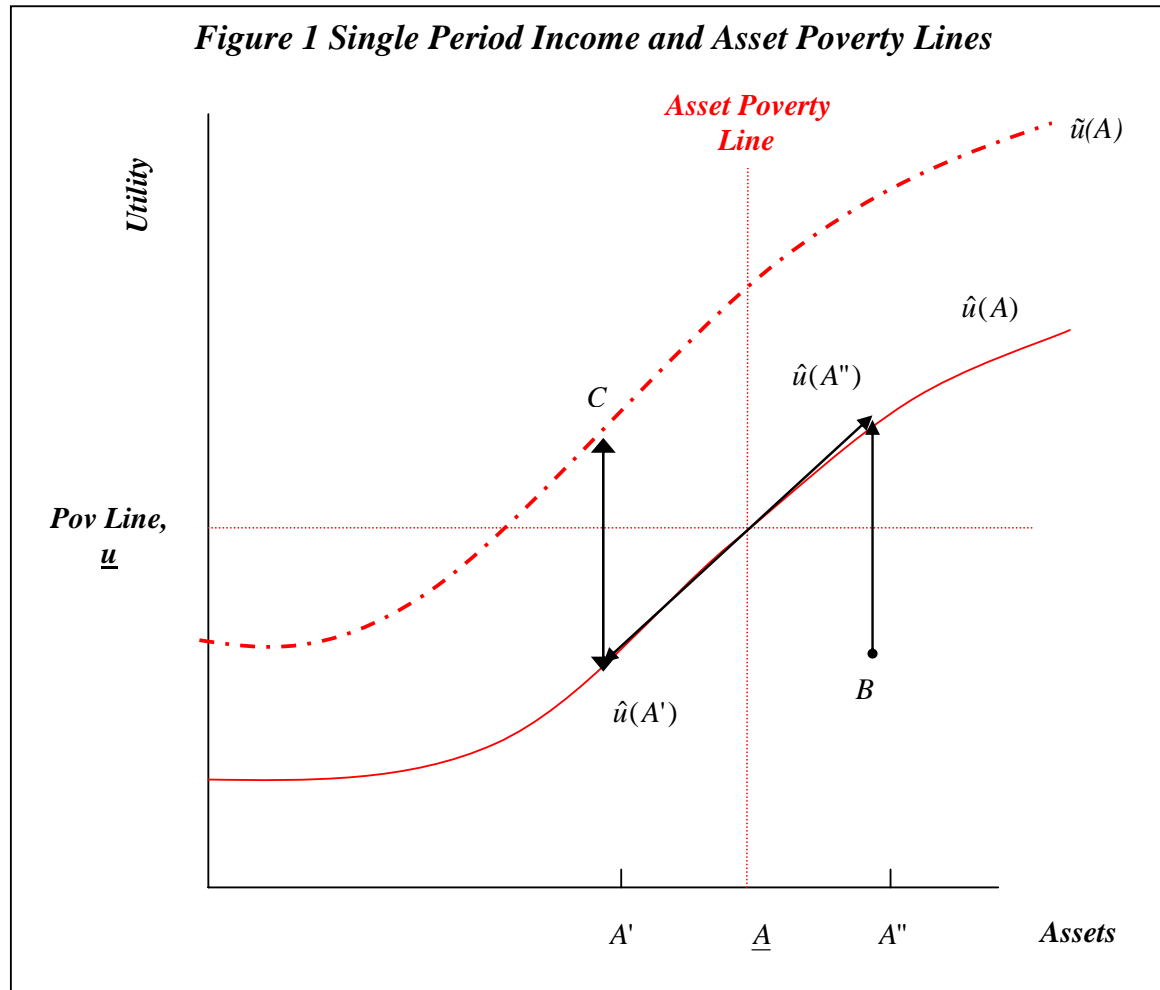
- 1) **Financial**
- 2) **Human**
- 3) **Natural**
- 4) **Physical**
- 5) **Social**

1st: static income/expenditure analysis
(headcount, poverty gap, FGT measures)

2nd: dynamic income/expenditure analysis
(chronic/transitory poverty distinction)

3rd: static asset poverty analysis
(structural/stochastic poverty distinction)

Asset-Based View of Poverty



Transitions Stochastic churning (B to $u(A'')$)
from Poverty: Structural via accumulation (A' to A'')
 Structural via higher returns ($u(A')$ to C)

An Emerging 4th Generation View

- **Stable, dynamic equilibrium (SDE) below asset poverty line ... a “poverty trap”**
- **Commonly, multiple SDE with locally increasing returns and nonlinear asset dynamics ... investment, natural dynamics and shocks matter a great deal**
- **Fractal patterns – can exist at multiple scales**



Relevance to NRM

- **S-shaped natural asset dynamics standard:**
 - **biological recruitment (livestock, wildlife, forests)**
 - **soil nutrient depletion/repletion**
(shifting cultivation, transhumance)
- **Agriculture embodies asset portfolio rebalancing:**
NRM practices, harvests, etc. exchange natural – human – financial – social capital constantly.
- **Multiple equilibria in managing commons:**
meso-scale (geographic) poverty traps due to coordination problems (land, water, forest, wildlife, pests)

Relevance to NRM

➤ **NRM is an investment choice – crucial to reducing rural poverty as well as to conservation**

- Five “ins”: Investment depends on incentives, institutions, information and infrastructure

(Barrett, Place and Aboud 2002)

➤ **Inherent complementarity of different types of assets and among the “ins”**

Relevance to NRM



Cautionary tale of market-based conservation and development in Morocco's argan forest

Rights and Poverty Dynamics

Rights matter to:

- **-Access to and control over natural assets**
- **Ability to defend against asset loss (asset stripping, raiding)**
- **Incentive to invest in natural asset growth (tree planting, SWC structures, fallowing)**
... shifts the dynamic asset poverty line
- **Propensity to mis-/over-use of resources**
- **Enforcing rules: 2nd order public good**

Natural Resources and The Poverty Reduction Challenge

- **Context-specific, multi-dimensional asset thresholds that separate growth / decline ... natural assets are especially crucial for rural poor**
- **Climbing out of poverty traps and keeping the non-poor out of poverty traps requires:**
 - **Increase productivity of assets (markets/technologies)**
 - **Facilitate asset building and protection (cargo/safety nets)**
 - **Remove exclusionary mechanisms (finance/social networks/rights systems)**

Thank you!

