

Policy Lessons from Successful Poverty Reduction and Social Interventions in the last Two Decades

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1 The Conceptual Framework of Dual Synergies in the Development Process

The mainstream view of development posits that if economic growth is maximised, poverty will be reduced and increases in welfare will ensue (in a more or less automatic fashion). Thus, much policymaking globally (including in India) occurs under a leader/follower hierarchy model, where macro-economic policy is determined first, while social policy is derived later and left to address the social consequences (Atkinson, 1999).

In this section, we sketch a different theoretical perspective, in which we take an explicitly normative stance.¹ The capabilities approach has placed human beings and their well-being at the centre of its concerns – not only their wellbeing, but their freedom to choose a kind of life they have reason to value. Thus, Sen (1988) has argued that for purposes of evaluation, the appropriate ‘space’ to focus on is not that of utilities (as claimed by neoclassical economists,²) but that of substantive freedoms and capabilities.

As income or commodities are not enough for human satisfaction, different lenses are needed to understand the interaction of economic and social objectives. Consequently, a different development strategy from the one consciously or unconsciously followed by most developing countries is needed. The starting point is the well-known synergy, or feedback loop, among social interventions in basic healthcare, reproductive healthcare, education, nutrition and water and sanitation. This synergy (which we call synergy 1) takes place at a micro-economic level – at the level of an individual.³

1.1 The synergy among social services

Interventions in health, nutrition, water and sanitation, fertility control, education and income complement each other and positively affect the life of an individual. This increases the impact of investments in any one from investments in any other (see Figure 1).

¹ See Myrdal (1959) and Sen (1988), *inter alia*, who make the case that economics cannot be value-free – a point of view I agree with.

² As Nussbaum (2001, 122) says: ‘We have to grapple with the sad fact that contemporary economics has not yet put itself onto the map of conceptually respectable theories of human action.’

³ See Mehrotra and Delamonica (2007); Mehrotra (2016); and Mehrotra and Parida (2021) for details on this synergy, for both conceptual formulation and empirical evidence and earlier precedents in the literature.

Figure 1: The first synergy between social service inputs and outputs

Social services inputs/processes	Human development outcomes/outputs				
	Knowledge	Family size	Health status	Nutritional status	Healthy living conditions
Education	↓	↓	↓	↓	↓
Family planning	↓				
Health	↓	↓		↓	↓
Nutrition	↓	↓	↓		
Water and sanitation					

Figure 1 represents this notion of synergy (for only synergy 1). Along the horizontal rows, the various social services are represented as inputs or interventions – education, family planning, health, nutrition, and water and sanitation. The vertical columns represent the human development outcomes or outputs – knowledge, family size, health status, nutrition status, and healthy living conditions. The cells running diagonally (with lines) show the direct and obvious relationship between inputs and outputs. The shaded cells are the ones where there is a relationship – but an indirect one – between a certain intervention and an outcome; for example, the use of contraception (i.e., family planning), by helping the spacing of birth of children, indirectly benefits the health status of both the mother and the child.

The arrows represent feedback effects from human development outcomes to the inputs/processes. For example, the improved health status of a child improves her ability to learn, just as improved nutritional status does. Similarly, a reduced family size improves the chances of a poor family being able to afford education for all the children rather than merely the boy(s) in the family, and so on.

Since the connections presented here are central to our arguments about synergies, a more in-depth analysis of these connections is needed. First of all, all of these relationships are based on evidence discovered several years ago. However, probably in part due to over-specialisation within the disciplines represented on the matrix, they are often presented separately. By integrating them, it becomes clear that their separate effects are only partial. In fact, the impact of any one form of investment is increased in the presence of investments in other areas, proving the advantages of integrated approaches.

Notice that **educational inputs (SDG 4)** have an impact on all types of human development outcomes. The positive effects of education are intuitive and well known. First, parents, especially mothers, make better use of information and reproductive healthcare facilities if they are more educated. Thus, more widespread education is associated with lower fertility. Better nutritional and healthcare is provided by educated parents for themselves and their children. Various routes ensure this result. The general knowledge acquired at school increases the understanding of modern health practices and scientific beliefs, which make mothers (and fathers) more open to using healthcare centres. Households with educated mothers spend a higher proportion of their income on food and health services.

Education and in particular girls' education (SDGs 4,5), contributes to enhance the impact of other sectoral interventions. All of these, in turn, result in good nutrition and health, increasing the likelihood that children will attend school and become better students. For instance, with lower fertility, parents can devote more attention to their children's studies and afford more food and school supplies, which improve learning. In addition, access to clean water and safe sanitation (that is, healthy living conditions) helps girls – when girls need less time for household chores like fetching water, they have more opportunities to attend school. Also, they have more time and energy to study and do well in school, avoiding repetition or dropping out.

Family planning (SDG3.7), by providing easy access to contraceptive means, enables the mother to space births. This lowers the health risk to herself and the child, and thus reduces infant and maternal mortality and promotes the healthy development of the child. Thus, lower fertility has a positive implication for improving health and increasing life expectancy. Another important complementary outcome of interventions in health, education, water/sanitation and family planning is a rapid demographic transition. As children survive beyond their first five years of life, families voluntarily curtail the number of children they have. Lower infant and child mortality plays a major role in reducing fertility rates (Caldwell, 1986), as does education, the availability of information on reproductive healthcare and its accessibility (Cochrane, 1979).

As population growth slows down, school systems find it easier to absorb all children. Teacher-pupil ratios can be reduced without burdening budgets, and construction costs can also be reduced, releasing resources for other measures to enhance school quality.

As in the case of the health and nutrition sectors, the availability of information on and access to family planning services will not, on their own, reduce fertility as much as it might be needed or desired. They are more effective when couples are more educated and child survival rates are higher.

It is also very well established that lack of good **nutrition** (SDG 2.2) critically interacts with **health** (SDG4). For instance, control of diarrhoea and measles is very important not only for health outcomes, but also in reducing malnutrition by improving the capacity to absorb and retain caloric intake. By the same token, an insufficient intake of total calories, vitamins and proteins weakens children's immune systems. This would make them vastly more vulnerable to the onset and consequences of infectious disease. Interventions in health promote good nutrition, and interventions in nutrition promote good health.

Moreover, micronutrient deficiencies and illness can have devastating consequences for the cognitive development of a child. For instance, iron deficiency anaemia reduces cognitive functions. Iodine deficiency causes irreversible mental retardation. Vitamin A deficiency is the primary cause of blindness among children. Girls are unfairly disadvantaged in many of these cases. They are more likely to suffer from iodine or iron deficiency.

While it is clear that good health and nutrition have benefits that reinforce each other, the above examples also show that they impact positively on fertility control and education. But it is also clear that good health, protection against disease, and proper nourishment cannot be produced by health services or food alone.

Safe water and adequate sanitation (SDG 6) also play a fundamental role in determining health conditions. Access to safe water and sanitation dramatically reduces the incidence of diarrhoea and many other diseases that kill millions of children and adults each year. Another effect of better access to water takes place through the reduced effort in carrying water, which is unduly borne by women and girls. Given the traditional roles they play in most societies, when women and girls have more time, they can apply it to better infant and childcare. This leads to positive health results. Finally, especially for women, more time is available for productive activities which generate incomes. This direct impact of water and sanitation improvements on income-poverty reduction is less well publicised than the effect of higher levels of education and better health on productivity.

The presence of toilets, safe water and hygienic conditions at school can reduce some constraints on sending children, especially girls, to school. Separate toilets for girls are known to be a consideration for parents (Mehrotra et al., 2005). Backed by proper hygienic behaviour, such as hand washing and the use of soap, access to safe water and adequate sanitation reduces morbidity from infectious diseases. This increases the nutritional status of children, which furthers their learning abilities.

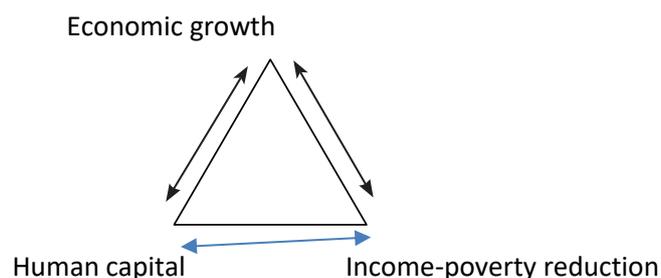
In summary, each intervention has ramifications which lie outside its 'sector' and add up to a virtuous circle of social and economic development. It is a multi-dimensional synergetic system. No wonder it results in a complex system, at which most developing countries have not yet succeeded. Markets alone would not ensure universal access to all services – hence the need for the public sector to step in and finance these services.

The discussion so far has focused on the individual or micro-economic level; the rest of this section proceeds at a macro-economic level, rather than at the level of the individual. It is important that this be clear from the beginning, because at the level of the individual, economic growth (defined as increases in per capita income) is a means to an end: human capability. In our model, human capability of the individual is the ultimate end, but in terms of the dynamic of the model, the processes that improve human capabilities are the result of larger macro-economic processes, over which the state and its agents have dominant control.

1.2. The second synergy between Economic growth (SDG8), human capital formation (SDGs2-7) and income-poverty reduction (SDG1)

In the process of development, there is a second synergy. It takes place at the macro-economic level among income-poverty reduction, enhancement at the aggregate level of human capital, and economic growth. Figure 1.2 presents this second synergy.

Figure 1.2: The relationship between economic growth, human capital formation and income-poverty reduction



For synergies to be realised at this macro-economic level, actions on several fronts are needed (for example, progressive fiscal policies, which are consistent with monetary policy, distributive policies to reduce poverty, and so on). *This supports the need to integrate social policies with macro-economic ones.*

Thus, for instance, the effectiveness of industrial policy in inducing economy-wide productivity growth or non-agricultural employment in rural areas will be enhanced by the high average quality of human capital in a healthy/educated population. This will in turn result in higher rates of income growth. That is why, in Figure 1.2, there are arrows running in *both directions* between Economic growth – Human capital formation – Income-poverty reduction. We have outlined briefly the theoretical framework and then some empirical evidence in this sub-section.

Theoretical framework

It is important to understand the notion of synergy or feedback loop (Haken, 1980). Synergy leads to several important interrelated effects in terms of policy, which can be explained with the help of an example. The impact of a policy measure (for example, redistribution to reduce poverty) on another variable (e.g., economic growth in a country) depends on the level and rate of change of a third variable (for example, health and educational status of people). In other words, economic growth will be faster and more sustainable if action is taken to reduce (income) poverty simultaneously through direct policies, *and* if the health and educational status of the population is higher and increasing.

Empirical evidence on synergies between economic growth and human development

Based on cross-country regressions for 1960–92, using a sample consisting of 35 to 76 developing countries, Ranis, Stewart and Ramirez (2000) estimate the connections between economic growth and human development. They show a significant relationship in both directions, which give rise to virtuous or vicious cycles, with good or bad performance on human development and economic growth reinforcing each other.⁴

Similarly, Suri et al. (2011), using panel data (over (1960–2001) from 79 developing countries with populations in excess of 1 million, come to the following conclusions on the relationship between economic growth and human development. They find that human development plays an essential role in determining growth trajectories (which is their measure of sustained growth). Improving human development, they find, must precede or accompany rising economic growth, for a country to sustain economic growth over an extended period. Their results imply that successful policy requires an early focus on human development, not only because of its direct impact on well-being but also because of its feedback effect by sustaining economic growth. In fact, they find that without improvements in human development, policy that attempts to enhance economic growth is highly unlikely to lead to sustained growth. Increases in a country's economic growth appear to be sustained only if human development levels were upgraded earlier or at least at the same time. Their preliminary cross-sectional correlations suggest this conclusion strongly. We don't consider this finding surprising since this is exactly what we had argued earlier in another book (Mehrotra and Jolly, 1997 *Development with a Human Face. Experiences in Social Achievement and Economic Growth*, Clarendon Press, Oxford). The actual experience of India has borne this finding out in the

⁴ Ranis et al. (2000) in fact concluded that where choice is necessary human development should be given sequencing priority.

most recent period (1991-2019). This finding is important as it contradicts the neoclassical view that different inputs in the process are substitutable (thus, e.g., investment in physical capital can be substituted by investment in human capital). We don't believe that different types of inputs can be substituted for each other.

When Suri et al. (2011) examine this sequencing hypothesis more precisely in regression analysis they find clear evidence of a strong positive relationship between early human development levels and the growth trajectory of countries, with achievement of high human development levels early contributing to accelerating GDP growth later.

When they measure the strength of the linkage from economic growth to human development, they of course find that improved growth leads to improved human development, but strong long-run growth without accompanying strong human development improvements does not yield sustained economic growth. There is a very important lesson here for policymakers intent upon prioritizing GDP growth, even if it means squeezing social expenditures (to contain the fiscal deficit). Suri et al. (2011) contradict the oft-held view in many developing countries that investments in human development may be postponed until economic resources make them affordable, or at least confine them to ones that maximise vote banks.

Empirical demonstration of the dual synergies model

We conducted empirical analysis by incorporating all three variables from our synergies model (economic growth, human development and Income-poverty reduction) first at the global level⁵, for Latin America⁶, and then at the level of India (Mehrotra and Parida, 2021)⁷ *The India article presents a conceptual model of the relationship between the two, and between them and poverty. It then empirically tests the model. It examines the casual connection between economic growth and human development, and explores the feedback loops among income poverty reduction, improvements in education and health outcomes, and economic growth in the states of India. Based on data for the period 1993-2018, it is found that the states which sustained their growth above 5% per annum (and even upto double digits) were more advanced in terms of human development. Moreover, since the link between growth and human development is established through a feedback loop between growth and income poverty reduction, and between income poverty and improvement in educational and health outcomes, it is argued that to sustain economic growth, improvement in human development and income poverty reduction should be given the top most priority in Indian states.*

⁵ Mehrotra, S. and E. Delamonica, 2007: *Reducing Human Poverty. Macroeconomic and Social Policies for Equitable Growth*, Zed Press, London.

⁶ Mehrotra, S. (2022), *Políticas sociales y económicas para reducir la pobreza en América Latina: ¿se puede aprender algo de la experiencia en Asia?* National University of Mexico (UNAM) Press, Mexico City; an open source book, available at <https://publishing.fca.unam.mx/index.php>

⁷ "Why human development should precede economic growth?" in *Economic and Political Weekly*, Vol. 56, Issue No. 38, Sep 2021

2. Policy Lessons from Global Poverty Reduction and Social Interventions in the last Two Decades

I will spell out 9 lessons under three broad heads from international experience since 1995. These are lessons that draw upon principally the lessons from within Asian countries (in contrast, Sub Saharan Africa (SSA) and Latin America and the Caribbean (LAC) had seen both lower growth and a rise in poverty (except in the period 2001-2008). The lessons are especially important for the LICs and MICs in the global South.

Unlike SSA and LAC, Asia has seen sustained economic growth in East/SE Asia since the 1960s, and in South Asia since the 1990s. As a result if the MDG Goal 1 of poverty reduction was achieved in 2015 it was due to Asia, led by East Asia as well South Asia – and bears out the dual synergy model. But growth can be only sustained when it is inclusive and generates industrial and modern service sector job growth; if anything, early investment in human development enhances growth, and ensures it is not volatile.

A demographic dividend comes but once in the life of a nation. SE/East Asian countries rode the wave of the DD, grew rapidly and reduced poverty dramatically – now South Asia and the LICs of SE Asia must continue to do the same (as they are already doing now), but with greater focus on some old and some new challenges .

I. The basis of Asian economic growth – and generalizing its lessons

1. Increase policy focus on Agriculture to increase rural incomes despite climate change
Agricultural growth plays a key role in sustaining pro-poor growth. This lesson from the East Asian experience has not been learnt by LMICs in the many countries in the Asia-Pacific region, certainly in much of SSA⁸, and a lesser extent in LAC (where dependence on agriculture of the workforce is much lower). Agriculture in the SSA and South Asia has become much more subject to the ravages of climate change; and the poorest farmers suffer most from it.⁹ Agriculture employs 12% of the workforce in Malaysia, but 67% in Nepal. In India its share shot up to 46.5% (2020-21) during Covid, from 42% in 2019; for it to return below pre-Covid levels, India will need to generate many more non-farm jobs than it has been doing over the last decade.¹⁰ Hence SDG achievement across the board will be threatened by unseasonal rain; or consecutive years of drought. With a very high share of the workforce still in agriculture, raising productivity of agriculture to the best levels prevailing in Asia and reducing the volatility of agricultural output due to monsoon dependence are the top priorities. The UN system must bring countries across regions together to ensure this happens. That makes judicious water use in dryland semi-arid agriculture (widespread in both Asia and SSA) of paramount agri-policy significance. Thus, drip and spray irrigation, still almost criminally neglected (despite known examples of success from Israel) needs to be adopted on

⁸ Cramer, Christopher, Sender, John, & Oqubay, Arkebe, **African economic development : evidence, theory, policy**, OUP, 2020 (open source)

⁹ See Centre for Science and the Environment, State of India's Environment, 2022, New Delhi

¹⁰ Mehrotra and Parida (forthcoming), "Regressive structural change and the rise of working poor: Can India still realise its demographic dividend?", *Economic and Political Weekly*. (mimeo available)

a vast scale to conserve scarce water resources. Also, financial allocations to water-harvesting and watershed management methods in dry-land agriculture must increase. This will raise incomes in rural areas, and which in turn will increase demand for manufactures.

2. *GDP growth per se less important than non-agricultural job expansion*

Poverty reduction in East Asia, especially China and in India would not have been possible nor as rapid if GDP growth had not led to significant increases in non-agricultural job growth. Both China and India reduced absolute numbers of the poor, India by 140 million between 2005 and 2012.¹¹ The demographic dividend in these countries is characterised by the rising working age share in the total population; China's dividend gave over around 2012-15; India's will last only till 2040 (given that India achieved a below population stabilization level of total fertility rate by 2021 of 2.0). Generating sufficient non-agricultural jobs when the working age population is growing, and people are also leaving agriculture for non-agricultural work, is a challenge. The policy implication is that non-agricultural jobs must grow in sectors that are labour-intensive (as happened successfully in East Asia), and governments must monitor that *job growth at least exceeds the new entrants to the labour force to avoid open unemployment from rising, especially but not only of youth*. This makes growth inclusive. However, non-farm employment growth will also have to absorb two other very large cohorts: the stock of excess labour in agriculture; and the current stock of unemployed.

East/South East Asian success in industrial job growth was based on an active industrial policy – which led to Asia becoming the ‘factory of the world’, raising the share of job in industry not found in other developing regions. But for this East Asian success to be repeated across Asia, esp South Asia, govts must adopt active industrial policies are needed. This lesson from the East Asian industrial job success story, on which their overall economic growth story is based – is not a lesson that has yet been internalized by the rest of the region. UNCTAD (2018) recognized this resurgence of industrial policy in the world, noting that 100 countries had adopted industrial policy after the 2008 global economic crisis.¹²

II. Social policy to ensure *inclusive* human capital formation

The growing youthful workforce has to be prepared for such jobs, through an effective social policy. But the full complement of such policies have not been adopted by many LICs and LMICs in the Asia-Pacific region, let alone in SSA or LAC – education, skills, health, nutrition and sanitation.

3 *Route to poverty reduction: universal public (not private) health services*

¹¹ India has done very well with multi-dimensional poverty reduction (from 55% in 2005 to 15% in 2021) according to global MPI report (2023), but there are no hard data on consumption poverty, the traditional method of estimating poverty across the global South, is available since 2012. The Government of India did not accept the 2017-18 estimates of the last consumption expenditure survey (though two consecutive ones are on-going during 2022-23 and 2023-24).

¹² Dani Rodrik has recently done the same. See his own webpage.

*Private and out-of-pocket health expenditures lead to poor health outcomes for ALL...not just for the poor. 'Leaving no one behind' (LNOB) will remain a slogan if private health systems become even more entrenched, trumping new government efforts to achieve SDG 3 (especially 3.c and 3.d) between now and 2030. The risks of relying on the private sector as provider has most recently been exposed by some 15 million excess deaths during Covid (according to WHO, over 4 million of which were in India alone, despite its phenomenal success, after a slow start, at vaccinating with two doses over 80% of its population by mid-2022).*¹³

The very significant contributions of first China and then India to the global reduction in poverty since 1995 have been partly on account of their sharp reductions in fertility – which are public health success stories, not due to private health expenditures. In fact China reached the end of its demographic dividend a decade ago. India saw its demographic dividend begin in the early 1980s, and it is two-thirds of the way to the end point of the dividend period. Therefore, GDP growth in India will have very significant poverty-reducing effects over the next quarter century. Reducing fertility is directly impacted by reduction in child mortality, which requires affordable publicly-provided health care services, esp focused on Reproductive and Child Health - to address vulnerable mothers and children (SDGs 3.2, 3.3 and 3.8) .

But 80% of the population in Asia and the Pacific and in SSA lacks access to affordable health care, especially in Least Developed Countries but also in several LMICs. This requires increased allocations to public expenditure on health to finance health personnel – doctors and nurses - and regular attendance 24x7 by them (not absenteeism).

In SSA, there will have to be a new-found 'Big Push' towards far wider access to RCH services, and a massive upscaling of efforts to improve Contraceptive Prevalence Rates – without which SSA is heading towards a demographic nightmare.¹⁴ LNOB has rather little meaning if current estimates of SSA TFR are 5 per woman of reproductive age.

4 Correct the neglect of Nutritional interventions in health policy

Nutritional outcomes impact health outcomes. But both child and adult malnutrition levels remain in South Asia are way below those found in East/SE Asia, and almost as poor as in SSA (despite much higher levels of per capita income and IMRs in South Asia compared to SSA). But this requires multisectoral action – with ministries coordinating across jurisdictions:

¹³ What enabled India to upscale its vaccination effort rapidly was the combination of: a. vaccine manufacturing capacity; and b. upscaling its traditional Universal Programme of Immunization of four decades standing, which has now enabled child immunization to reach in 2021 over 90% child coverage for the first time in India's history.

¹⁴ The pooled estimate of sub-Saharan Africa's overall fertility rate was five children per woman (95% CI: 4.63–5.37). Consequently, the pooled estimate of total fertility for people living in urban and rural areas was 3.90 (95% CI: 3.60–4.21) and 5.82 (95% CI: 5.43–6.21) children per woman, respectively. *The pooled estimate of the total fertility rate in sub-Saharan: US National Institutes of Health (.gov), available at <https://www.ncbi.nlm.nih.gov › articles › PMC9909402>*

between public health services, adequate food and a nutritious diet for the poor; and safe water and sanitation - each of which is delivered by different ministries. Coordinating across these three sets of ministries is the governance challenge that must be met by UN member states.

5 End the shame of open defaecation to transform nutritional & health outcomes

The state of Sanitation in particular is a far more serious issue in South Asia than even in SSA (as is nutrition). Till five years ago 60% of the world's population that defaecates in the open lives in South Asia. As Bangladesh has shown, this problem can be solved in a decade; India has shown between 2015-16 and 2021 rapid progress, with households having improved source of sanitation facility rising from 48.5% to 70.2%.

However, what Bangladesh has shown is that this can be achieved not by governments building toilets but by governments focusing on changing mindsets. Collective behavior change – and motivating it through IEC – will cost small change compared to the cost of building toilets subsidized by the state. Governments in the Asia-Pacific region and SSA should focus on collective behavior change – and achieve ‘open defaecation free’ status in their societies in the next 5 years - if both nutritional and health SDGs are to be achieved.

6 Vocational education and training for youth

Finally, one policy lesson for countries that want to continue to grow, and expand their manufacturing sector, is that they must expand the opportunities for vocational education and training (VET). The vast majority of East and South East Asian countries did precisely that: aligning their skill development effort to an active industrial policy. In contrast, the opportunities for VET have not been expanding in either SSA or South Asia to a similar extent. This remains a major policy priority (SDG 4 and SDG 8).

III. Social insurance and social assistance – to ensure basic income floor for working poor and vulnerable populations

The majority of the workforce in Latin America, SSA and the A-P region works without any social insurance in the informal sector – without old age pension, death/disability insurance and often without even a written contract (ILO 2018). In LAC this share is lower: under half of the workforce is in informal job. By contrast that share rises to 60-70% in SE Asia and to 90% in South Asia. When combined with the large share of population without public health, this is a source of great vulnerability, and pushes borderline poor below the poverty line – especially but NOT only for the elderly and differently abled.

7 Social insurance – affordable yet there is widespread under-provision

Contributory systems of social insurance – currently lacking in most countries in the LAC, SSA, and A-P region – must be built up in each country, especially since in East Asian countries 10% of population have just crossed over to the aged category, while in South Asia

that 10% threshold will be reached in about 20 years.¹⁵ The Demographic Dividend will end in South Asia, as it has already in SE Asia and Latin America; and will go on much longer in SSA (though the risks to the dividend are very serious in SSA, as indicated in this paper earlier due to very sticky TFRs). Governments in LMICS will have to pay fully the premiums for the poorest among informal workers; with workers themselves contributing if their incomes are higher than below-poverty line levels. This will provide a safety net as the working poor of today become the elderly of tomorrow; and in case the informal workers of today become disabled or die tomorrow. This is affordable e.g. in India this will cost barely 0.38% of GDP per annum, or one-tenth of what India's govt spends on education.¹⁶

8 Social assistance

But new systems of social insurance must be supplemented with social assistance – and not just for vulnerable groups like the elderly and disabled. The informal sector employs most poor people, and to deal with the phenomenon of low productivity–low wages inherent to informal sector jobs, social assistance in the form of cash transfers has emerged as a widely used tool for poverty reduction. Conditional cash transfers (CCTs) are common to all Latin American economies. But in SSA and Asia it is a form of social protection that, though growing, is practiced in fewer countries than need it.

9 Tax revenues: 3-8 cannot be achieved with developing countries' current levels of tax revenue to GDP

Finally, effective social policy – involving growing public health and education expenditure, rising coverage of informal workers under insurance and social assistance programmes – is dependent upon growing tax revenues. Hence, capturing a larger share of GDP through progressive taxation systems is very important, but lacking in many countries. IMF data informs us that while in SSA and LAC the tax to GDP ratio has shown a rising trend between 1980 and 2009, the opposite has been observed in developing Asia over these 3 decades. LAC tax to GDP ratio is low by the standards of UMICs. This is a trend that must be reversed if the SDGs are to be achieved. The LICs have a tax-GDP ratio less than 15%, and LMICs of less than 20% - and falling.

¹⁵ UNDP (2022). *'Reducing Inequality in the Decade of Action to Achieve the SDGs and Accelerate Post-Pandemic Recovery'*. UNDP Bangkok Regional Hub. Bangkok, Thailand, August (prepared by Santosh Mehrotra)

¹⁶ Mehrotra, S. (2022), "Can India universalize social insurance before its demographic dividend ends? The principles and architecture for universalizing social security by 2030", *Centre for Development Studies Working Paper 67*, University of Bath. <https://researchportal.bath.ac.uk/en/publications/can-india-universalize-social-insurance-before-its-demographic-di>