

»» What links poverty, vulnerability and resilience?

No 27, 14 July 2016



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Growing numbers of people worldwide are improving their standard of living and increasing their income to over USD 1.90/day. In doing so, they are no longer formally classified as extremely poor, in keeping with the international poverty line, as defined by the World Bank. However, their income is frequently insufficient to buffer them against external shocks and risks on a lasting basis. More often than not, such people are rapidly propelled back into poverty when confronted with unforeseen events (external shocks or continual deterioration of their immediate environment). This section of the population is therefore no longer rated as poor, but as potentially vulnerable to poverty.

Vulnerability and resilience

While poverty defines the current status of a person or household, vulnerability, in the context of development cooperation, generally describes the risk of sliding into extreme poverty, or existing poverty exacerbating, when external shocks occur or the environmental conditions worsen. Closely linked to vulnerability is the concept of resilience – the ability of people to protect themselves from the negative impacts of worsening underlying conditions and shocks, and accordingly, mitigating the effects of poverty after a risk has occurred.

How can vulnerability be measured?

Measuring vulnerability precisely from a conceptual and factual perspective is difficult, which is why there is no internationally standardised method. Most suggestions, similar to monetary-based definitions of poverty, are aligned with income curves as proxy indicators. For instance, some experts advocate the position that alongside those on a low income, a certain percentage of people (e.g. 20%) above the national poverty line should be classified as vulnerable.

However, practice shows that the ability of individuals to defend themselves against external shocks without suffering major damage is, on the whole, determined by how far the income of the affected person is above the poverty line. This is why most experts define a "vulnerability income line" not only to identify the poor, but also to identify groups susceptible to poverty within a society. How far this line should be above the poverty line is a disputed topic. The discussed proposals range from between USD 4 and USD 10 per day (based on 2011 PPP), and some are even greater.

Chart 1 illustrates the development over time of the absolute number of extreme poor (USD 1.9) and the vulnerable (in a narrow and a broad definition). It shows that the number of the vulnerable is around three to five times higher than the number of the extreme poor, and stagnates at a high level (broad definition), or declines only at a slow rate (narrow definition), depending on the definition.

Development approaches for reducing poverty risks

Development measures can be employed to counteract a large number of poverty risk factors and should aim at tackling the most prevalent poverty risks; these include unemployment or underemployment, disease, conflicts, climate change and natural disasters (droughts, floods etc.). Specific development approaches can be

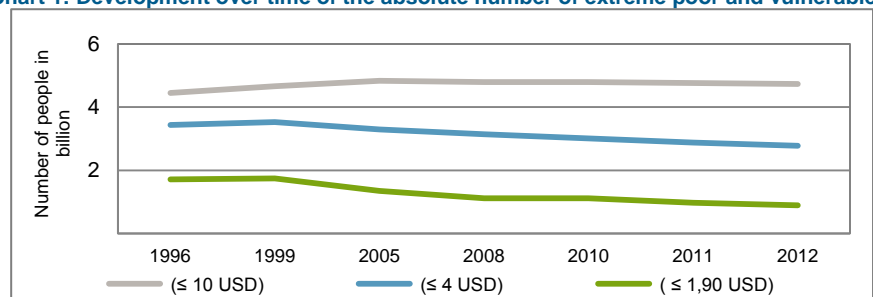
found primarily in the following areas:

- *Reducing the risk of the environment worsening and external shocks occurring* e.g. through macro-economic stabilisation, preventative health care, crisis prevention and strengthening social cohesion and preventative protection measures (e.g. resettling inhabitants from districts susceptible to flooding) and combating climate change.
- *Limiting damage potential when risks occur* e.g. through early warning systems for disasters, setting up curative health care services, protective structures (dykes, flood barriers) and adaptation to climate change.
- *Direct help and compensation when damage occurs* e.g. by systematically extending insurance schemes, in particular health and unemployment benefit, climate and harvest insurance and basic social welfare provision.

Key factors: minimising vulnerability and strengthening resilience

A sustainable policy aimed at tackling poverty must, therefore, on the one hand aim to leverage the extreme poor above the poverty line, and at the same time, prevent people from a rapid relapse into poverty, or falling to a lower level of poverty by measures to reduce vulnerability and strengthen resilience. ■

Chart 1: Development over time of the absolute number of extreme poor and vulnerable



Source: World Bank PovcalNet database