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“Bridging the gap between increasing knowledge and decreasing resources”

## Do Organisations Believe in Poverty Traps? An Empirical Study of Poverty Reduction Strategies

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### Abstract

Poverty traps, framed as trap like situations in which initial income as a threshold variable determines future income, have been increasingly called into question by scholars in recent years. One group of authors explain the increasingly wide income gap between OECD countries and developing countries (DCs) by arguing that a poverty trap prevents countries with large pockets of extreme poverty in their populations from development. If a household has to invest all or most of its current income to maintain life in the present, there will be no margin of income for savings, investments in education and health, healthier food choices, etc., leading to a vicious circle of poverty, they argue. The resulting low level of tax revenues, in turn, leads to the government's inability to provide the necessary market infrastructure for growth, thereby scaling up the poverty trap to the macro level. On the other hand, several other scholars reject the existence of poverty traps, presenting cross-country empirical and, increasingly, household level panel data that do not support the theory. As an alternative to threshold like poverty dynamics, they argue in support of a non-linear achievement model of income determination.

In light of the apparent contradiction in the scientific discourse, the question of whether or not organisations charged with poverty reduction believe in poverty traps emerges as a relevant empirical question. Anecdotal evidence suggests that organisations do embrace the theory of poverty traps and design interventions that presuppose the existence of a threshold like poverty trap dynamic. However, systematic empirical research studying organisations' beliefs regarding poverty dynamics is very sparse. A differentiated analysis according to fields (education, health, environment, etc.) seems relevant as poverty traps may be context specific rather than all-pervasive phenomena. This contribution offers to address this gap by studying the beliefs of a select group of international organisations and DC states through analysing key strategic documents using qualitative research and content analysis.

**Keywords:** Growth models, organisations, poverty reduction, poverty traps