

# RESILIENCE AND EXCLUSION

## DEVELOPMENT POLICY IMPLICATIONS

JOACHIM VON BRAUN AND SUKHADEO THORAT

### INTRODUCTION

Resilience is a desirable capability of people to deal with shocks without significant loss of livelihood, health, and nutrition. Resilience is impaired by exclusion and other forms of discrimination. Exclusion is part of a larger set of causal factors that determine marginality, which is a root cause of poverty and inequality. It is a global phenomenon, not just one of developing countries, and is fundamentally a human rights issue. Overcoming exclusion is a complex political agenda with legal, cultural, social, economic, technological, and governance dimensions. Social psychology and behavioral issues need to be considered as well. The purpose of this brief is to assess the relationships between exclusion and resilience, and to identify opportunities for overcoming exclusion and thereby strengthening the resilience of the poor. To address these complex issues in a brief note cannot do much more than raise key issues and suggest broad sets of policy actions. A few examples will illustrate symptoms, causes, and points of entry for action.

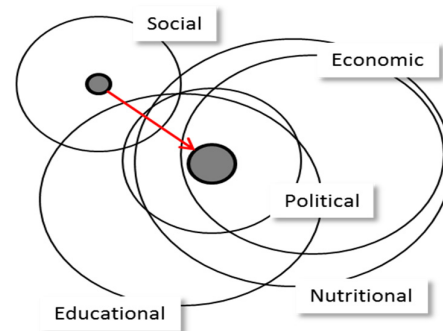
### LINKAGES BETWEEN EXCLUSION AND RESILIENCE

Because the concepts of exclusion and resilience are multifaceted, definitional clarity is in order.

**Exclusion:** The invention of the term *social exclusion* is attributed to René Lenoir, who defined it as a rupture of social bonds. Amartya Sen introduced social exclusion to recent development thinking, defining it as a relational deprivation of individuals, groups, and communities of people from rights and from participation in and access to opportunities, resources, and activities that are normally available to members of society.<sup>1</sup> People are often excluded in the economic, social, cultural, and political spheres at the same time (Figure 1). Sen made a distinction between unfavorable exclusion and unfavorable inclusion, whereby the former refers to denial of rights to a group due to its identity that others enjoy, and the latter refers to inclusion but under unequal terms. Unfavorable exclusion is also captured in the concept of market discrimination developed by Becker in the mid-1950s.<sup>2</sup> Both exclusions, however, have negative consequences for the excluded groups. Sen also refers to active exclusion, the result of a deliberate policy or law, and passive exclusion, caused without deliberate attempt—both resulting in marginalization. Further distinction is drawn between exclusion of a social group and exclusion of individuals. In this discussion, we refer to exclusion as a situation wherein persons with attributes or productivity similar to those of others in different groups are

treated differently due to ascribed characteristics, such as social or cultural identity.

**Figure 1 Exclusion as part of the dimensions of marginality**



Source: von Braun and Gatzweiler (2013).<sup>3</sup>

Note: Enhanced resilience requires capabilities of people and communities to reposition themselves from the margins more to the centers of relevant development domains.

**Exclusion-induced marginality:** We are concerned about exclusion because it has negative social and economic outcomes, including reduced resilience. Exclusion entails costs to societies as a whole, and in particular to the excluded themselves. Insofar as exclusion entails identity-based denial of equal rights—economic, social, and political—to a group, it deprives group members of opportunities for livelihood that others enjoy. Denial of economic rights may result in low capacity to build assets, low employment, low skills and education, and consequently low earnings and high poverty. Restrictions on equal civic rights and participation in governance add to marginalization. Exclusion from market and nonmarket institutions results in a low rate of improvement compared with counterparts from nonexcluded groups and, hence, persistent disparities in human development between the excluded group and others.<sup>4</sup> However, the channels of causation differ between the excluded poor and the nonexcluded poor. The nonexcluded poor experience general factors that cause lack of access to resources, whereas the excluded poor experience social identity-based exclusion from market and nonmarket exchange, which comes on top of the general factors and adds to the marginalization. Such identity-based social exclusion may be due to race, color, ethnicity, religion, social origin (such as caste), gender, occupation, region, nationality, and other group characteristics. These differences in the causes of poverty have policy implications insofar as group exclusion will require group-specific policies in addition to general poverty-reduction policies.

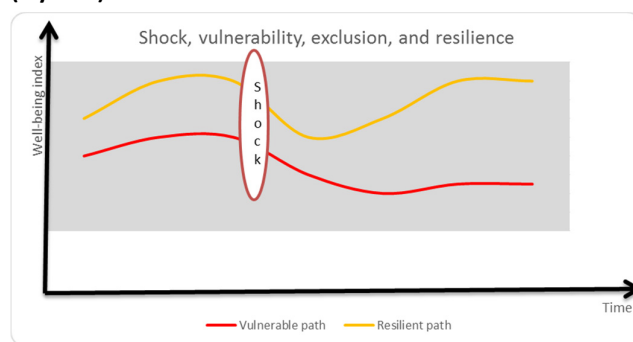
**Resilience:** Though the concept of resilience has evolved considerably since Holling’s seminal paper,<sup>5</sup> the concept remains different for different people, disciplines, and institutions. Resilience is the capacity of individuals and groups to anticipate, prevent, adapt to, cope with, and recover from shocks and stressors. Resilient individuals, groups, or communities tend to share the characteristics of having sufficient physical, financial, human, and social assets to absorb, adapt to, and transform shocks.

**Relationships between resilience and exclusion:** Exclusion quite often erodes the resilience capacity of social groups. Exclusion also brings about unequal access to public services, making excluded people’s efforts to overcome shocks more difficult than those of their counterparts from nonexcluded groups. Moreover, resilience and exclusion are in a vicious dynamic relationship over time. Typically, social exclusion perpetuates the effects of shocks and thereby undermines resilience. The socially excluded groups may collapse or converge to a worse-off steady state after disruptions, taking a protracted time to recover from shocks. As illustrated in Figure 2, the socially excluded groups, who are poorer than their societal counterparts and are discriminated against in access to public services, move along a vulnerable development trajectory, while their societal counterparts move along a more resilient development trajectory over time.<sup>6</sup> Members of a socially excluded group are in a particular dilemma between “exit, voice, and loyalty,” the concepts developed by Hirschman in his seminal book.<sup>7</sup> *Exit* from the group may be impossible, for instance in the case of racial discrimination; *voice* may be impaired due to political discrimination; and *loyalty* may inhibit exiting in traditional ethnic communities. Such situations may lead to attempts by the excluded social group to initially focus on internal strengthening until it gathers sufficient organizational power and voice to facilitate wholesale change, such as the political transformation in Bolivia in the past decade.<sup>8</sup>

This situation suggests the need to build the resilience capacity of excluded groups and communities. This could be

done by enhancing their access to early warning systems and to human, social, financial, and physical capital, as well as by insuring them against shocks (for instance, through weather insurance for poor smallholder farmers). Importantly, in the case of excluded groups, resilience capacity needs to be enhanced by providing legal safeguards as well as positive measures against exclusion to ensure nondiscriminatory access to programs and public services that protect against shocks. Tables 1 and 2 present key characteristics of exclusion and its consequences, together with the corresponding resilience characteristics and examples of potential social policy options that could help reduce exclusion and enhance resilience. Some of the proposed remedial policies, such as mandated procurement quotas of goods and services from excluded groups by public entities, may initially have a cost in terms of efficiency, which should be considered when searching for optimal antiexclusion policies. Moreover, appropriate timing of phasing in and phasing out such remedial policies requires careful consideration to avoid misallocation of resources in the long run, including unintended locking in of the erstwhile excluded in subsidized, low-return employment.

**Figure 2 Resilience of more vulnerable and less vulnerable groups, where higher vulnerability may be caused by exclusion (stylized)**



Source: Authors.

**Table 1 Policy options for overcoming exclusion to enhance resilience**

Types of exclusion	Nature of exclusion	Consequences and implications for resilience characteristics	Policy frameworks and measures to address exclusion
<p>Groups are socially excluded based on these factors:</p> <ul style="list-style-type: none"> <li>▪ Ethnicity</li> <li>▪ Race</li> <li>▪ Caste</li> <li>▪ National minority status</li> <li>▪ Religion</li> <li>▪ Gender</li> <li>▪ Disability</li> <li>▪ Geographic remoteness</li> </ul>	<ul style="list-style-type: none"> <li>▪ Denial of equal rights in the past, with continuation of denial in some forms in the present</li> <li>▪ Impaired freedoms</li> <li>▪ Reduced access to markets (labor, land, capital, inputs)</li> <li>▪ Reduced access to publically provided services such as education, health, water, electricity, food</li> <li>▪ Reduced access to government programs</li> <li>▪ Lack of participation in governance and decisionmaking</li> <li>▪ Reduced access to steps taken by government to overcome the impact of natural and other shocks and calamities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Limited ownership of assets, agricultural land, and private enterprises</li> <li>▪ Low productivity and income among farmers and nonfarm enterprises</li> <li>▪ Poor human resources</li> <li>▪ Poor social capital and social networks</li> <li>▪ Low employment</li> <li>▪ High dependence on wage labor</li> <li>▪ Increased poverty, vulnerability</li> <li>▪ Less resilience because of low access to assets, low employment</li> <li>▪ Less political participation and influence on policy and monitoring</li> <li>▪ Limited capacity to insure</li> <li>▪ Less protection against shocks due to discrimination in public measures to overcome shocks</li> </ul>	<ul style="list-style-type: none"> <li>▪ Constitutional provision for equality and nondiscrimination</li> <li>▪ State obligation through constitution for policies to overcome consequences of exclusion</li> <li>▪ Laws against discrimination</li> <li>▪ General policies of economic, educational, and political empowerment</li> <li>▪ Targeted social transfers and safety nets</li> <li>▪ Affirmative action or preferential policy in education, employment, enterprises, and other spheres</li> <li>▪ Enforcement of civil rights</li> <li>▪ Right to association (for example, trade unions)</li> <li>▪ Freedom of speech and media</li> <li>▪ Decentralization (political, fiscal, administrative) and fair share of policymaking and monitoring to excluded groups at local level</li> <li>▪ Equal representation of excluded groups in policy, administration, and monitoring</li> </ul>

Source: Authors.

**Table 2 Specific features of aspects of exclusion and policies for enhanced resilience**

Sphere of exclusion	Nature of exclusion	Impact on resilience characteristics	Specific policies
<b>(1) Private Enterprises</b> (a) Farming—constraints to undertake farming	<ul style="list-style-type: none"> <li>Discrimination in access to farm inputs and in sale of farm output</li> </ul>	<ul style="list-style-type: none"> <li>Low use of inputs, high costs, and low profits</li> <li>Low income and high poverty</li> <li>Reduced adaptive resilience capacity to shocks and stressors</li> <li>High indebtedness</li> <li>Vulnerability to shocks</li> </ul>	<ul style="list-style-type: none"> <li>Legal safeguards against discrimination in input and product markets</li> <li>Procurement of some products by the government and private sector for farmers of excluded groups</li> <li>Targeted credit facilities</li> </ul>
(b) Private enterprises and businesses—constraints faced by excluded group	<ul style="list-style-type: none"> <li>Discrimination in seeking various services and inputs necessary for production and in business</li> <li>Low initiative</li> </ul>	<ul style="list-style-type: none"> <li>High cost, low profit, probability of losses</li> <li>Low income and high poverty</li> <li>Less capacity to face contingencies and shocks</li> </ul>	<ul style="list-style-type: none"> <li>Legal safeguards against discrimination</li> <li>Policy to overcome discriminatory constraints faced by excluded groups in setting up business</li> <li>Procurement by government and private sector from excluded groups</li> <li>Targeted access to finance</li> </ul>
<b>(2) Employment</b>	<ul style="list-style-type: none"> <li>Exclusion from opportunity to be employed</li> <li>Differential access to employment</li> <li>Wage discrimination, particularly in private sector</li> <li>Fewer opportunities for training and learning on the job</li> </ul>	<ul style="list-style-type: none"> <li>Low employment</li> <li>Low wage earning</li> </ul>	<ul style="list-style-type: none"> <li>Legal safeguards against discrimination in employment and wages</li> <li>Affirmative action policy in employment</li> <li>Human resource development for excluded</li> </ul>
<b>(3) Assets</b>	<ul style="list-style-type: none"> <li>Discrimination in agricultural land market, restrictions on purchase of land</li> <li>Discrimination in starting nonfarm enterprises</li> </ul>	<ul style="list-style-type: none"> <li>More households without assets</li> <li>High landlessness</li> <li>More dependence on casual wage labor, which enhances vulnerability and decreases capacity to deal with shocks and stressors</li> </ul>	<ul style="list-style-type: none"> <li>Policy of land redistribution for excluded</li> <li>Policy of promoting private enterprise and business for these groups</li> </ul>
<b>(4) Education</b>	<ul style="list-style-type: none"> <li>Denial of access to education</li> <li>Costly vocational and professional education</li> <li>Discrimination within educational institutions</li> </ul>	<ul style="list-style-type: none"> <li>Lack of interest in education due to discrimination</li> <li>High dropout rate, low cognitive ability and learning</li> <li>Limited human and physical capacity</li> <li>Lowered aspirations</li> <li>Social and psychological self-exclusion</li> </ul>	<ul style="list-style-type: none"> <li>Socially inclusive education</li> <li>Explicit inclusion of women and girls</li> <li>Financial support for professional and vocational education for the excluded groups</li> </ul>
<b>(5) Health and health-related services</b>	<ul style="list-style-type: none"> <li>Lack of access to costly private services</li> <li>Discriminatory access to public and private health services</li> </ul>	<ul style="list-style-type: none"> <li>Poor health, high child mortality</li> <li>Loss of employment due to illness</li> <li>Indebtedness due to borrowing, aggravating poverty situation</li> </ul>	<ul style="list-style-type: none"> <li>Targeted public health service for excluded groups</li> <li>Comprehensive coverage of health insurance</li> <li>Legal safeguards against discrimination in health services</li> </ul>
<b>(6) Civic amenities, water, electricity, housing</b>	<ul style="list-style-type: none"> <li>Poor availability of civic amenities in localities and houses</li> <li>Discrimination in supply of civic services</li> <li>Segregation</li> </ul>	<ul style="list-style-type: none"> <li>Poor health, high incidence of diseases</li> </ul>	<ul style="list-style-type: none"> <li>Comprehensive programs to supply civic amenities to the localities of excluded groups</li> <li>Legal safeguards against discriminatory access</li> </ul>
<b>(7) Community and political decisionmaking processes and related access to information and resources</b>	<ul style="list-style-type: none"> <li>Elite capture of political powers</li> <li>Elite capture of fiscal and services resources</li> <li>Policies less favorable to excluded groups</li> </ul>	<ul style="list-style-type: none"> <li>Frustration with being excluded, leading to aggression, extremism, and discontent</li> <li>Unequal distribution of public goods</li> <li>Unequal distribution of natural resources (land, water, forests)</li> </ul>	<ul style="list-style-type: none"> <li>Fair and adequate representation in political bodies</li> <li>Quota systems / proportional representation</li> <li>Targeted information and communications to excluded groups</li> <li>Capacity enhancement for meaningful participation by the excluded in decisionmaking</li> </ul>
<b>(8) Civil rights and freedom</b>	<ul style="list-style-type: none"> <li>Denial of civil rights, formally and informally through discrimination</li> </ul>	<ul style="list-style-type: none"> <li>Lack of citizenship</li> <li>Lack of freedom</li> </ul>	<ul style="list-style-type: none"> <li>Laws against discrimination in civil rights</li> </ul>
<b>(9) Territory and social sphere</b>	<ul style="list-style-type: none"> <li>Isolation, segregation in localities</li> <li>Difficult areas to live in</li> </ul>	<ul style="list-style-type: none"> <li>Less social capital</li> <li>Low development of region</li> </ul>	<ul style="list-style-type: none"> <li>Policies for integration</li> <li>Regional plans for development of areas where excluded groups live</li> </ul>

Source: Authors.

Insights from economic theories on discrimination have shaped policies. Early theories of discrimination by Baker and by Arrow asserted that discriminatory practices and imperfect information are the source of labor market discrimination and

suggested that fair competition and perfect information will erode labor market discrimination.<sup>9</sup> The persistence of discrimination, however, points to the significance of noneconomic factors, such as norms, identity, customs, and

social categories for economic and social outcomes.<sup>10</sup> More recently, the World Bank noted the slower improvement in human development of excluded groups compared with their counterparts from the “rest” of society, the persistence of exclusion and discrimination faced by the former in market and nonmarket exchanges, and the related lack of opportunities.<sup>11</sup>

Three problems of excluded groups have been recognized, namely (1) less ownership of assets and poor human resources due to exclusion in the past and continuation of the discrimination in the present in some forms, if not all; (2) slow improvement in human development compared with others; and (3) persistence of a gap in human development between the excluded and the “rest.” Specific sets of policies have been used globally, but with variations, in countries where the problem of excluded and indigenous groups persists. These policies take various names in different countries, like “equal opportunity” policies in the United States, “fair employment” policies in Northern Ireland, “reservation” in India, “special measures” in Japan, “New Economic Policy” in Malaysia, and “affirmative action” policies in many other countries.

Notwithstanding the differences in the strategies and methods across countries, some common threads run through all of them: (1) equality in law and legal safeguards against discrimination, (2) policies to improve access to assets and human resources, and (3) affirmative action policies for fair access to education and employment. Legal safeguards against discrimination are intended to provide equal opportunities to excluded groups and safeguards against discrimination. But such legal safeguards have their limitations in terms of correcting the impact of past exclusion. Therefore several countries have used policies to “compensate” for losses in physical and human capital due to denial in the past. However, often the continuation of discrimination in the present in some form limits participation of excluded groups in development, and therefore “legal and compensatory measures” are supplemented by affirmative action policies to ensure fair share in employment, education, governance, and other spheres.

## COUNTRY EXPERIENCES AND LESSONS

A few country cases will illustrate the diversity of exclusion patterns and the policy measures implemented to address them. While we can note an increased level of effort by these governments to address the broader exclusion problems, much remains to be done about inclusion of the marginalized poor. We focus on a set of large and emerging economies with a strong potential for overcoming exclusion, all of which have taken action to overcome exclusion, but with varying degrees of success. Implicitly there are lessons for low-income countries from these countries.

Social exclusion in **India** is to a large extent determined by a group’s social and ethnic origin. The excluded groups of low-caste untouchables and indigenous tribal populations have suffered from social exclusion. While the former suffered from intense discrimination and denial of rights, the latter faced physical and social isolation. Besides these two groups, there is a third one called “other backward classes.” This group, unlike untouchables, does not face exclusion and isolation associated with untouchability but does experience discrimination and is

educationally and socially less developed.<sup>12</sup> For the purpose of government policy, these three groups are designated as “scheduled castes,” “scheduled tribes,” and “other backward classes.” These groups lag behind with respect to human development indicators such as access to resources, education, and employment, including civil rights, and the poverty among them is relatively high compared with their counterparts from high-caste and nontribal groups.<sup>13</sup>

Since independence in 1947, India has recognized these groups’ exclusion-induced marginalization and used a threefold strategy to combat it: laws against caste and gender discrimination; measures to improve ownership of capital assets, which include distribution of agricultural land and special financial support to set up enterprises and business; and an affirmative action policy in government educational institutions, public employment, public housing, and the legislature. In 2008, the private sector also accepted an affirmative action policy on a voluntary and self-regulatory basis, which includes four E’s: steps in education, employability, entrepreneurship, and employment. For the scheduled tribes, since they live in concentrated areas, the three policies are supplemented by a policy of securing the land and forest rights and developing infrastructure in tribal regions.

These group-focused policies are used as measures in addition to the general policies of growth and poverty alleviation. Affirmative action has brought improvement in the education level and in participation in public employment and political governance, and it has helped to reduce poverty.<sup>14</sup> However, the rate of improvement in the human development and nutrition indicators and in poverty reduction is slow, especially regarding women, and the gaps persist. One reason for the persistence of gaps may be limited coverage by the affirmative action policy, which is confined to the government sector, accounting for only about 20 percent of total employment; the remaining 80 percent of jobs, in the private sector, are excluded from quotas. Additionally, halfhearted enforcement of the affirmative action policy in some spheres is also a reason for slow improvement.

**China** officially recognizes the Han majority and 55 different minorities. Most ethnic minorities, which account for about 8 percent of the Chinese population, typically share a common history. These minorities are different from Han in many important aspects, including culture and religion, language and education, geographic location, and means of sustenance. The ethnic minorities are mainly concentrated in western China.

Under its constitution and laws in 1949, the People’s Republic of China provided equality among all ethnic groups in social life and government activities. For the ethnic minorities, China has used a dual policy: an area-focused general policy of economic development of ethnic regions and a preferential or affirmative action policy for persons from ethnic minorities. The preferential policies for minorities include education, local and national governance, and other spheres. Minority persons can benefit from preferential policies, such as easier entrance into college and exemption from the rigid population policy. At the regional and subregional levels, areas with high concentrations of ethnic minorities have special political and administrative status. Five autonomous regions at the province

level, 76 autonomous areas at the prefect level, and 699 autonomous administrative units at the county level are given special status. The administrative structures with elements of self-government make it possible for different levels of the government to support ethnic minorities by lowering taxes and providing budgets for public expenditure.<sup>15</sup> The affirmative action policies are combined with the general policies of infrastructure and economic development and with poverty-alleviation programs at the level of ethnic regions.

However, despite these positive changes, the ethnic minority regions perform worse with respect to poverty reduction and other human development indicators compared with the Han majority population.<sup>16</sup> This gap seems to be mainly due to high initial inequalities and the difficulties associated with the inhospitable geographic situation in the western regions where minorities are concentrated. At a broader scale, implicit exclusion was the consequence of lack of infrastructure and restrictions on rural out-migration. The underinvestment in rural areas in combination with migration restrictions has fostered both the marginality and the large rural-urban disparities. Recently the extreme poverty has been quite effectively addressed by infrastructure buildup and the evolution of social policies, especially in rural areas, closely connected to China's economic growth.<sup>17</sup> Specifically, the Chinese government extended the *Di Bao* (minimum livelihood guarantee) program to the entire rural sector, enhanced agricultural policies, and stepped up rural socioeconomic development efforts. Transition from an emergency relief and basic needs program to an inclusive social protection system is in progress, aligning the poverty reduction programs for the rural poor with efforts in urban areas, including the fast expansion of health insurance coverage in rural areas.

**Mexico** has a large indigenous population with a much lower level of living than the rest of the country. Education and civic amenities such as drinking water and electricity are inadequately available. Poor education levels reduce access to employment. Lack of education is particularly high among indigenous people and females.<sup>18</sup> The constitution, however, prohibits discrimination associated with ethnic or national origin, gender, age, and religion.

The laws, in principle, provide safeguards against social exclusion and discrimination, and the government has developed legal safeguards to ensure indigenous rights and set up an indigenous rights department. The legal protection measures are supplemented with affirmative action policies to ensure material equality, including representation by indigenous people, particularly women, in state politics and political parties. In the past two decades conditional and unconditional transfer programs have become widespread. Mexico initiated conditional cash transfers (CCTs) in the 1990s. The well-known program *Oportunidades* (earlier called *Progresa*) transfers cash income directly to the beneficiaries, conditioned on their children's and youth's school enrollment and regular attendance, as well as regular health checkups of the entire household and regular attendance at information sessions on nutrition and healthcare. Centrally determined rules on the targeting of communities and households do not leave discretion to local governments.

One would expect that a uniform transfer program like *Oportunidades* would benefit the marginalized and excluded

relatively more, but whether it actually is effective to overcome exclusion and strengthen resilience is not clear. *Oportunidades* has successfully contributed to reducing household members' incidence of illness. The number of calories beneficiaries get from vegetables, animal products, grains, fruits, and other sources has increased by about 7%, and child stunting has decreased.<sup>19</sup> But despite the improved human-capital indicators, which will have positive impacts on resilience, overall income poverty and inequality have not declined in Mexico since the program started, nor have regional inequality and related exclusion patterns.<sup>20</sup>

Indirect dynamic effects of CCTs, including corruption, might play significant roles not captured in randomized controlled experiments. A first such effect is that a locally focused, decentralized cash transfer program sends a disincentive for labor migration.<sup>21</sup> Social protection, in combination with social security and *Oportunidades*, may have been leading to a larger informal sector with lower wages and lower productivity. Social policy reform has to be carried out simultaneously with fiscal and labor market reforms. Another important implication of CCT programs is their impact on social mobilization at the local level. The impact of *Oportunidades* on civil society initiatives—defined as density of civil society organizations (CSOs), paying special attention to women's CSO activities—was found to be a reduction in CSO group formation.<sup>22</sup> Apparently, CCTs need to be accompanied by other policy actions to strengthen civil society.

**South Africa** is a case wherein the majority population suffered from exclusion in multiple spheres, resulting in marginality. With the end of apartheid in 1994, South Africa attempted to deal with the consequences of exclusion for the black African population through an affirmative action policy and a program called Black Economic Empowerment (BEE). It began with a bill of rights inserted in the 1996 constitution. In the constitution and law, discrimination on any grounds is considered illegal, and the state has an obligation to promote equal development. Affirmative action in hiring, promotion, university admission, and award of government contracts is specifically mentioned, including representation of all people in public administration. The affirmative action policy also includes preferential entry into public and private employment, which is backed by the Employment Equity Act of 1998 and monitored through the Commission for Employment Equity.

In the private sector, one of the most important policies is enhancing the ownership of private enterprise through BEE, with several facilities to enable the startup of enterprises. In political representation, particular attention is given to ensuring at least a 30 percent quota for women. The BEE program has come under criticism that it arguably has led to the emergence of a small, rich black business class without addressing the poverty of the majority of the black population.<sup>23</sup> There is increasing demand to switch over from the minimalist approach of the BEE to a maximalist approach with a focus on the collective empowerment of the majority of the black population. Thus, while some suggest that the affirmative action policy has brought significant gains to the black population,<sup>24</sup> the unequal distribution of these gains has led to demands for a more inclusive approach.

**Malaysian** society has historically been heterogeneous, not only polarized along cultural, racial, and religious lines but with an evident divide in many facets of society. The ethnic divide coincided with economic divisions, with Chinese dominating the modern sector of the economy in urban areas while Malays were mostly engaged in agriculture in rural areas. Like the blacks in South Africa, the Malays are a majority ethnic group that has lagged behind the Chinese in many respects.

The polarization of Malaysian society along economic and ethnic lines fueled riots in 1969.<sup>25</sup> Thereafter, the Malaysian government developed the New Economic Policy in 1970 with a goal of poverty reduction for all but with an emphasis on reduction of ethnic economic imbalances through preferential treatment of Malays. A major component of the New Economic Policy was affirmative action for Malays in the private and government sectors, including a massive push for higher and professional education for Malays, as well as preferred entry into public and private employment. But possibly more important was a policy to increase Malay ownership of private enterprises<sup>26</sup> by providing licenses and other facilities for setting up industries.

This latter policy also included measures to increase Malay ownership of equity capital in national and foreign companies through setting up a national equity corporation (called Permodalan Nasional Berhad) to supply finances to Malays, particularly to the relatively poor classes, such as housewives, farmers, and laborers, to hold shares in national and foreign companies.<sup>27</sup> As a result of this policy, the proportion of Malays who own shares increased from 7 percent in 1970 to about 25 percent just after the turn of the millennium. Such ownership confers participation in management and a share in corporate income. The proportion of Chinese who own shares also increased, reaching 42 percent in the 1990s, up from 34 percent and exceeding the policy target by 6 percent.<sup>28</sup> It is interesting to note that the Permodalan Nasional Berhad policy approach was carefully observed internationally and later adopted by South Africa.<sup>29</sup>

The overall effect of the new policy was improvement in the life of Malaysians, with poverty declining from about 49 percent in 1970 to 15 percent in 1990. Unemployment declined to a minimum level, and infant mortality declined from 45 per thousand in 1970 to 12 per thousand in 1994. However, the policy reform's impacts are debated even today. While the major goal of reducing imbalances and achieving poverty reduction in combination with accelerated growth were clearly positive outcomes, these overall achievements were not without adverse other developments, such as increased intraethnic inequalities and the emergence of a small, politically powerful, and disproportionately wealthy Malay elite. Some also argue about brain drain due to emigration of skilled non-Malays and weak human capital in the labor force, as well as elusive national unity.<sup>30</sup>

To come to a balanced assessment of affirmative action policies' achievements and problems, one would need to work from scenarios of viable alternatives. Such research would present challenging complexity. Also lacking are comprehensive assessments that segment early and late effects in evaluating affirmative action, which would appropriately address when affirmative action policies should

be phased out, especially when adverse side effects might become more significant.

## CONCLUDING THOUGHTS

- Insights from theories and empirical research indicate that noneconomic factors, namely norms, identity, and social category, matter for decisionmaking and economic outcomes. Empirical evidence confirms that excluded groups and communities face identity-based exclusion from opportunities in market and nonmarket exchange and in social and political processes, resulting in high poverty and marginalization. Exclusion also affects economic growth. A narrow focus on building the resilience of the excluded is not enough. A combination of legal, economic, social, and cultural policies is needed.
- Insights from economic theories of discrimination indicate that improving market competitiveness might reduce discrimination but has limitations in fully overcoming exclusion. Therefore in addition to general pro-poor policies, including policies for making the markets and information work for excluded groups, countries with a sizable presence of excluded groups should use group-specific affirmative action policies to address poverty and marginalization of excluded groups.
- Countries have used specific policies and instruments to address the problem of discriminated-against groups. The policies and measures mainly include (1) provisions in the constitution against discrimination and for equal rights, laws against discrimination, policies for empowerment in asset ownership and human resource development, and fair representation in political governance through affirmative action policies; (2) policies for development of regions with concentrations of ethnic minorities; and (3) combined use of general policies of economic empowerment and group-specific affirmative action policies.
- While these policies have yielded positive results in many countries, they also provide lessons for further improvement. Evidence shows that the rate of improvement in the human development of excluded groups is slower than in their counterparts from nonexcluded groups, and often the gaps between the two are persistent. The reasons for this stickiness of gaps are context specific and may be rooted in cultural and aspirational factors. There is a need to provide legal safeguards in many unprotected spheres, such as discrimination in education and health institutions and in government programs, as in India.
- Affirmative action policies have been designed to include large parts of the population in some countries, sometimes the majority, such as in South Africa from the 1990s until today and in Malaysia since the 1970s. In some countries these policies tended to benefit a small group and develop intragroup inequalities. There is a need to develop general and affirmative action policies that are more inclusive, particularly of the most marginalized among the excluded groups.
- Exclusion can drastically reduce resilience against shocks and uncertain events. Resilience is high if people have

assets to fall back on. Also, proper human capabilities enable people to look for alternatives when unfavorable events occur. Exclusion restricts access to assets and the capacity to face shocks. Therefore exclusion needs to be tackled by improving access to assets. The likely discrimination in access to supportive measures during disasters, such as floods and earthquakes, and during economic crises, such as high inflation, recession, or financial crises, aggravates the situation of excluded populations compared with their counterparts. For example, the Dalit in India faced discrimination in accessing government and civil society support during two earthquakes and a tsunami. Therefore special supportive measures are needed to ensure nondiscriminatory access and to build resilience.

- Achieving more resilience of the excluded in general requires overcoming exclusion in the first place. Ways to achieve this goal, aside from enforcement of equal rights

legislation, include enhancing capabilities through ownership of assets and development of human resources. But for the marginalized poor, direct public investment in resilience, such as basic health and nutrition and civic amenities, needs to come first in order to build the capabilities to engage for inclusion.

- It is rare for the excluded to participate in policymaking and in implementing programs for resilience. Therefore their participation in policymaking and monitoring must be boosted in order to design and implement effective policies. Similarly, developing self-organization among excluded groups is useful to improve access.
- The causes and consequences of exclusion are quite well understood. Knowledge gaps relate more to identification of points of entry for action, and to best fits of action for local and national circumstances, as exemplified in the country experiences.

**Joachim von Braun** ([jvonbraun@uni-bonn.de](mailto:jvonbraun@uni-bonn.de)) is professor in the Department of Economic and Technological Change and director of the Center for Development Research (ZEF) of the University of Bonn, Germany. **Sukhadeo Thorat** ([thoratsukhadeo@yahoo.co.in](mailto:thoratsukhadeo@yahoo.co.in)) is professor of economics, Centre for the Study of Regional Development, School of Social Sciences, Jawaharlal Nehru University, and chairman of the Indian Council of Social Science Research, New Delhi, India. The brief has been prepared for the 2020 conference “Building Resilience for Food and Nutrition Security,” May 15–17, 2014, Addis Ababa, Ethiopia.

#### NOTES

<sup>1</sup> R. Lenoir. 1974. *Les Exclus: Un Français sur Dix*. Paris: Éditions du Seuil; A. de Haan. 1999. “Social Exclusion: An Alternative Concept for the Study of Deprivation?” *IDS Bulletin* 29 (1): 10–19; A. Sen. 2000. *Social Exclusion: Concept, Application, and Scrutiny*. Social Development Papers 1. Manila: Asian Development Bank.

<sup>2</sup> G. S. Becker. 1957. *The Economics of Discrimination*. Chicago: University of Chicago Press; K. Arrow. 1971. *Some Models of Racial Discrimination in the Labor Market*. Santa Monica, CA, US: Rand Corp.

<sup>3</sup> On marginality, see J. von Braun and F. W. Gatzweiler, eds. 2013. *Marginality: Addressing the Nexus of Poverty, Exclusion and Ecology*. Dordrecht, Netherlands: Springer. <http://link.springer.com/book/10.1007%2F978-94-007-7061-4>.

<sup>4</sup> The World Bank. 2013. *Inclusion Matters: The Foundation for Shared Prosperity*. Washington, DC. <https://openknowledge.worldbank.org/handle/10986/16195>.

<sup>5</sup> On these conceptual issues, see C. Holling. 1973. “Resilience and Stability of Ecological Systems.” *Annual Review of Ecology, Evolution, and Systematics* 4:1–23; H. Silver. 1995. “Reconceptualizing Social Disadvantage: Three Paradigms of Social Exclusion.” In *Social Exclusion: Rhetoric, Reality, Responses*, edited by G. Rodgers, C. Gore, and J. B. Figueiredo, 57–80. Geneva: International Labour Office; B. Walker, C. S. Holling, S. R. Carpenter, and A. Kinzig. 2004. “Resilience, Adaptability and Transformability in Social-Ecological Systems.” *Ecology and Society* 9 (2): 5.

<sup>6</sup> T. Burchardt and M. C. Huerta. 2009. “Introduction: Resilience and Social Exclusion.” *Social Policy and Society* 8 (1): 59–61.

<sup>7</sup> A. Hirschman. 1970. *Exit, Voice and Loyalty: Responses to Decline in Firms, Organizations, and State*. Cambridge, MA, US: Harvard University Press.

<sup>8</sup> N. Postero. 2007. *Now We Are Citizens: Indigenous Politics in Postmulticultural Bolivia*. Stanford, CA, US: Stanford University Press.

<sup>9</sup> Becker 1957; Arrow 1971.

<sup>10</sup> G. A. Akerlof and R. E. Kranton. 2010. *Identity Economics: How Our Identities Shape Our Work, Wages, and Well-Being*. Princeton, NJ, US: Princeton University Press. Also see World Bank 2013 and O. Stark. 2006. “Status Aspirations, Wealth Inequality, and Economic Growth.” *Review of Development Economics* 10 (1): 171–176.

<sup>11</sup> World Bank 2013.

<sup>12</sup> For further details, see S. Thorat. 2013. “Tackling Social Exclusion and Marginality for Poverty Reduction: Indian Experiences.” In von Braun and Gatzweiler, *Marginality*, 205–219. <http://link.springer.com/book/10.1007%2F978-94-007-7061-4>.

<sup>13</sup> Ibid.

<sup>14</sup> S. Thorat and A. Dubey. 2011. “Has Growth Been Socially Inclusive during 1993–94 to 2009–10?” *Economic and Political Weekly* 47 (10): 43–54.

<sup>15</sup> B. Gustafsson and D. Sai. 2009. “Villages Where China’s Ethnic Minorities Live.” *China Economic Review* 20:193–207.

<sup>16</sup> Y. Ouyang and P. Pinstrip-Anderson. 2012. “Health Inequalities between Ethnic Minority and Han Population.” *World Development* 40 (7): 1452–1468.

<sup>17</sup> L. Zhu. 2014. “Addressing Extreme Poverty and Marginality: Experiences in Rural China.” In von Braun and Gatzweiler, *Marginality*, 239–255. <http://link.springer.com/book/10.1007%2F978-94-007-7061-4>.

<sup>18</sup> G. Hall and H. A. Patrinos. 2004. *Indigenous Peoples, Poverty and Human Development in Latin America, 1994–2004*. Washington, DC: World Bank; G. de la Peña. 2011. “Ethnographies of Indigenous Exclusion in Western Mexico.” *Indiana Journal of Global Legal Studies* 18 (1): 307–319.

<sup>19</sup> E. Skoufias. 2005. *PROGRESA and Its Impacts on the Welfare of Rural Households in Mexico*. Research Report 139. Washington, DC: International Food Policy Research Institute; M. Adato and J. Hoddinott. 2010. *Conditional Cash Transfers in Latin America*. Baltimore: Johns Hopkins University Press.

<sup>20</sup> CONEVAL. 2009. *Informe de Pobreza Multidimensional en México, 2008*. Mexico City.

- <sup>21</sup> S. Levy. 2008. *Good Intentions, Bad Outcomes: Social Policy, Informality, and Economic Growth in Mexico*. Washington, DC: Brookings Institution Press.
- <sup>22</sup> M. Grimes and L. Wängnerud. 2010. "Curbing Corruption through Social Welfare Reform? The Effects of Mexico's Conditional Cash Transfer Program on Good Government." *The American Review of Public Administration* 40 (6): 671–690.
- <sup>23</sup> T. Batshaw and J. Goldberg. 2005. *Cracking Broad-Based Black Economic Empowerment: Codes and Scorecards Unpacked*. Cape Town: Huwan & Rousseau Publishers; O. E. Edigheji. 1999. "Rethinking Black Economic Empowerment in the Post-Apartheid South Africa." Paper presented at "Conference on Growth and Investment in South Africa," Glenburn, South Africa, September 19–22.
- <sup>24</sup> O. E. Edigheji. 1999. *Rethinking Black Economic Empowerment in the Post-Apartheid South Africa*. Discussion Paper. Johannesburg: Graduate School of Public and Development Management, University of the Witwatersrand.
- <sup>25</sup> J. Faaland, J. Parkinson, and R. Saniman. 2003. *Growth and Ethnic Inequality: Malaysia's New Economic Policy*. Kuala Lumpur: Utusan Publications.
- <sup>26</sup> K. S. Jomo and W. C. Hui. 2009. "Affirmative Action and Exclusion in Malaysia: Ethnic and Regional Inequalities in a Multicultural Society." [www.iomoks.org/research/other/rp002.htm](http://www.iomoks.org/research/other/rp002.htm); E. T. Gomez. 2003. "Affirmative Action and Enterprise Development in Malaysia: The New Economic Policy, Business Partnerships and Inter-ethnic Relations." *Kajian Malaysia* 21 (1–2): 59–104. <http://web.usm.my/km/KM%2021,2003/21-3.pdf>; O. Edigheji. 2008. *Democratic Developmental States? Malaysia and South Africa's Institutional Structure for Incubating an Indigenous Entrepreneurial Class and Reducing Poverty*. South-South Collaborative Programme Occasional Paper Series 4. Johannesburg: Centre for Policy Studies.
- <sup>27</sup> Edigheji 2008.
- <sup>28</sup> S. Haque. 2003. "The Role of the State in Managing Ethnic Tensions in Malaysia." *American Behavioral Scientist* 47 (3): 240–266.
- <sup>29</sup> Ibid.
- <sup>30</sup> E. T. Gomez and J. Saravanamuttu, eds. 2012. *The New Economic Policy in Malaysia: Affirmative Action, Ethnic Inequalities and Social Justice*. Singapore: National University of Singapore Press.

IFPRI and its 2020 Vision Initiative appreciate the generous support of and active engagement with the consortium of partners for the 2020 conference.



In partnership with the African Union Commission, IFPRI and its 2020 Vision Initiative are proud to contribute to the 2014 Year of Agriculture and Food Security in Africa.



[WWW.2020RESILIENCE.IFPRI.INFO](http://WWW.2020RESILIENCE.IFPRI.INFO)



2033 K Street, NW, Washington, DC 20006-1002 USA | T. +1.202.862.5600 | F. +1.202.467.4439 | [ifpri@cgiar.org](mailto:ifpri@cgiar.org) | [www.ifpri.org](http://www.ifpri.org)

This brief has been peer reviewed. Any opinions stated herein are those of the authors and are not necessarily endorsed by or representative of the International Food Policy Research Institute or its partners. Copyright © 2014 International Food Policy Research Institute. All rights reserved. For permission to republish, contact [ifpri-copyright@cgiar.org](mailto:ifpri-copyright@cgiar.org).