

Poverty

“I call on the international community at the highest level ... to adopt the target of halving the proportion of people living in extreme poverty, and so lifting more than 1 billion people out of it, by 2015.”

Secretary-General Kofi Annan in the *Millenium Report*

Vital Statistics

- More than 2.8 billion people, close to half the world's population, live on less than the equivalent of \$2/day. More than 1.2 billion people, or about 20 per cent of the world population, live on less than the equivalent of \$1/day.
- South Asia has the largest number of poor people (522 million of whom live on less than the equivalent of \$1/day). Sub-Saharan Africa has the highest proportion of people who are poor, with poverty affecting 46.3 per cent or close to half of the regions' population.
- Nearly 1 billion people are illiterate; more than 1 billion people do not have access to safe water; some 840 million people go hungry or face food insecurity; about one-third of all children under five suffer from malnutrition.
- The estimated cost of providing universal access to basic social services and transfers to alleviate income poverty is \$80 billion, which is less than 0.5 per cent of global income.
- The top fifth (20 per cent) of the world's people who live in the highest income countries have access to 86 per cent of world gross domestic product (GDP). The bottom fifth, in the poorest countries, has about one per cent.
- The assets of the world's three richest men exceed the combined Gross Domestic Products of the world's 48 poorest countries.
- In 1998, for every \$1 that the developing world received in grants, it spent \$13 on debt repayment.

The poverty trap

Until recently, poverty was understood largely in terms of income—or a lack of one. To be poor meant that one could not afford the cost of providing a proper diet or home. But poverty is about more than a shortfall in income or calorie intake. It is about the denial of opportunities and choices that are widely regarded as essential to lead a long, healthy, creative life and to enjoy a decent standard of living, freedom, dignity, self-esteem and the respect of others.

People don't live in the squalor of the slums, favellas, squatter communities, low-rent districts or beside garbage dumps because they want to. They have no other choice.

Possessing little money, little education, few skills for the marketplace and a multitude of health problems, nearly half of all the people in the world live in poverty, without much opportunity to improve their lives.

Poverty has multiple dimensions, and many of them are inter-related, making for a vicious cycle.:

- Poor health, disease and disability can prevent people from working full time, limiting their income and their ability to work to move out of poverty. Health problems for the breadwinner mean income problems, but an illness in the family can ruin an entire household. Not only is income lost, but expenses go up due to the need for medicines and health care and the need for family members to care for the sick person.

- Those with less formal education tend to be disproportionately represented in the ranks of the poor, perhaps because they are more likely to hold poorly paid jobs or to be unemployed. Poor families often face enormous difficulties in keeping their children in school due to the costs, as well as to the pressure to have as many household members, including children, out working. The next generation, being poorly educated, could in turn end up holding similar poorly paid jobs.
- Women with children constitute the majority of the poor in many countries. Where women can move out of poverty their children appear to face a brighter future, but where their chances are limited, poverty is transmitted intergenerationally. In many cases, girls have higher dropout rates as they are the first to be pulled out of school to help with household work and childcare. Yet, experience has shown that investment in girls' and women's education not only makes for greater equity but also tends to translate directly into better nutrition for the family, better health care, declining fertility and potentially greater economic empowerment.
- Poverty has been identified as a major factor in the spread of HIV/AIDS in many parts of Africa. From simply being a cause of individual suffering, HIV/AIDS has become a major economic and social crisis for entire economies, as it affects the economically productive sections of society and makes it harder to eradicate poverty. It is estimated that at the end of 1999, nearly 34 million people worldwide were infected with HIV and by that by 2010 in Africa alone there will be 40 million orphans from the epidemic.
- As United Nations Secretary General Kofi Annan points out in his *Millennium Report*, "poor countries -- especially those with significant inequality between ethnic and religious communities -- are far more likely to be embroiled in conflicts than rich ones." In fact, twenty of the world's 38 poorest countries are either in the middle of an armed conflict or have recently emerged from it, according to other UN sources.

The roots of poverty

Poverty exists in many of the industrialized countries and characterizes whole regions of the developing world. The roots of poverty lie in a tangled web of local situations combined with national and international circumstances. It is the product of economic processes occurring at a variety of levels, as well as a range of particular social and economic conditions that appear to structure the possibilities of the individual.

Consider the following:

Some countries have to pay more to finance their debt than they can spend on health and education: An obligation to repay debt incurred by past regimes—sometimes due to bad advice from developed countries, sometimes due to corrupt regimes—has severely curtailed the ability of many countries' efforts to break the poverty cycle. Sub-Saharan Africa pays over 14 per cent of export revenue in debt service. South Asia, another very poor region, pays 22 per cent. The Latin American and the Caribbean region must devote almost one-third of its export revenue to debt servicing.

- In recent years, Tanzania's debt service payments have been nine times its expenditure on primary health care, and four times as much as that spent on primary education.
- The value of Honduras's debt is 208 per cent of its exports; its debt service accounts for 55 per cent of Government expenditures.

In 1999, the IMF and the World Bank adopted the Enhanced Heavily Indebted Poor Countries Initiative, aimed at providing debt relief to 41 heavily indebted poor countries (HIPC). The plan is expected to relieve up to 70 per cent of the approximately \$170 billion debt that these countries owe. But so far, few countries have been able to qualify for relief and debt servicing has not always been sustainable. i.e. even after debt relief, the cost of servicing the debt has been greater than the amount spent on basic health and education, leave alone allowing for increased investment levels necessary for economic growth.

Trade-related factors and structural adjustment policies have had unfavorable effects: Many developing countries must rely on exporting unprocessed agricultural commodities to earn income overseas, but the prices of these agricultural products have been relatively unfavorable and have continued to fall. At the same time, world market prices for fuel and for manufactured and processed goods have risen. Furthermore, many developed countries have imposed steep trade restrictions on agricultural products from developing countries, making it harder for them to sell their goods. With depressed earnings, many countries have been unable to break out of the poverty cycle through a focus on exports. At the same time, depressed export prices but a rising import bill made for balance of payment problems, a rise in borrowing and in the current context, higher debt levels. Some estimates of the loss on account of declining prices in the year 1992, find it to be higher than the total aid budget of the OECD for that year (\$65 billion compared to \$58 billion). The situation was often compounded by structural adjustment policies which encouraged depreciation of the currencies.

- Indonesia, once self sufficient in food, more recently had come to depend on imported food – 20 million tonnes of rice a year. This had disastrous consequences in the late 1990s, when in the wake of the Asian crisis, the currency was severely devalued (500%) and local conditions made for inadequate supplies of domestically produced food. The price of imported rice skyrocketed and according to one estimate, more than 100 million Indonesians joined the ranks of the poor as a consequence.

Owning few assets, the poor have little access to capital or credit: In many countries, a majority depend upon agriculture and inadequate access to land is one of the primary causes of rural poverty. Most of the world's poor either own no land or own land not worth owning. The land they live on is generally of poor quality for farming, and often subject to damage from storms and other natural disasters. Or they are subject to century-old land-owning systems that perpetuate an almost feudal-like system of land tenure, such as in the *hacienda* system in the Philippines. Caught in a trap between marginal incomes and little chance to obtain funds for improvements, there is little opportunity for advancement. Land reforms, public investment in rural infrastructure, technology and marketing services along with increased credit and price stability are necessary to remove the multiple constraints restricting the possibilities of the rural poor.

Lack of sufficient employment opportunities: Escaping the poverty of the rural areas, many people head toward the cities – in their own and in foreign countries -- to find a job. But in most countries, there aren't enough decent jobs—the kind that pays a living wage—to go around. Poor people then tend to try to eke out a living at the margins—in what has become known as the informal sector. The pressure on this sector is heightened with labor displacing technical change, declining growth of the economy and formal sectors, and by budget cuts. However, people in the informal sector barely scrape by, and enjoy little or no social protection. Globally, it is estimated that of a workforce of a three billion people, 140 million are unemployed, and between a quarter and a third are underemployed.

Inadequate infrastructure and lack of access to basic social services in relation to education, health and reproductive health: Often living in areas that have no sewage or clean water, poor people are much more susceptible to illness and disease. They also often lack the means to obtain the health care they need. At the same time, people living in poorer areas lack information on health and reproductive health issues, and consequently, are often uninformed on measures they can take to avoid risks.

Social exclusion: There are biases and prejudices in every country, and in some cases policies that exclude people of a certain race, religion, or sex from attaining positions of power or from getting good jobs. Often the bias has no basis in the law but is active nevertheless as in the case of gender discrimination or marginalisation of indigenous peoples. In such cases, affirmative action policies may need to be adopted for a period of time to improve the conditions of the excluded and to make for more equitable access to job opportunities.

Box: Re-defining poverty

In the early days of the UN, poverty was measured in terms of the ability to meet a minimum number of calories or to have a minimum level of income to satisfy needs (income poverty). A "poverty line" defined this minimum level and the poor constituted the actual number of people whose incomes or calorie intake are less than this. A commonly used measure for purposes of international comparisons of income poverty is the \$1 or \$2 per day measure (purchasing power equivalent to \$1 or \$2 in the United States in 1993). There have been changes in thinking as to how to measure poverty with attempts at incorporating some of its various dimensions, as well as its circular connections that we talked about earlier.

In the 1970s the International Labour Organization (ILO) broadened the focus, and poverty came to be seen as the inability to meet basic needs. In the 1980s and 90s, the concept underwent further change by considering non-monetary aspects such as isolation, powerlessness, vulnerability and lack of security, as well as an individual's capacity and capability to experience well being.

Inspired by the work of Amartya Sen, a world famous economist who won the Nobel Prize for Economics in 1999, the United Nations Development Programme (UNDP) introduced measures for progress and for deprivation that focus on poverty from a human development perspective. It now views poverty as a denial of choices and opportunities for living a tolerable life. The human poverty index (HPI) constructed for each country provides a country-by-country picture of deprivation in terms of longevity, education and economic factors. Considering poverty in a different way leads to new observations. For example, an elevated level of the United States population experiences acute "human poverty" despite its high average income levels.

A strategy to fight poverty

In programmes aimed at tackling poverty, specific goals have been created and efforts concentrated or focused on meeting those targeted goals. Through this approach there has been some progress in poverty reduction since 1970, although it has not been spread equally over the different parts of the world. Most of the decline in poverty took place in East Asia, notably in China. In developing countries, infant mortality was cut by more than 40% and adult illiteracy by 50%. A newborn baby can expect to live 10 years longer, and combined net primary and secondary school enrolment has increased by nearly 50%. But there have also been reversals over the last few years, and huge problems remain.

Based on the experience of the past years, there is now a growing consensus among national and international policy makers on what works and what does not in fighting poverty. Policies that are part of the successful poverty reduction package of different countries include the following:

Inclusive and broad-based economic growth: Economic growth is one of the most important factors in helping to reduce poverty, but it is not sufficient. The effectiveness of economic growth in reducing poverty depends upon the structure of growth, existing levels of inequality and on how the benefits of growth are distributed.

Inequality in income is a function of the distribution of economic assets (land, industrial and financial capital), and so-called "human capital" in the form of education and skills. Governments need to work on creating more equity in the distribution of income and assets.

The effectiveness of growth in reducing poverty also depends on the extent of growth and employment opportunities created, and whether it takes place in areas and sectors where the poor are located. In most cases, with the exception of the South East Asian countries (South Korea, Taiwan, Malaysia, etc.) in their high growth phase, there has not been sufficient employment generation in the formal sector of the economy. Attention now needs to be paid to the informal sector of the economy.

- According to the Secretary-General's *Millennium Report*, a 1 per cent increase in a country's gross domestic product can bring about an increase in the incomes of the poorest 20 per cent of the population. But this cannot happen where inequalities in society do not permit growth to benefit the poor.
- China is an example of what could be achieved by rapid economic growth built on investment in people: the gap in average income between China and the rest of the world has decreased by over 50 % compared to 40 years ago.

However, prospects for growth in the world economy currently are rather bleak. The world economy appears to be growing too slowly to create enough jobs or to make a real impact on poverty. Even the industrialized countries appear to be stuck with high unemployment, a major cause of poverty. This suggests that economies cannot rely on growth to pull them out of poverty, but must take specific steps to target poverty reduction directly.

Growth, if it is achieved at the cost of environmental degradation, can also undermine the livelihoods of the poor who are dependent upon these resources. Hence, development policies need to be sensitive to the social and economic environments of the poor.

- After the 1992 Earth Summit (Rio de Janeiro, Brazil), the Philippines was the first country to establish a council for sustainable development with partners from Government, civil society and private business. Key businesses worked to implement sustainable development initiatives – reusing by-products, controlling pollution levels and including environmental provisions in collective bargaining agreements with labour unions.

Realizing Globalization's Potential: The phenomenon of large corporations operating in many countries, in the hands of private individuals who make decisions about opening/closing and reorganizing operations that affect the lives of many people, is a reality of this new millennium. The process called globalization and increased economic integration offer countries many positive market and employment opportunities. But there are also risks and problems associated with it. The poor in poor countries at this time are often victims of this process. (See *Briefing Paper on Globalization* for a more comprehensive discussion of its pros and cons.) Countries need to prepare themselves for globalization by:

- building up the competitive advantage of their industries.
- addressing the problems of those who will lose out from global competition; and
- improving technology and increasing productivity so as to avoid competing on the basis of low wages, poorly regulated working conditions and exploitation of the environment.

Even after they have done all this, nothing is guaranteed. Markets may be saturated and despite globalization, many industrialized countries also still protect their markets with tariffs and quotas and discriminate against the products of developing countries. Better trade policies, fairer rules and terms that allow poor countries to enter developed country markets need to be put in place. The United Nations Secretary-General has urged all industrialized countries to consider granting duty-free and quota-free access for essentially all exports from the least developed countries. Governments and international agencies also need to work on preparing countries assisting them in developing regulatory policies that will soften the negative impact of volatile financial flows.

Promoting good governance, accountability and participation: Honest and fair government practices, free of corruption; decision making open to the input of the public; and follow-up actions in accordance with decisions made, are measures needed to eradicate poverty.. Of prime importance are:

- good governance - the conduct of a government that is honest and fair (see briefing on governance);
- transparency :- decision making can be open to public input and scrutiny; and

- accountability - ensuring that follow-up actions are in accordance with decisions openly arrived at, and that they can help ensure that the benefits of growth and poverty reduction policies actually reach the poor.

Key in bringing this about is the role that civil society can play, as is the process of allowing and encouraging the participation of the poor themselves in the making of policies, especially those that affect them directly. There is a clear link between empowering the poor and overcoming poverty. According to the UNDP Poverty Report 2000:

- In Andhra Pradesh, India, women organized themselves into self-help groups (SHG), which mobilized community savings, created opportunities for income generation for women via the increased access to credit and through a focus on skill formation and improved the status of women. The groups mobilized the community to make recommendations about loan priorities, and also tried to reduce or eliminate child labor and improve the condition of girls.
- Similarly, in Cambodia, local communities developed their own anti-poverty projects. Villagers brainstormed about their problems, they asked questions of officials and expressed their opinions about how best to do things.
- In Bulgaria, self-governing civic organizations increasingly provided vocational training, fostering new businesses, protecting the environment and resolving conflicts.

Provision of basic services and budgetary policies: The way in which public resources are mobilized and spent determines the kind of impact that it has on poverty. A fair and equitable public budgetary policy (relating to expenditure, taxation and government fiscal priorities) can also help to promote economic growth, reduce inequality and make development more pro-poor. Examples of success in pro-poor and participatory budgetary policies can be found in India, Brazil and Uganda.

Bringing about improvements in the quality of life, or reducing the level of deprivation, is a function not only of the resources available but also of the economic and social priorities and policies of government. Reducing the impact of the various dimensions of poverty is possible, even at low levels of income. Government spending on health and education, in combination with other policies that promote equitable growth, is particularly important in addressing poverty. Such social provisioning policies can help:

- reduce the experience of deprivation and poverty;
- increase peoples' productive capacities and possibilities; and
- reduce the amount that government must spend on dealing with the impacts of health or other crises and deprivation.

Countries such as Costa Rica, Cuba, Sri Lanka and Viet Nam and the state of Kerala in India have secured better health conditions, greater reductions in mortality and improvements in literacy over others with similar or greater economic resources. Viet Nam, with a per capita income of \$350, has a lower infant mortality (31 as compared to 60 per 1,000 live births) and higher adult literacy (92.9% as compared to 84.6%) than South Africa, which has a per-capita income of \$3,310.

Mauritius, a small island nation in the Indian Ocean cut its military budget and invested heavily in health and education. Today, all Mauritians have access to sanitation, 98 per cent to safe water and 97 per cent of births are attended by skilled health staff.

Achieving Gender Equity: More women than men live in absolute poverty. Economic crises have often hit them harder. Few of them tend to get fewer skilled jobs, and in situations of growing unemployment they are often the first to lose their jobs. This increases their vulnerability and makes them more susceptible to falling into poverty, a phenomenon referred to as the feminization of poverty.

Yet, as mentioned earlier, experience has shown that investment in girls' and women's education translates directly into better nutrition for the family, better health care and declining fertility. It has also been widely

acknowledged that poverty is unlikely to be overcome without specific immediate and sustained attention to girls' education and women's empowerment. According to one estimate, closing the gender gap in education adds 0.5 percentage points to annual growth in GNP per capita.

National and International targets for poverty reduction: Throughout the 1990s, a series of international conferences on global development issues was held, with the eradication of poverty as a central goal. The World Summit for Social Development in 1995 expanded the context of poverty eradication to include such factors as

- access to basic services
- productive employment
- sustainable livelihoods
- sense of human security
- reduction of inequalities
- elimination of discrimination
- participation in the life of the community.

At the summit, 117 nations pledged that their countries would take steps to eradicate poverty. Following the summit, countries were expected to establish national targets and policies to eradicate poverty. According to UNDP's Poverty Report 2000: "as of 2000, 97 countries (69%) have developed explicit, stand-alone poverty plans, and 40% have incorporated poverty into national planning."

- The five-year follow-up review conference in Geneva in June 2000 recognized that "Since the Summit, globalization has presented new challenges for the fulfillment of the commitments made and the realization of the goals of the Summit ... The growing interdependence of nations, which has caused economic shocks to be transmitted across national borders, as well as increased inequality, highlights weaknesses in current international and national institutional arrangements and economic and social policies, and reinforces the importance of strengthening them through appropriate reforms."

As of now, it appears that with the slow growth in the world economy, and with countries struggling to revive economic growth, there is no prospect for their reaching their poverty targets any time soon.

Targets for a new millennium: In his Millennium Report, Secretary-General Kofi Annan lists ensuring freedom from want as the top-most priority facing humanity today. "We must spare no effort to free our fellow men and women from the abject and dehumanizing poverty," he declares. In the report, he identifies the following seven goals and sets a specific timetable for their implementation:

- By 2015, halving the proportion of people living on less than a dollar a day;
- by 2015, halving the proportion of people who suffer from hunger;
- by 2015, halving the proportion of people who are unable to obtain safe drinking water;
- by 2015, providing primary education to all girls and boys on an equal basis;
- by 2015, have halted—or even reversed—the spread of HIV/AIDS and the scourge of malaria;
- by 2015, reducing maternal mortality by three-quarters and child mortality by two-thirds; and
- by 2020, improvement in the lives of at least 100 million slum dwellers.

But how are such goals to be achieved? The Secretary-General proposes very specific actions that affluent Governments should undertake:

- Grant free access to their markets for goods produced in poorer countries;
- write off foreign debts;
- grant more generous development assistance; and
- work with pharmaceutical companies to develop an effective and affordable vaccine against HIV.

Suggested activities for students

United Nations CyberSchoolBus (for children ages 5-12)

<http://www.un.org/Pubs/CyberSchoolBus/poverty2000/teach.html> Take the UN's CyberSchoolBus. The poverty module has seven units including the introduction and conclusion, with sections on food, health, housing, education, work and economic security. Each unit has four sections: an introduction, a classroom activity, a community service activity and, finally, a resource section with internet sites that offer solutions to the topic or examples of programs and services that are helping people around the world.

- Kids Can Make A Difference® (KIDS), <http://www.kids.maine.org/prog.htm> This website is designed for use by middle- and high school students. It focuses on the root causes of hunger and poverty, the people most affected, solutions and how students can help. Explore the different options and discuss what you think of them.
- Try the "Twenty Questions About Poverty and Development" at the World Bank website. <http://www.worldbank.org/poverty/quiz/index.htm>
- Investigate conditions of poverty in your city. Who are the poor? How did they come to be poor? Where did you find information on poverty. Find out what government and non-governmental organizations are doing about poverty in your city.
- Do an exercise to look at welfare in the United States from the point of view of the working poor <http://www-unix.oit.umass.edu/~folbre/econ105/homewk5.htm> Read: "Making Ends Meet to see -- How Single Mothers Survive Welfare and Low-Wage Work" <http://192.211.16.13/CURRICULAR/labor/ends.html>
- Look into how poverty is reported in the news. Find a story on poverty or poor people in your local newspaper. What is your understanding of poverty based on this story?

For further study:

ILO <http://www.ilo.org/geneva2000>

United Nations: World Social Summit 1995 <http://www.un.org/esa/socdev/wssd/index.html>

United Nations: World Social Summit and Beyond: <http://www.un.org/esa/socdev/geneva2000/>

UNDP/Human Development Reports (HDRs) <http://www.undp.org/hdro/index.html>

UNDP/Poverty Report 2000: <http://www.undp.org/povertyreport>

UNDP/SEPED Poverty website <http://www.undp.org/poverty/>

UNDP/SEPED Resources on Budget Initiatives: <http://www.undp.org/poverty/events/wkshop/budgets/bud-resources.htm>

UNICEF: <http://www.unicef.org>

World Bank PovertyNet <http://www.worldbank.org/poverty/index.htm>

Institute of Development Studies, Sussex, UK 's Eldis Poverty Guide <http://nt1.ids.ac.uk/eldis/pov/pov.htm>

OneWorld Guide to Poverty <http://www.oneworld.org/guides/poverty/index.html>

Oxfam: <http://www.oxfam.org.uk/>

SocialWatch Monitoring progress on commitments

<http://www.socialwatch.org/1999/eng/chartings/base02a.htm>

Poverty Concepts and Measurement:

Review of Poverty Concepts and Indicators (pdf) by Renata Lok Dessallien of UNDP

http://www.undp.org/poverty/publications/pov_red/Review_of_Poverty_Concepts.pdf

Dimensions of Poverty by SocialWatch <http://fp.chasque.apc.org:8081/socwatch/1997/dimpov.htm>

Listening to the Poor and Portraits of Poverty

A portrait of poverty in Oregon

<http://eesc.orst.edu/agcomwebfile/edmat/html/em/em8743/default.html>

World Bank: Voices of the Poor <http://www.worldbank.org/poverty/voices/index.htm>

Saint Peter's College Library: Poverty Research: Taking the side of the poor

<http://www.spc.edu/library/pov3.html>

Poverty Data:

UNDP Poverty Report: <http://www.undp.org/povertyreport>

UNDP/Human Development Report Office: <http://www.undp.org/hdro>

OECD/DAC <http://www.oecd.org/dac/> and <http://www.paris21.org/betterworld/>

World Bank: <http://www.worldbank.org/poverty/data/trends/index.htm>

Poverty & Hunger

The hunger site: <http://www.thehungersite.com/cgi-bin/WebObjects/HungerSite>

Wealth and Poverty: A Hypertext Reading Unit

<http://sunset.backbone.olemiss.edu/~jmitchel/class/contents.htm>