

Chapter I

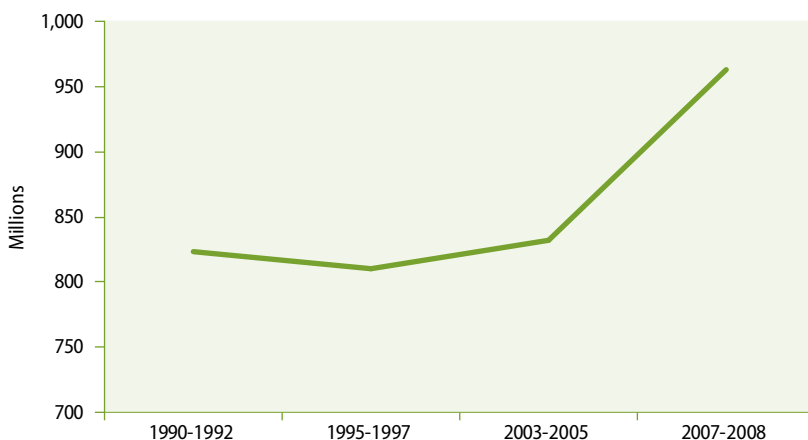
Rethinking poverty: which way now?

Despite remarkable progress achieved since the Second World War, especially in parts of Asia, abject poverty remains widespread in many parts of the world. According to the World Bank's much cited "dollar-a-day" international poverty line, which was revised in 2008 to \$1.25 a day in 2005 prices, there are still 1.4 billion people living in poverty, although this represents a decline from the 1.9 billion in 1981. This figure is higher than the 2004 estimate of 984 million made with the old measure of \$1-a-day.

Poverty is the principal cause of hunger and undernourishment. According to most recent estimates of the Food and Agriculture Organization of the United Nations (FAO, 2009), the number of hungry people worldwide is 963 million (figure I.1), or about 14.6 per cent of the estimated world population of 6.6 billion, representing an increase of 142 million over the figure for 1990-1992. Most of the undernourished are in developing countries. Insofar as the poverty line is supposed to be determined principally in terms of the money income needed to avoid going hungry, the large discrepancy between the numbers for poverty and hunger and especially between their apparent trends becomes a source of rather fundamental concerns about the significance of the measures being used and cited.

Poverty claims the lives of 25,000 children each day. They "die quietly in some of the poorest villages on earth, far removed from the scrutiny and the

Figure I.1
Undernourished people in the developing world, 1990-2008



Source: Food and Agriculture Organization of the United Nations (2008; 2009).

conscience of the world. Being meek and weak in life makes these dying multitudes even more invisible in death” (United Nations Children’s Fund, 2000). About 27-28 per cent of all children in developing countries are estimated to be underweight or stunted. According to 2005 school enrolment data, about 72 million children of primary school age in the developing world were not in school, and more than half of them—57 per cent—were girls (United Nations, 2007b). Nearly 1 billion people entered the twenty-first century unable to read or even sign their name (United Nations Children’s Fund, 1999). About 1.1 billion people in developing countries do not have adequate access to water, while 2.6 billion lack basic sanitation (United Nations Development Programme, 2006).

Poverty and inequality are closely related, and inequality appears to have been on the rise worldwide in recent decades at both national and international levels. More than 80 per cent of the world’s population live in countries where income differentials are widening. The poorest 40 per cent of the world’s population account for only 5 per cent of global income. On the other hand, the richest 20 per cent account for 75 per cent of world income (United Nations Development Programme, 2007).

Extreme poverty does not entail just having unsatisfied material needs or being undernourished. It is often accompanied by a degrading state of powerlessness. Even in democratic and relatively well-governed countries, poor people have to accept daily humiliations without protest. Often, they cannot provide for their children and have a strong sense of shame and failure. When they are trapped in poverty, the poor lose hope of ever escaping from their hard work for which they often have nothing to show beyond bare survival (Singer, 2009).

In recognition of the gravity of the problem, world leaders participating in the 2000 Millennium Summit adopted the United Nations Millennium Declaration,¹ which became the basis for the formulation of the Millennium Development Goals. The overarching goal is to halve world poverty by 2015. The Millennium Development Goals have been elaborated as global time-bound and quantified targets for addressing several key dimensions of extreme poverty, including income poverty, hunger, disease, lack of shelter, and exclusion. Since the importance of poverty reduction was reaffirmed by the General Assembly in 2001, that goal has received the most attention.

Progress in meeting this poverty target is now seriously threatened by the worst financial and economic crisis since the Great Depression of the 1930s, which hit the world before it could fully recover from the sudden surges in energy and food prices. FAO (2009) estimated that soaring food prices had pushed another 115 million people into conditions of chronic hunger in 2007 and 2008 and noted (p. 6) that “The impact is most severe in Africa, where many countries are highly dependent on imported cereals (in some cases for

¹ See General Assembly resolution 55/2 of 8 September 2000.

up to 80 per cent of their dietary energy supplies) and undernourishment is already rife". FAO uses national income and income distribution to estimate how many people have received a level of income that would lead to undernourishment. What applies to these figures also holds for the World Bank's estimates, namely, that figures based on actual surveys of living conditions and on actual nutrition levels can be expected to be higher (Svedberg, 2000).

According to estimates contained in a press release of the World Bank (2009b), the food and energy price hikes in 2007-2008 increased the global poverty headcount by as many as 155 million people in 2008. The World Bank has not revised these estimates following the price declines. While oil prices have fallen precipitously since August 2008, food prices have declined since their early 2008 highs, but remain significantly higher than before the spikes.

The World Bank predicted a contraction of the world economy in 2009 by between 0.5 and 1.0 per cent, which was supposed to add another 60 million people to the ranks of the poor in developing countries. This prediction was based on the World Bank's new international poverty line—\$1.25 purchasing power parity dollars a day in 2005—and on the parametric assumption that a decline of growth by 1 per cent adds 20 million people to the ranks of the poor (World Bank, 2008b; 2009c). As noted in the aforementioned World Bank press release:

New estimates for 2009 suggest that lower economic growth rates will trap 46 million more people on less than USD 1.25 a day than was expected prior to the crisis. An extra 53 million people will be trapped on less than USD 2 a day. This is on top of the 130 million–155 million people pushed into poverty in 2008 because of soaring food and fuel prices.²

The subsequent downwardly revised economic growth/recession forecasts will certainly portray an exacerbation of the situation.

The Department of Economic and Social Affairs of the United Nations Secretariat (United Nations, 2009b) estimates that the drop in per capita income growth in 2009 will slow poverty reduction significantly. Between 73 million and 100 million more people will remain poor or fall into poverty than would have if the pre-crisis growth rate had continued. Most of the impact of this setback will be felt in East and South Asia where between 56 million and 80 million people, about half of whom are in India, are likely to be affected. The crisis is expected to keep from 12 million to 16 million more people in poverty in Africa and another 4 million in Latin America and

2 There is, however, some confusion regarding the projected increase in poverty. In an Op-Ed piece written for *The New York Times*, Robert Zoellick, President of the World Bank, stated that the economic crisis has already pushed an estimated 100 million people back into poverty (Zoellick 2009). If this is correct, then nearly 29 per cent of the gains in global poverty reduction have been wiped out. This estimate is based on claims that since 1997, 350 million people have graduated out of poverty as measured by the poverty line of \$1.25 a day (see Lin, 2008).

the Caribbean. These projections most likely underestimate the true poverty impact of the crisis, as its distributional consequences have not been fully accounted for.

According to estimates by the International Labour Organization (2009a), the global unemployment rate increased to 6.0 per cent in 2008 from 5.7 per cent in 2007, while the total number of unemployed increased by 10.7 million, reaching about 190 million in 2008. Workers at the lower end of the job ladder, including youth and female workers, are more likely to lose their jobs or to suffer income losses. Also, workers are already shifting out of dynamic export-oriented sectors and are either becoming unemployed or moving to lower-productivity activities (which includes moving back from urban to rural areas). In China alone, 20 million workers had been so affected by the end of 2008. These trends are likely to jeopardize poverty reduction in more structural terms as it may take some time before economies readjust and workers can shift back to activities yielding higher remuneration.

Children, especially girls, are expected to suffer major health and education setbacks as a result of the crises. Shrinking household budgets force families to pull children out of school, with girls more likely than boys to be affected. Preliminary forecasts for 2009-2015 indicate that a total of from 1.4 million to 2.8 million infants—700,000 in Africa alone—may die if the crisis persists (World Bank, 2009b; 2009e).

It is clear, therefore, that the global food, energy, and financial and economic crises are reversing the modest progress achieved thus far towards achieving the internationally agreed development goals. In addition, climate change is posing a serious risk to poverty reduction and threatening to undo decades of development efforts. As stated in the Johannesburg Declaration on Sustainable Development (United Nations, 2002b; chap. I, resolution 1, annex), “the adverse effects of climate change are already evident, natural disasters are more frequent and more devastating and developing countries more vulnerable” (para. 13). Although climate change is a global phenomenon, its negative impacts are more severely felt by poor people and poor countries, according to the Synthesis Report of the Third Assessment Report of the International Panel on Climate Change (2001), owing to the economic importance of climate-sensitive sectors (for example, agriculture and fisheries) in those countries, and their limited human, institutional and financial capacity to anticipate and respond to the adverse effects of climate change. Many sectors providing basic livelihood services to the poor in developing countries are not even able to cope with today’s climate variability and stresses.

The fact that prospects for future advancement in terms of poverty reduction are thus in jeopardy will need to be considered at the high-level plenary meeting of the General Assembly on the Millennium Development Goals to be held in 2010. The high-level meeting will review progress and chart the course towards achieving the Goals to which world leaders committed at the 2000 Millennium Summit.

The decision taken by the General Assembly in its resolution 63/302 of 9 July 2009 to hold the high-level plenary meeting reflects its recognition of the need to consolidate achievements and ensure future progress towards poverty eradication. In the same spirit, the Assembly proclaimed the Second United Nations Decade for the Eradication of Poverty (2008-2017) in its resolution 62/205 of 19 December 2007. Thus, the time is right for re-examining the complex issue of poverty in order to learn from past experiences and inform future efforts to eradicate poverty and to ensure the attainment of the Millennium Development Goals—hence, the choice of poverty as the theme for the *Report on the World Social Situation 2010*.

The theme of poverty is in fact intimately linked to the themes of the *Report on the World Social Situation 2005* (United Nations, 2005a) and the *Report on the World Social Situation 2007* (United Nations, 2007a). The *Report on the World Social Situation 2005* focused on growing inequalities around the world, which present a major hurdle for poverty eradication and achievement of the Millennium Development Goals. The *Report on the World Social Situation 2007* focused on the issue of employment. The promotion of decent and productive employment for **all** has been identified as the key instrument for addressing the problem of poverty and inequality. The 2005, 2007 and 2010 issues of the *Report on the World Social Situation* thus all serve as reminders of the commitments made by world leaders at the World Summit for Social Development held in Copenhagen in 1995 and the great efforts that still need to be made to achieve a world free of poverty, hunger and injustice.

Eradication of poverty as a moral and ethical imperative

The eradication of poverty is a moral and ethical imperative, rooted in the principles governing the United Nations. To live a life free from poverty and hunger is one of the human rights and fundamental freedoms enshrined in the Universal Declaration of Human Rights.³ Article 25 (1) of the Declaration states that “Everyone has the right to a standard of living adequate for the health and well-being of himself and of his family, including food, clothing, housing and medical care and necessary social services”. This right is further reaffirmed in the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights.⁴ These human rights instruments acknowledge that human rights derive from the inherent dignity of the human person. Extreme poverty has also been recognized by the General Assembly as a violation of human rights, even of the right to life itself.⁵ Moreover, in the Charter of the United Nations it was determined that

3 General Assembly resolution 217 A (III) of 10 December 1948.

4 General Assembly resolution 2200 A (XXI), annex.

5 See General Assembly resolution 59/186 of 20 December 2004 entitled “Human rights and extreme poverty”.

one mission of the United Nations would be to promote “higher standards of living, full employment, and conditions of economic and social progress and development” through international cooperation (Articles 55 and 56).

The persistence of poverty, especially in its extreme form, flouts the purposes and principles of the Charter of the United Nations. It is particularly worrisome that during periods of high economic growth and global plenty, so many people remain consigned to a life of material deprivation which may end in early death. Of particular concern is the fact that poverty is often associated with unalterable characteristics (such as race and ethnicity) and shocks (such as health pandemics and environmental catastrophes) that are beyond the control of those affected.

Poverty is also a violation of elementary absolute standards of social justice. Social justice emphasizes core principles of non-discrimination and equality, including equal entitlement to fulfilment through exercise of civil, political, economic, social and cultural rights. These principles necessarily give rise to a set of socio-economic priorities that direct the focus of policy to issues of vulnerability, discrimination and segregated development. Social justice requires that everyone should have a minimal standard of living, and that people living in poverty should receive assistance when they lack the means to live lives that affirm their human worth and dignity.

At the World Summit for Social Development, world leaders committed to eradicating poverty through decisive national actions and international cooperation (United Nations, 1996). The Summit emphasized that people are at the centre of development; thus, the ultimate goal of development is both to improve living conditions and to empower people to participate fully in the economic, social and political spheres. It firmly placed the goal of eradicating poverty at the centre of national and international policy agendas, a goal enshrined in resolution 50/107 of 20 December 1995, by which the General Assembly proclaimed the First United Nations Decade for the Eradication of Poverty (1997-2006).

Five years after the Copenhagen Summit, the General Assembly held its twenty-fourth special session in Geneva, which resulted in the adoption of proposals for further initiatives for social development.⁶ Representatives of Governments reiterated their “determination and duty to eradicate poverty, promote full and productive employment, foster social integration and create an enabling environment for social development” (sect. I, para. 5) while reaffirming their “resolve to reinforce solidarity with people living in poverty” (sect. I, para. 10).

At the Millennium Summit, held in New York in 2000, world leaders restated that “men and women have the right to live their lives and raise their children in dignity, free from hunger and from the fear of violence, oppression and injustice” (General Assembly resolution 55/2, para. 6) and that “no

⁶ General Assembly resolution S-24/2 of 1 July 2000, annex.

individual and no nation must be denied the opportunity to benefit from development” (ibid.). They vowed (para. 11) that they would “spare no effort to free our fellow men, women and children from the abject and dehumanizing condition of extreme poverty, to which more than 1 billion of them are currently subjected” and were “committed to making the right to development a reality for everyone and to freeing the entire human race from want”. To this end, world leaders further resolved to achieve the Millennium Development Goals set out in the Millennium Declaration, the first of which was to halve, by 2015, the proportion of the world’s people living on less than one dollar a day and the proportion of people who suffered from hunger.

The commitment and dedication to eradicating poverty as a moral and ethical imperative, as expressed in the Millennium Declaration, were reaffirmed in the 2005 World Summit outcome.⁷ To ensure follow-up of the implementation of major United Nations conferences and summits, including the World Summit for Social Development, the General Assembly decided that the Economic and Social Council should hold annual ministerial reviews to monitor progress towards achieving the internationally agreed development goals, including the Millennium Development Goals.⁸

The commitments and mandates emanating from the major United Nations conferences and summits strongly affirmed the intimate relationship between poverty eradication and the realization of human rights and social justice. They are inseparable goals; not only is eradicating poverty a means to improve the living conditions of people living in poverty, but it is an end in itself.

Growth, inequality and eradication of poverty

A basic lesson to be drawn from successful development experiences is that sustained poverty reduction depends on a fast pace of economic growth. However, the connection between growth and poverty is not a direct one, and the variation associated with the stylized trends that it reflects is a reminder that the impact both of the way in which additional income is distributed and of the features of the employment component matters to poverty outcomes.

The East Asian experience, perhaps the most successful example of rapid poverty reduction in the modern era, confirms that countries with a more equal distribution of assets and income can grow faster than countries with a higher degree of inequality. Higher productivity among smallholders, significant human capital investments, scale economies linked to larger domestic markets and greater political stability are just some of the factors suggested to account for the fact that greater equality coincided with faster growth. Rapid

⁷ See General Assembly resolution 60/1.

⁸ See General Assembly resolution 61/16 of 20 November 2006, entitled, “Strengthening of the Economic and Social Council”, para. 8.

expansion of industrial investment and jobs enabling the absorption of surplus labour leaving the rural economy was also a characteristic feature of this experience (Khan, 2007).

The long-term success of poverty reduction in East Asian countries was not the automatic outcome of the unleashing of market forces. Rather, it rested on the State's forging a social contract in which a nascent entrepreneurial class accepted, in return for State support for socializing investment risk and bolstering profits, some degree of direction with respect to its investment decisions. This contract was designed both to ensure expansion of jobs in labour-intensive manufacturing as a means of absorbing unskilled labour and reducing poverty, and to effect a shift to more technologically demanding activities which were more likely to guarantee continued competitive advantage in the international markets and rising living standards in the future.

By contrast, the Latin American region has been described as being caught in a "vicious circle" of persistent poverty, insecurity and unstable growth, which has been perpetuated by a persistent and widespread tendency to underinvest in productive assets and social capital (Perry and others, 2006). Similar poverty traps have been identified in other developing regions by a growing body of research (Jomo and Baudot, 2007).

Perception of the links among growth, employment and distribution can be obscured where there is an undue focus on levels of extreme poverty. In this respect, the dollar-a-day benchmark may not serve as the best guide to policymakers in respect of their identifying the structural obstacles that hinder growth acceleration and ensuring that faster growth translates into poverty reduction.

Multidimensional nature of poverty

Poverty is not simply a lack of adequate income. It is a multidimensional phenomenon that extends beyond the economic arena to encompass factors such as the inability to participate in social and political life (Sen, 1979; 1985; 1987). In short, poverty is the deprivation of one's ability to live as a free and dignified human being with the full potential to achieve one's desired goals in life. The Programme of Action of the World Summit for Social Development (United Nations, 2006, resolution 1, annex II) characterized poverty as follows:

Poverty has various manifestations, including lack of income and productive resources sufficient to ensure sustainable livelihoods; hunger and malnutrition; ill health; limited or lack of access to education and other basic services; increased morbidity and mortality from illness; homelessness and inadequate housing; unsafe environments; and social discrimination and exclusion. It is also characterized by a lack of participation in decision-making and in civil, social and cultural life (para. 19).

While this characterization is very broad and seeks to capture various dimensions of poverty, it manages to encompass in a balanced manner such aspects as restrictions in opportunities, vulnerability to shocks and social exclusion.⁹ These three aspects combined contribute to a truly multidimensional perspective on poverty.

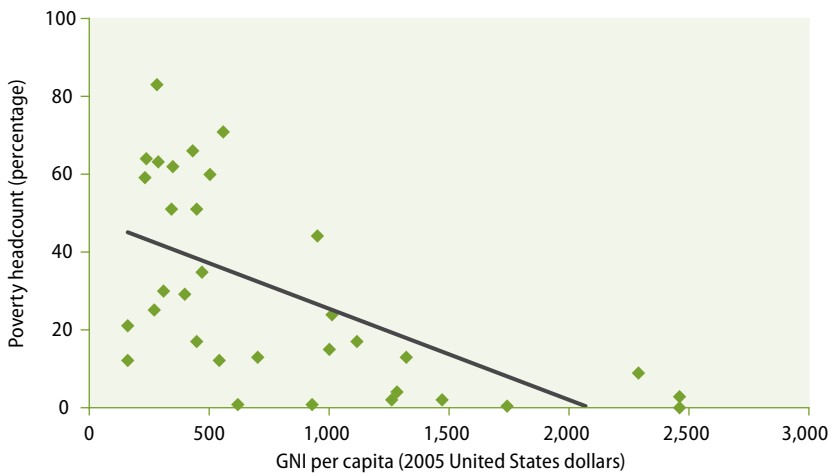
They are not, however, dissociated from issues of growth and income. Indeed, the scatter plot involving several developing countries contained in figure I.2 demonstrates that lower levels of poverty are associated with high per capita incomes.

From the multidimensional perspective, what matters is a focus on the opportunities—such as a set of endowments, access to markets, etc.—that are available to people. If an individual does not possess sufficient endowments or capabilities, such as a basic education, or does not have the opportunity to acquire them, he or she will have a limited ability to escape poverty.

Vulnerability

The concept of vulnerability captures the likelihood that people will fall into poverty owing to shocks to the economic system or personal mishaps. Vulnerability is thus a reflection of economic insecurity. Although poor people

Figure I.2
Gross national income (GNI) per capita and poverty levels
in selected developing countries, 2005



Source: World Bank, Development Research Group (2009).

⁹ The majority of these aspects are reflected in the Millennium Development Goals and their benchmarks and indicators, except for inclusion/exclusion and participation.

are usually among the most vulnerable, not all vulnerable people are poor, a distinction which facilitates differentiation among lower-income populations. Many people not currently living in poverty face a high risk of becoming poor if faced with a change in situation such as job loss or the major illness of a family member. Such individuals, while not poor per se, are highly vulnerable to falling into poverty. In addition, people already living in poverty are vulnerable to being pushed into deeper poverty when faced with mishaps.

Estimates show that a large number of people on the edge of poverty, especially those just above the official poverty line, are economically insecure. If the World Bank's poverty line of \$2 per day is used, instead of its line of \$1 per day, poverty rates rise dramatically in many developing countries, reflecting the extent of vulnerability of their population to small shifts in their opportunity set.

Because commonly used poverty measures are generally fixed in time, they tend to miss this dynamic aspect of poverty. Unlike poverty, which is assessed after the fact, vulnerability "focuses on assessing the extent of the threat of poverty or low well-being, measured ex ante, before the veil of uncertainty has been lifted" (Dercon, 2005, p. 486).

Social exclusion

The approach based on social exclusion focuses on the lack of participation of individuals or groups in society. Certain groups such as women or specific socio-ethnic communities may be excluded from the labour market and education, while others may be excluded from the political process. Hence, analyses of different social groups based on gender, age, religion, ethnicity, geographical location, occupation and health status are particularly important. While this perspective originated in developed countries in the wake of the crisis in the welfare State, it has become prominent in the literature on poverty in both developed and developing countries as a consequence of rising inequalities and concerns about race and ethnicity and the need to promote more harmonious societies (Figueiredo and de Haan, 1998; Buvinic, Mazza and Deutsch, 2004; de Haan, 2007).

Perhaps the real significance of a multidimensional approach to poverty lies in the fact that it allows for an expanded public policy agenda. In many cases where social performance indicators, such as health and education, far exceeded expectations based on levels of gross national product (GNP) per capita, these results were achieved through transformative social policies, for example, in China, Costa Rica, Cuba, Kerala State of India, Sri Lanka and many formerly socialist countries. Those policies, which were holistic, inclusive and universalistic, can provide lessons to developing countries struggling to overcome poverty in its various dimensions. Many of the major social transformations were achieved despite low average income levels. Conversely, many countries that raised average income levels significantly but failed to adopt

a more transformative social agenda remained underperformers in terms of health, education and social inclusion. This highlights the limitations of approaches that are excessively focused on income. The role of poverty lines and narrow Government targeting mechanisms was small in cases where poverty reduction was successful and significant as well as in cases where such reduction did not occur despite significant increases in average per capita incomes.

Renewal and rethinking

Since the adoption of the United Nations Millennium Declaration in 2000, many countries in Africa and Latin America have seen rapid economic growth, often benefiting from higher commodity prices. Most developing countries achieved macroeconomic stability, and their public finances achieved some degree of balance, after two decades of austere adjustment programmes. Global financial markets were awash in liquidity, with investors ready to invest in developing-country debt and equity. Foreign direct investment (FDI) was also rising strongly, especially in resource-rich countries, as mining companies raced to take advantage of higher mineral commodity prices. Strong growth in China and India helped further to bring down global poverty rates, not only in their own economies but also in the economies of their main trading partners. As noted by Addison (2009, p. 174): “For those convinced that economic growth offers the main route to poverty reduction, that the market mechanism works wonders, and that the poor always benefit from globalization, the world looked good.”

However, the optimism started to crumble with the crises in food and energy prices and the current global financial and economic crisis. The dominant growth-based paradigm which underpinned poverty reduction strategies in the past two to three decades has come under serious scrutiny. Further, the World Bank has revised its “dollar-a-day” methodology and its own poverty estimates, but criticisms continue to highlight their methodological problems and the implications of such problems. Thus, controversies about actual trends in global poverty continue, while raising, in the process, serious doubts about the effectiveness of poverty reduction strategies.

The present publication represents a contribution to this debate. Following the review of global poverty trends contained in chapter II, chapters III and IV reflect on broader issues of measurement, with a view to widening the understanding of poverty in its various dimensions. They underscore the fact that the issue of poverty reduction is a great deal more nuanced and complex than the narrow technocratic vision underlying the conventional wisdom. Chapters V to VIII critically examine the conventional policy framework and popular poverty reduction programmes in the context of the persistence of poverty, rising inequality and lacklustre growth performance in many developing countries until very recently. Chapter IX argues that a commitment to eradicating poverty and to enhancing equity and social integration requires persistent ac-

tions directed towards sustainable economic growth, productive employment creation and social development, entailing an integrated approach to economic and social policies for the benefit of **all** citizens. Moreover, it calls for more developmentally oriented and progressive State activism and universalism—as opposed to selectivity—in the approach to social policy.

It is hoped that, through the highlighting of the moral obligation to address poverty as a human right, the temptation to cut social spending will be resisted during the current period of economic hardship. While ultimate responsibility for tackling poverty and climate change lies with national Governments, the developed world must support the efforts of developing countries to achieve the internationally agreed development goals so as to ensure the creation of a peaceful, inclusive and prosperous world free of hunger, indignity and deprivation.