



BULLETIN on the eradication of poverty

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Time to End Poverty

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Microfinance and Poverty Reduction

What impact does microfinance have on the lives of poor people? To what extent should the provision of small loans, savings accounts, microinsurance and transfer services be hailed as a vital part of the development equation? While we have observed the positive effects of this rapidly evolving industry on the lives of poor and low income people, there is still much to learn.

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The impact of microfinance on poverty reduction has been measured in terms of several dimensions, such as improved income, employment and household expenditure, and reduced vulnerability to economic and social crises. These measurements have tended to focus on a specific geographic area, an institution or a small client group and are difficult to generalize or draw conclusions that reach across borders, income levels, gender or socio-economic status.

Even though many of these anecdotal studies clearly support a role for microfinance in achieving the Millennium Development Goals, a key challenge in measuring the impact of microfinance is obtaining reliable data. Sometimes clients are recipients of more than one product, which are provided by more than one microfinance institution (MFIs). For MFIs, it becomes hard to obtain measures on the exact impact of their services and products on their clients' lives. We also do not have the answer to the question of what proportion of the population even has access to credit and savings.¹ The breadth and scope of microfinance hinders researchers' ability to determine who is providing what type of services, at what cost and with what effects. Even if good data may be obtained that allows for some analysis of the impact of microfinance and can guide improvements in MFI management and customer service, some critics contend that the cost and difficulty in designing and conducting adequate and reliable statistical analysis may outweigh the benefits.

Just as determinants of social development are hard to isolate, so are the cross-cutting affects of access to financial services. But the conclusions that may be drawn provide some meaningful insight into the ways microfinance allows poor people to meet their basic needs and guard against unexpected shocks.

In general, it appears that clients who participate in microfinance programmes on a continuing basis eventually

¹. Patrick Honohan. "Measuring Microfinance Access: Building on Existing Cross-Country Data". Prepared for UNDP, World Bank and IMF Workshop on the Access of Poor and Low Income People to Financial Services, October 26, 2004. Available at: http://www1.worldbank.org/finance/assets/images/Honohan_Paper_2004.pdf.

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realize better economic outcomes than non-clients. For instance, in terms of income poverty, there is evidence that access to credit has given many poor people the means to increase, diversify and protect their sources of income. In addition, microfinance institutions in many parts of the world have reported improved food expenditures and employment opportunities among their clients. Access to microfinance has also been found to promote increased expenditures on education and related improvements in health among poor clients and, in this respect, it can enhance human capital in the long term.

Through microfinance, women have become active participants in economic activities. Furthermore, as a result of microfinance, women own assets, including land and housing, play a stronger role in decision-making, and take on positions of leadership in their communities. Some areas have witnessed a shift in values and expectations that affect women's role in society. However in others, women's successful businesses have only added to their burden; women may be bringing in significant money through their work and dedication to their economic activities though this does not always translate into more power in the home; they often work in the market all day and then come home to the same domestic and family responsibilities that are not shared among the male members of the household. Though some studies indicate many loans are extended to women and paid back by women, they are in fact used by men. Thus empowerment cannot be assumed to be an automatic outcome of microfinance programmes, especially given socio-cultural settings where women are extremely "disempowered" to begin with.

It is also necessary to point out that years of research have not extinguished the debate about who exactly benefits from microfinance. Though diversified portfolios that include middle and low-income as well as very poor people seem to support institutional capacity and sustainability, certain studies suggest that some programmes have not been inclusive of the poorest people.² As the path out of poverty is rarely linear, other sets of data point to the importance of targeted assistance in helping the very poor before they can make good use

of financial services. Though there is some concern that official development assistance will be diverted from health, education and clean water projects, helpful interventions that are focused on increasing the incomes of poor people may also range from building infrastructure and opening up new markets for the produce of the poor to providing business development services. As financial services are not right for every situation, it is often these interventions that will create conditions and opportunities for microfinance and not the other way round.

It is also helpful to look at the growth of microfinance within the broader, long-term development picture. By its very nature microfinance serves poor and low income people thus it follows that microfinance institutions are a significant part of the infrastructure necessary for development. Adding to the survival toolkit of the poor who often do not have access to other basic services, microfinance connects this population with little or no assets to productive capital. Thus the relationship to the poor established by these institutions underscores the necessity of sustainable institutions not only because of the value in providing loans, savings, and transfer services, but because they connect poor people to the larger financial system in a country.³ The power of this link is enhanced when a microfinance institution becomes a regulated part of the formal financial system. Yet the real dynamism of these reciprocal relationships is yet to be fully realized as only a small fraction of those who could benefit from microfinance currently have access.

To ensure wide and deep outreach, financial institutions should aspire to operate on a sustainable basis. Without well-managed sustainable institutions, it is very difficult to meet the unmet (and perpetual) demand for financial services. The most important role for Governments and the international community in ensuring an enabling environment where microfinance may flourish is the promotion of better governance and accountability. According to the Consultative Group to Assist the Poor (CGAP), the last few decades have shown that governments are not good lenders to the poor and

2. S. Johnson and B. Rogaly, *Microfinance and Poverty Reduction* (Oxford, United Kingdom, Oxfam, 1997).

3. María Otero. "Bringing Development Back into Microfinance", *Journal of Microfinance* Vol. 1 No. 1 (1999).



Microfinance Glossary

Microcredit is a small amount of money loaned to a client by a bank or other institution. Microcredit can be offered, often without collateral, to an individual or through group lending.

Microfinance refers to loans, savings, insurance, transfer services and other financial products targeted at low-income clients.

Microinsurance is a system by which people, businesses and other organizations make payments to share risk. Access to insurance enables entrepreneurs to concentrate more on growing their businesses while mitigating other risks affecting property, health or the ability to work.

Remittances are transfers of funds from people in one place to people in another, usually across borders to family and friends. Compared with other sources of money that can fluctuate depending on the political or economic climate, remittances are a relatively steady source of funds.

Microsavings are deposit services that allow people to store small amounts of money for future use, often without minimum balance requirements. Savings accounts allow households to save small amounts of money to meet unexpected expenses and plan for future investments such as education and old age.

Inclusive financial sectors allow poor and low-income people to access credit, insurance, remittances and savings products. In many countries, the financial sectors do not provide these services to the lower income people. An inclusive financial sector will support the full participation of the lower income levels of the population.

Microentrepreneurs are people who own small-scale businesses that are known as **microenterprises**. These businesses usually employ less than 5 people and can be based out of the home. They can provide the sole source of family income or supplement other forms of income. Typical microentrepreneur activities include retail kiosks, sewing workshops, carpentry shops and market stalls.

Bankable people are those deemed eligible to obtain financial services that can lead to income generation, repayment of loans, savings, and the building of assets.

Unbanked describes people who have no access to financial services through any type of financial sector organization such as banks, non-bank financial institutions, financial cooperatives and credit unions, finance companies, and NGOs. Implicit in this definition is that financial services are usually available only to those individuals termed "economically active" or bankable.

Source: www.yearofmicrocredit.org



often engage in this activity for short-term political gains.⁴ Governments themselves should not be involved in the costs and pricing of financial products but can play a pivotal role; in general, they provide the legal and regulatory structures that make it possible for financial institutions to decide their own pricing. As some financial sectors may not be mature enough to support institutions that reach out to very poor segments of the population, the governments may also help with targeted assistance to better integrate these people into the economic landscape. The role of governments can easily complement the work of donors, social investors and civil society.

Microfinance means constructing financial systems that serve the needs and demands of poor people and this is a multi-dimensional process that involves many actors. While it is not a panacea to poverty, it has transformed not only people's perceptions of the poor during the last thirty years but also their role in the development process itself.

Avoiding Poverty As An Aftershock of the Tsunami

Reports at the two months mark of the 26 December earthquake and subsequent tsunamis indicated that a "second wave" of death has been averted through quick responses that have addressed the need for clean water and sanitation, prevention of diseases and the provision of shelter and food for those who have lost their homes. Now that the most immediate concerns have been addressed through the coordination of humanitarian efforts, one can not ignore the long term effects that the events will have on poverty in the region. No natural disaster in recent history has directly affected so many people in so many countries with a reversal of the gains made by the rural poor.



Merchants in a central market in Quang Nam, Vietnam. Photo: Adam Rodgers, UNCDF.

But before choices are made regarding the development and reconstruction efforts, it is necessary to look at the nature of the devastation in different areas and assess what type of policies and actions can best mitigate risk in the future.

Addressing the General Assembly meeting in January on the tsunami and the longer term recovery and reconstruction, Secretary-General Kofi Annan said, "We know from experience that the poor always suffer the most enduring damage from such natural disasters, as their assets are often completely wiped out. So we need to focus on longer-term recovery and reconstruction."

According to the UNDP Bureau of Crisis Prevention and Recovery (BCPR), in addition to an early warning system, resources should be devoted to actions that reduce the magnitude of the damage caused by such a disaster.¹

There are certain factors associated with the "dynamics of globalization" that exacerbate the devastation and increase the vulnerability of a population; these include rapid urbanization, unprotected coastlines due to the proximity of tourist establishments to the beaches, environmental degradation caused by harmful agricultural and industrial practices, climate change, and economic trends that affect the rural poor. While hotels attract local residents seeking work, the construction of the hotels themselves has contributed to soil erosion that breaks down the natural landscape that provides protection from the impact of natural hazards. The character of the damage may be exhibited by the difference in the

⁴ See CGAP Donor Brief No. 19: "The Role of Governments In Microfinance" (June 2004). Available at: http://www.cgap.org/direct/docs/donor_briefs/db_19_print.php

¹. "Reducing Risk from Tsunamis: Disaster and Development" at www.undp.org/bcpr/disred/documents/tsunami/undp/rdrtsunamis.pdf



Madagascar: The loan officers from the Microfinance Institution, Association Finaritra, receive reimbursements from clients in Manakara, Madagascar. Nine of the 12 members of this particular group are present. Photo: Adam Rodgers, UNCDF.

in the macroeconomic impact on India and the Maldives. BCPR predicts that the diversified economy of India will allow a much quicker recovery compared to Maldives where the economy is based primarily on fishing and tourism; despite the stark difference in number of deaths, the relative capacity of Maldives for self-renewal and internal capacity for absorption of the damage is virtually nil according to the report. The mission of risk reduction should be a guiding principle embedded in the development efforts.

Though projected levels of foreign assistance have not been finalized, the macroeconomic impact of the disaster will be limited to certain areas and be marginal, according to the Ifzal Ali, Chief Economist of the Asian Development Bank.² However, he warns that without appropriate action, almost two million people could be thrown into poverty by the lingering

effects of the devastation. Where the economic impact will be felt most severely is at the local and community levels as damage is largely confined to rural areas rather than key economic and densely populated urban centres and industrial hubs. Though the region on the whole is relatively well positioned to withstand such a shock after recent economic growth, the ADB report on "Preliminary Damage and Loss Assessment" states, "poverty is potentially the most important effect of this natural disaster."

The ADB assessment finds that the disaster primarily affected private sector activity, destroying many of the assets and undermining activities that support livelihoods. For example, UNDP Sri Lanka reports that over 18,500 fishing vessels were destroyed, almost as much as 80 per cent of the total fleet. As the emergency phase approaches its

2. "An Initial assessment of the Earthquake and Tsunami of 26 December 2004 on South and Southeast Asia" at <http://www.adb.org/Documents/Others/Tsunami/impact-earthquake-tsunami.pdf>

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conclusion, attention must be turned towards the rebuilding of these livelihoods when making the transition from relief to reconstruction.

International Labour Organization (ILO) Director-General Juan Somavia underscores this point by saying, "It is vital that the reconstruction effort involve re-establishing jobs, employment and other forms of economic activity. We need to get people back to work quickly to avoid exacerbating already existing and chronic poverty in many of the affected areas. In addition, we are also concerned over the prospect of prolonged unemployment leading to a serious long-term setback to development."³

Though microfinance should never be used as a substitute for disaster relief in the humanitarian context, microfinance and sustainable financial institutions may play a powerful role in the survival and development of small businesses in affected regions. In addition to the loss of human life and property, livelihoods have been lost while communities as a whole have grown more vulnerable. The momentum of expanding productive employment, as a driver of sustained economic growth, for all sectors of society was slowed by these events. Though short term emergency employment programmes managed by UNDP in association with local governments particularly in Indonesia will provide temporary relief to thousands of families, longer term services that contribute to a durable economic infrastructure and address gender-specific after-shocks are also needed. Loans, savings and transfer services in conjunction with other types of support may help poor and low income people in affected areas provide for their basic needs through income generating activities, create assets and generate employment. The Consultative Group to Assist the Poorest (CGAP) suggests that microfinance institutions (MFIs) customize solutions to fit clients' needs while maintaining a commitment to sustainable operations.

" . . . poverty is potentially the most important effect of this natural disaster." -- Asian Development Bank

While it is important not to stray too far from the organization's mission and true capacity, MFIs may exercise some flexibility in the time following a crisis. In addition to lifting compulsory savings requirements, MFIs may also work to reschedule loans for the hardest hit clients. Each response should fit the unique phase of an affected area; for example, to increase the impact of remittance flows, some banks in Southeast Asia waived the service fee for money transfers, always a source of economic stabilization in times of shock, during the month of January.⁴

Looking beyond the immediate aftermath, MFIs should explore entry into new markets with designs on a sustained presence within affected areas. With closely monitored contact with clients, CGAP also suggests reconstruction and "asset replacement" loans to ensure robust infrastructure development.

Acknowledging that we will never live in a world that is void of natural disasters, recent discussions at the World Conference on Disaster Reduction in Japan in January, sought to better understand what enables people to cope with, recover from and adapt to the risks they face. Expanding the notion of traditional disaster preparedness, it was noted that 80 per cent of the world's population does not have realistic access to life or property insurance. Even if insurance products are available, many poor and small scale business owners are not aware of their potential to mitigate financial losses. Past natural disasters have influenced a few countries to mandate some form of property insurance. After a series of earthquakes, Turkey with help from the World Bank mandated a national home-insurance plan to take some of the burden off of the government in times of crisis. Though this program suits the environment in Turkey, it would not be appropriate in the Maldives, a country where many poor people do not possess land titles. The Conference

3. Statement by the ILO Director-General on the response to the earthquake and tsunami in the Indian Ocean Area, 4 January 2005.

4. More information on sustaining microfinance in post-disaster areas may be found at: <http://www.cgap.org/tsunami.html>.



recommended that further exploration of "financial risk-sharing mechanisms" to suit each economic landscape is warranted either through cooperatives, public-private partnerships, or other innovative arrangements to provide some form protection as part of the social development plan. In his concluding remarks, Jan Egeland, UN Under-Secretary General for Humanitarian Affairs, said that our "our inability to reduce risk will hinder the realization of the Millennium Development Goals." The provision of insurance is just one of many measures that may be taken to strengthen the resilience of communities to disasters.

Though the UN has taken the lead in making certain that there is a global early warning system that covers the Indian Ocean region, the political will of the international community, non-governmental organizations, governments of affected nations, donor countries, and local communities themselves must focus on the long term goal of rebuilding the livelihoods lost to these events in a manner that makes them more resilient to any future disasters.

The International Day for the Eradication of Poverty

The International Day for the Eradication of Poverty was observed worldwide for the twelfth time on 17 October 2004. The Day was observed at UN headquarters with a series of events that were sponsored jointly by the ATD Fourth World Movement and the UN Department of Economic and Social Affairs. The commemoration of the Day was held on the front lawn where people of all ages honoured those who suffer from poverty. Children made presentations, stories were told, speeches made and songs were sung. All had the underlying message of hope, dignity and the unacceptability of poverty in our contemporary societies. During the afternoon, a panel discussion was held on "How Poverty Separates Parents and Children" featuring Marilyn Gutierrez, the author of a study in the Philippines included in the publication "How Poverty Separates Parents and Children: A Challenge to Human Rights"; Njongonkulu Ndungane, Archbishop of Cape

Town; and Elizabeth Gibbons of the United Nations Children's Fund (UNICEF). The panel discussion was preceded by an address from the Permanent Representative of France to the United Nations, Jean-Marc de la Sablière. José Antonio Ocampo, Under-Secretary-General for Economic and Social Affairs, delivered a message and also read the message of the Secretary General to mark the day.



Ceremony on the International Day for the Eradication of Poverty, held near the commemorative stone in honour of victims of extreme poverty with the UN Secretariat Building in the background.



Cooperating for Reconstruction and Rehabilitation in Southeast Asia: A Conversation with Iain Macdonald, Director-General of the International Co-operative Alliance

Iain Macdonald answers questions on the role of cooperatives after the 26 December earthquake and tsunamis. The ICA is an international non-governmental organisation which unites, represents and serves co-operatives worldwide. The major objective of the ICA is to promote and strengthen autonomous co-operatives throughout the world.



1. Do you think that poverty has exacerbated the impact of the disaster?

Yes, as the ILO has recently noted some of the most destructive crises strike amongst the poorest people in the world and as economists around the world have underlined poverty is potentially the most important effect of this natural disaster.

Poor communities have the least capacity to draw on when a disaster occurs. They have the poorest health and few financial resources to help them rebuild their lives, communities and businesses. Also, once the initial relief assistance slows up or stops they have the least access to ongoing resources to enable a sustainable recovery.

2. Both your member reports and updates from FAO and UNDP list extensive damage to the livelihoods of members of fisheries and coastal farming co-operatives, particularly in Malaysia, Sri Lanka and Thailand. What steps can be taken in the affected regions to mitigate the challenges posed by damages to a business, the displacement of workers, or the loss of human capital and assets for income generating activities?

Co-operatives offer a way forward for those coastal communities most affected by the tsunami. The co-operative methodology, based on a democratic

“Co-operatives offer a way forward for those coastal communities most affected by the tsunami. The co-operative methodology, based on a democratic tradition and self help philosophy is ideally suited to the reconstruction stage of recovery.” -- Iain Macdonald

methodology, based on a democratic tradition and self help philosophy is ideally suited to the reconstruction stage of recovery. This means that co-operators in the regions have already been organizing relief efforts, but also have looked within their movements to see how they can start the rebuilding process. Of course they will need help as the damage has been significant and ICA and the international co-operative movement have already started to put together resources both financial and technical to assist. Because of the international character of the co-operative movement with its commitment to global solidarity, a large amount of money and expertise has already started to flow to co-operatives in the affected region.

In addition, the ICA along with a number of its members, other international co-operative organizations and co-operative development partners are currently carrying out detailed assessments in the countries most affected. These efforts are being coordinated to ensure greater effectiveness and equity among those most affected co-operatives.

3. As the damage and the needs are assessed, beyond immediate assistance, how would you describe a role for co-operatives in the rebuilding process? How can cooperatives be used as a reconstruction and development tool in this unique situation? What makes co-ops ideally suited for this?

Co-operatives are ideally suited to help with the reconstruction of devastated communities. They provide a proven

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organisational structure which is there for the long haul - one which is controlled by and focused on the local affected communities. We need to remember that co-ops are owned by their members, so they do not pick up and relocate, but rather continue to serve the people in their local communities. People own and manage their co-operative enterprises so they also decide what is needed and the most appropriate development path.

4. As ICA represents a huge network spanning many different sectors with members in 100 countries, how have co-operatives across borders come together to support those that have been devastated? Have the co-operative movement's core values of self-help and solidarity been leveraged to support the most severely affected people?

The ICA has taken a lead on this issue. It established a global disaster fund and appointed its Director of Knowledge Management to coordinate its reconstruction efforts. It also issued a global appeal to its members and co-operatives throughout the world to show solidarity with the victims of the tsunami. The response has been overwhelming. Co-operatives in most countries have responded very quickly and generously. Appeals have also been started in many countries with very significant sums of money already donated as well as commitments to provide technical assistance. Most co-operatives are focusing their efforts on the reconstruction phase, as outlined above. The ICA is playing a key role in coordinating information flows through its vast global network of members and is helping co-operatives get in touch with ICA member organisations in the most affected countries. It recently participated in a meeting of international co-operative development agencies and United Nations organisations involved in co-operative development in

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Berlin. This meeting convened by the Committee for the Promotion and Advancement of Cooperatives (COPAC) - an interagency committee which the ICA and UN agencies participate - agreed to take a much more coordinated approach to co-operative reconstruction efforts. They agreed that ICA should continue to collect and disseminate information on the reconstruction efforts to ensure the effective impact and reach of the assistance.

5. Do you see a role for co-operatives in the provision of insurance to reduce the impact of future natural disasters?

Yes. Poor communities have the least ability to manage risk. They do not normally have the resources to cover day to day needs, let alone set aside monies for insurance, one very effective way of managing risk. In recent years co-operative and mutual insurers have developed micro-insurance products for very economically disadvantaged people. Such products build on the success of micro-finance approaches of the last decade. ICA's global sectoral organization, the International Co-operative and Mutual Insurance Federation, is very active in the field of micro-insurance.

Worthy of note is the initiative announced by the Sanasa Movement, Sri Lanka in January. It will introduce an All Lanka Mutual Assurance (ALMAO) "Almavo" insurance scheme shortly, which will be a micro insurance scheme. Low income people can start with paying a premium of Rs.50 to get either general or life insurance. It already provides personal insurance and has grown to the extent that it is now collaborating with NTUC Income, Singapore to diversify to other insurance products.

As the Chairperson of the Sanasa Development Bank recently said, "Insurance is a necessity, not a luxury". Certainly the recent tsunami disaster has proven this.

Geneva, 3 February 2005

For more information on the work of ICA, please visit: <http://www.coop.org/>

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The International Year of Microcredit was launched on 18 November 2004 with a full day programme at UN headquarters.

UN Year of Microcredit 2005

Other national and local events took place around the world ranging from panel discussions to theater to documentary films.

The General Assembly proclaimed the year in resolution 53/197 in February 1999 recognizing that microfinance is an extremely important tool in the battle to eradicate poverty. The resolution adopted by the General Assembly (A/RES/58/221) in February 2004 on the Programme of Action for the Year recognized "...the need to facilitate the access of people living in poverty, especially women, to microcredit and microfinance to enable them to undertake microenterprises so as to generate self-employment and contribute to achieving empowerment." Currently women, who have been historically ignored by traditional financial institutions in many areas, make up the majority of clients of microfinance institutions that give them the opportunity to own assets, including land and housing, play a stronger role in decision-making, and take on leadership roles in their communities. Microfinance must be viewed as one of the elements needed for women to access the material, human, and social resources necessary to make strategic choices in her life.

The launch of the Year looked ahead to the future of microcredit and microfinance and seeks to increase public awareness about the reliability of microfinance clients in repaying loans, managing household incomes, building assets and enterprises and contributing to the economy. Given the fact that only a fraction of those that could benefit from financial services currently have access, the opening

observances called for constructing inclusive financial sectors that will better meet the demand and strengthen the powerful but often untapped spirit of entrepreneurship existing in communities all over the world. In many countries, the financial sectors do not provide credit, insurance, remittances and savings products to poor and low income people.

Secretary General Kofi Annan's Message on the Launch of the International Year of Microcredit

18 November 2004

Microfinance has proved its value, in many countries, as a weapon against poverty and hunger. It really can change peoples' lives for the better -- especially the lives of those who need it most.

A small loan, a savings account, an affordable way to send a pay-cheque home, can make all the difference to a poor or low-income family. With access to microfinance, they can earn more, build up assets, and better protect themselves against unexpected set-backs and losses. They can move beyond day-to-day survival towards planning for the future. They can invest in better nutrition, housing, health, and education for their children. In short, they can break the vicious circle of poverty.

If we are to reach the Millennium Development Goals, that is exactly the kind of progress we need to make.

Let us be clear: microfinance is not charity. It is a way to extend the same rights and services to low-income households that are available to everyone else. It is recognition that poor people are the solution, not the problem. It is a way to build on their ideas, energy, and vision. It is a way to grow productive enterprises, and so allow communities to prosper.

Where businesses cannot develop, countries cannot flourish. Let us use this International Year of Microcredit to put millions of families on the path to prosperity.

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Donor agencies spend an estimated US \$800 million to 1 billion per year on microfinance and though comprehensive data is limited, the documented successes of microfinance institutions indicate an inclusive financial sector supports the participation and the economic integration of the lower income levels of the population. Unfortunately donor support to date has often been ineffective in helping to build permanent access to financial services for poor people.¹ Thus better coordination of donor support was one of many mantras repeated both at the launch and microfinance provider and donor trainings around the world.

To underline the importance of inclusive financial sectors and dedicate the Year to microfinance clients, 18 November was launched with the ringing of opening bells at nine stock exchanges by microentrepreneurs around the world from Karachi to Zurich and from Manila to Maputo. The participants in this initiative were all recipients of the Global Microentrepreneur Awards coordinated by Harvard Business School and other graduate schools. In New York, local microentrepreneur award winners attended a ceremony at the NASDAQ market.

The programme at UN headquarters commenced when the lights dimmed for a video message from Secretary General Kofi Annan. He urged those observing the Year to recognize that poor people should be viewed as part of the solution to development and not part of the problem and reminded the audience that microfinance is not charity but a way to extend the same rights and services to low-income households that are available to everyone else.²

Recounting her personal experiences, Titiek Winarti, the Indonesian winner of the Global Microentrepreneur Awards, articulated the need for services catered to women business owners to the crowd of representatives from Member States, the private sector, UN Agencies, microfinance partners and non-governmental organizations who attended the day's program. She had used \$50 in savings to start a textiles cooperative employing handicapped people to

make and export clothes. During this climactic moment of the launch ceremony, Ms Winarti received a standing ovation for her dedication to training marginalized people and for extending employment to these people as she developed her business.

Afternoon panels served to energize debate and focused on gaining a better understanding of the constraints to inclusive financial sectors while another asked the question "Where will microfinance be in 2015?"

At the launch, José Antonio Ocampo, Under-Secretary-General of the UN Department of Economic and Social Affairs (UNDESA), commented, "By viewing poor people as vital contributors to their local and national economies, the International Year of Microcredit 2005 has the potential to unleash a new wave of microentrepreneurship, giving poor and low-income people a chance to build better lives."

The proclamation of the Year can be seen as a culmination of international efforts made in the 1990s, including the World Summit for Social Development in 1995, the Microcredit Summit of 1997, the declaration of the international Year for the Eradication of Poverty (1996) and the International Decade for the Eradication of Poverty (1997-2006) and of course the Millennium Declaration. All of these endeavors have placed the battle against poverty at center stage. To put it in simple terms - the international community has stated clearly what needs to be done: poverty must be eradicated. Figuring out how best to eradicate poverty and marshalling the political will is another matter. There is no one simple solution to eradicating poverty and few believe that economic growth alone will bring prosperity to all. Although growth is an essential factor in all development endeavors, it is not sufficient. Much attention has been given to levels of overseas development aid and the opening of markets for developing countries. Given the fact that very few industrialized countries have reached the goal of donating 0.7 per cent of their GNP and that access to agricultural markets remain severely restricted for most developing countries, the Year

1. <http://www.microfinancegateway.org/content/article/detail/19608>

2. <http://www.un.org/News/Press/docs/2004/sgsm9601.doc.htm>

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highlights one important method in the fight against poverty.

Linking financial services that serve poor people to poverty alleviation and social development, Mark Malloch Brown, Administrator of the United Nations Development Programme (UNDP) called the Year a "unique window of opportunity to ensure that microfinance can truly transform development and offer jobs and business and economic growth at the grassroots in a way which makes it take its proper place as one of the main contributors to achieving the Millennium Development Goals, to the benefit of the world's poor."

The microfinance industry has evolved rapidly during the last 30 years and now more and more commercial banks are leveraging their considerable financial resources and infrastructure and offering financial services to poor people. The market recognition, expansive networks and human resources of these larger banks are starting to help the small, often unregulated institutions to increase the volume of small transactions and the number of clients. With transformation underway in many areas, participants in the day's events discussed what degree of emphasis should be placed on programmes that specifically target the poorest groups. However, mindful of these changes in the industry, Under-Secretary General Ocampo reminds us of the importance of determining "the acceptable balance between the goal of financial sustainability, on the one hand, and the urgent need to improve the lives of billions of poor people still living in poverty, on the other."

Central themes highlighted throughout the launch day were the need for more efficient donor support to help to build permanent access to financial services for poor people, the facilitation of reforms in the legal and regulatory environment to enable poor people to benefit from more economic and employment opportunities, and the importance of innovative approaches and private sector partnerships.

One way to address these goals is to collect and analyze hard data on the state of microfinance: its availability by region, client profiles, and types and

quantities of services offered. Estimates of the number of current of poor people who are microfinance clients range from 70 million to 700 million. Many of the impact studies are organization or region specific and sometimes do not adequately capture people who receive different financial products from multiple institutions. As part of the Year's activities, a Data Project will bring together expert statisticians and researchers from the Bretton Woods Institutions and the UN, in collaboration with governments and the private sector, to address current data gaps, anticipate future needs, and build agreement on the best way forward for donors, private investors and practitioners.

For additional information on the International Year of Microcredit 2005, please visit: <http://www.yearofmicrocredit.org/> or contact Sarangerel Erdembileg at the Department of Economic and Social Affairs, tel: (212) 963-4720, e-mail: erdembileg@un.org

Fazle Hasan Abed Receives UNDP Human Development Award

"Microfinance can make the difference between hope and despair for billions of people living in dehumanizing poverty," says Fazle Hasan Abed, founder of the Bangladesh Rural Advancement Committee (BRAC), Advisor to the International Year of Microcredit, and winner of the 2004 Mahbub ul Haq Award for Outstanding Contribution to Human Development.¹

Abed received the UNDP Award on 15 December at the New York Historical Society in recognition of his extraordinary achievement in combating hunger, disease and illiteracy among the rural poor in Bangladesh. The winner of the biennial Award is selected by a panel of judges according to the following criteria: a commitment to a participatory human development process as part of a policy agenda, responsibility for the active implementation of initiatives, and leadership. Abed was awarded this distinction for his work with some of the most destitute people in one of the world's poorest countries.

"The goal of human development is to put people back at the centre of the development process," said

1. <http://hdr.undp.org/aboutus/nhdr/awards/>

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UNDP Administrator Mark Malloch Brown, who hosted the proceedings along with Mistress of Ceremonies Juju Change, the "20/20" reporter and Emmy Award-winning correspondent for ABC News. "It is about expanding choices for people, to enable them to enjoy long and healthy lives, knowledge, fair access to the resources and the ability to participate in the life of the community."

A former Shell Oil executive, Abed founded BRAC in 1972 to assist refugees returning from India after Bangladesh's Liberation War. After the relief work was finished, poverty and vulnerability remained. He then expanded the organization to provide services to people affected by extreme poverty, discrimination and exploitation.

BRAC, now the largest NGO in Bangladesh, has disbursed over US\$2 billion to women in Bangladesh who have little or no income earning opportunities. About a third of Bangladesh's population lives at an extreme level of poverty. One BRAC program that has attracted considerable attention is the Income Generation for Vulnerable Groups Development program (IGVD). IGVGD is a collaborative food security intervention jointly led by the government of Bangladesh, the World Food Program (WFP) and BRAC. It has provided food and grain assistance and savings and credit services to nearly a million participants over a ten-year period. Two thirds of these women have 'graduated' from absolute poverty to become microfinance clients and have not slipped back into requiring government handouts. BRAC has structured its safety net programs in a way that effectively separates the social services and business advice (such as training courses) from the provision of actual financial services; the food assistance and training costs are provided by the World Food Programme and the government of Bangladesh while the savings and credit are provided by the standard microfinance programmes. A large majority of the IGVGD members continue to borrow increasing their loan size over time so any subsidies paid to cover the initial cost of small loans are eventually recouped. This innovative program shines as one that has contributed to a change in the perception of poor people so they are accurately viewed as savers,

investors, and good clients who repay their loans on time.

Speaking about how the programme addresses the development challenges unique to Bangladesh, Abed explains, "Indeed, before the IGVGD, a large majority of the extreme poor that received food assistance failed to show any sustainable improvement in their lives after the food assistance was over. This is where the IGVGD approach adds value. It makes use of the window of opportunity provided in the lives of the extreme poor through food assistance to start building the foundations for sustainable livelihood-- through savings, training on building income generation skills, making them aware of their rights, and gradually including them within the fold of microfinance."²

IGVD addresses what Abed calls the "nutrition trap", where low levels of food consumption lead to poor health, high morbidity, and an inability to meaningfully participate in the labour market. This situation for extremely poor people has adverse intergenerational effects with malnourished children who have little or no education, in effect, perpetuating the cycle of poverty. Research has shown that chronic hunger can impede national economic growth in the long run.

In addition, BRAC's educational efforts have helped Bangladesh increase the number of children who complete primary schooling from 55 per cent to 85 per cent within two decades. BRAC's efforts in healthcare have made a significant contribution to Bangladesh's achievement of the fastest decline in infant mortality rates in Asia. In recognition of this and other programs, BRAC was honoured with the prestigious 2004 Gates Award for Global Health in June 2004.

At the opening of the International Year of Microcredit just a few weeks prior to the awards ceremony, Under-Secretary General José Antonio Ocampo touched on the merits of social protection linkage programs such as BRAC's by saying, "Sometimes the very poor could be better served with targeted assistance, or a combination of loans with assistance or capacity training skills. Of late, savings mobilization strategies increasingly promoted by microfinance have helped the poor to compensate for

2. http://www.uncdf.org/english/microfinance/newsletter/pages/Oct_2004/index.php



MESSAGE OF THE SECRETARY-GENERAL

17 October 2004 International Day for the Eradication of Poverty



Next September, world leaders will gather at UN Headquarters for a high-level event to review progress in implementing the Millennium Declaration they adopted in 2000. But even now, well before that event, we already know that a major breakthrough will be needed if the eight Millennium Development Goals derived from the Declaration are to be met by the target year of 2015.

There have been some notable advances and cause for hope. The goals have transformed the practice of development cooperation. The broad consensus around a set of clear, measurable and time-bound goals has

generated unprecedented, coordinated action, not only within the United Nations system, including the Bretton Woods institutions, but also within the wider donor community and, most importantly, within developing countries themselves.

In terms of actual progress towards the goals, the data available so far suggest that developing countries fall into three broad groups. The first, comprising most of Asia and Northern Africa, is largely on track to meet the target of halving extreme poverty and to achieve many of the social targets. The second, mainly in West Asia and Latin America and the Caribbean, has been making good progress towards some individual goals, such as achieving universal primary education, but has been less successful in reducing poverty. The third group, largely comprising countries in sub-Saharan Africa but also least developed countries in other regions, are far from making adequate progress on most of the goals.

Intent as we are on drawing up a solid statistical picture of our gains and shortfalls, let us also remember that our concern is not numbers but individuals: young people at work and out of school, children orphaned by AIDS and other preventable diseases, mothers who die in childbirth, communities affected by environmental degradation. It is well within our power to overcome these and other terrible manifestations of poverty and underdevelopment.

Ten years from the target date, the goals remain feasible and affordable. But we need a quantum leap in aid, debt relief and trade concessions on the part of developed countries as expressed in goal number eight. And we need similarly dramatic changes on the part of developing countries to retool their development programmes. On this International Day for the Eradication of Poverty, I urge all countries to uphold their responsibilities. And I urge the world's leaders to make next year's high-level event not just a simple stock-taking exercise, but an occasion on which we inject new political energy into an effort that is crucial for the world's future security and well-being.



Fazle Abed Receives Mahbub ul Haq Award for Outstanding Contribution to Human Development from Mark Malloch Brown.

uneven income streams and as insurance against emergencies. Often, financial services for the poorest are different from the financial services for the less poor. The target market will determine the range of microfinance products to be offered."

For more information on the Human Development Awards, please visit:
<http://hdr.undp.org/aboutus/nhdr/awards/>

World Aids Day: Challenging Gender Inequality to Fight HIV/AIDS

World AIDS Day was celebrated across the globe on 1 December. Originally declared by the World Health Organization in 1988, the yearly event celebrates the accomplishments of the battle against HIV/AIDS and is used to highlight some of the steepest challenges. Since the first World AIDS Day, over 25 million people have died of AIDS, most of these in their most productive years weakening, families, communities, and halting economic growth through the depletion of human capital all over the world. But as the face of AIDS is increasingly young and female, this World AIDS Day centred on the lack of information and the lack of power women have in many societies to keep themselves safe.

UNAIDS periodically launches campaign themes to bring into focus the remaining hurdles and for the

December events the current World AIDS Campaign theme was unveiled, "Women, Girls, HIV and AIDS." Previous themes have focused on AIDS-related stigma and discrimination. The annual AIDS Epidemic update which reports on the latest developments of the global epidemic, also pointed to serious gaps in the response to protect women from AIDS.¹ The report cited a dearth of information about AIDS evidenced in a UNICEF study that found up to 50 per cent of young women in high-prevalence countries did not know the basic facts about AIDS. But the high infection rates are also due to ineffective strategies that do not address gender inequality or the epidemiological realities of the epidemic. Current prevention programmes are not having their desired effect because they assume an idealized world in which everyone is equal and free to make empowered choices and "do not take into account the gender and other inequalities that shape people's behaviours and limit their choices."

UN Secretary General Kofi Annan hailed women as the "most creative and courageous champions in the fight against HIV/AIDS". He went on to say that "AIDS makes the poverty trap even easier to fall into, and even harder to break . . . it is because society's inequities put them at risk." The central message of his speech addressed the need to transform relations between men and women at all levels of society to remedy the current situation caused by lack of information, social exclusion, abuse, violence, men having several concurrent sexual relationships, and coercion by older men. The Secretary General went on to say that change can not be brought about through piecemeal actions but instead through comprehensive and far-reaching changes that include the education of girls, legal and social reforms, and greater awareness and responsibility of men. For women, AIDS makes the effects of poverty more acute and can often exacerbate the inequalities that often exist as a root cause of poverty.

Both poverty and AIDS disproportionately affect women in sub-Saharan Africa (about 60 per cent of infected people and a staggering 76 per cent of females ages 15-24); girls are often taken out of school when a

1. See <http://www.unaids.org/wad2004/report.html>

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family is affected by AIDS to act as caregivers or contribute to the household income.

UNAIDS director Peter Piot commented that one approach, what is known as the ABC approach -- Abstinence, Be Faithful, and Use Condoms -- is inadequate in settings where gender inequality is pervasive because it does not address the difficulties encountered by women in negotiating condom use and in choosing when, and with whom they have sex. Without prevention strategies that fit the realities of women's lives, women become more vulnerable to HIV/AIDS. For example, the Epidemic Update also cites surveys that have shown in some parts of the world as much as 24 per cent of girls report their first sexual experience to be marked by coercion. This fact underscores how a programme like the "ABC Approach" may be highly ineffectual in some areas. Though violence against women invades every economic level and social strata, Ms. Yakin Ertürk, UN Special Rapporteur on the subject acknowledging the interconnection between women's human rights and HIV/AIDS, has called for the development of strategies to respond to violence against women at the trans-national, national, community and individual levels. A special session on HIV/AIDS spotlighting violence against women will feed into the UN Special Rapporteur's report to the UN Commission on Human Rights in March and April 2005.

Further exploring the nexus of human rights abuses, HIV/AIDS risk and poverty for women, Piot pointed out in his speech that women who are economically self-sufficient are less vulnerable to HIV which emphasizes the imperative for legal and social reforms highlighted by Secretary General Annan, specifically laws that make domestic abuse illegal and treat rape, including rape within marriage, as a crime deserving of severe punishment.

Other speakers on World AIDS Day reiterated that such actions will not only further empower women and reduce the impact that the epidemic has on women and girls but will also slow the spread of HIV/AIDS among the total population. The cycle of new infections must be broken as communities of all income levels

consistently struggle to cover the cost of care and treatment.

Poverty in areas of high prevalence may prove to be lethal if there are few to no economic opportunities. A December 2003 Human Rights Watch report entitled, "Policy Paralysis: A Call for Action on HIV/AIDS-Related Human Rights Abuses Against Women and Girls in Africa" tells how women and girls in regions with unequal property and inheritance laws, though understanding the risks, may still resign themselves to engage in sex in exchange for money or food. A Kenyan girl is quoted in the report saying, "I may have to go into prostitution, and then I know I will get HIV and die; I would rather have a real business, but it is not easy."²

The report also mentions the enduring custom of a payment of bride-price upon marriage as a



mechanism that tightens men's control over women and property. In fact, in some countries women remain legal minors even after marriage reducing women's economic security and ability to escape abusive relationships. Bias, discriminatory customs, ineffective courts and women's lack of knowledge concerning their legal privileges all contribute to the abuse of women's property rights that may leave HIV/AIDS survivors and caregivers destitute.³

The stigma that women with HIV/AIDS experience only adds to the discrimination they encounter in the domains of the workplace, inheritance and land ownership. For example in Kenya, women with AIDS often quickly slide into poverty as they are evicted from their homes and their land is seized after the death of their husband. They are often without legal recourse to guard against economic shocks of AIDS in their households and the gender dimensions of loss. The Human Rights Watch report recommends that governments prohibit application of customary law or local practices that undermine women's rights, specifically property rights, that affect their assets and

2. <http://www.hrw.org/reports/2003/africa1203/>

3. <http://www.hrw.org/campaigns/women/property/factsheet.htm#4>



Women and HIV/AIDS

- Since 2002, the number of women living with HIV/AIDS has increased in every region. East Asia has experienced the sharpest increase with 56 per cent in two years followed by Eastern Europe and Central Asia with 48 per cent.
- In many parts of the world, marriage and long-term relationships do not protect women from HIV. In a study in Zambia, only 11 per cent of women believed they had the right to ask their husbands to use a condom - even if he had proven himself to be unfaithful and HIV positive.
- As their time is absorbed by carrying out care duties, women's opportunities to advance their education, achieve some financial independence through income generation, or build skills can fade. Entire families are affected when women are diverted from their productive tasks.
- Possible options for resolving care economy issues include: cooperative day care and nutritional centres that assist women with their workload, nutritional and educational assistance for orphans, home care for people living with or affected by HIV, labour sharing and income generating projects, and improving rural households' access to labour, land, capital and management skills.
- Looking ahead, women should constitute at least half of the millions of people who gain access to antiretrovirals, to reflect the global distribution of HIV by gender which is roughly 50-50. Communities also need to overcome barriers to women being tested for HIV and eliminate any risk of violence they face if they are found to be HIV positive.

Source: UNAIDS AIDS Epidemic Update December 2004
<http://www.unaids.org/wad2004/report.html>

ability to seek care and treatment if needed.

In addition to legislative reform and gender equality legislation, access to education, employment and microfinance can mitigate the desperation felt by people affected by the epidemic and provide additional choices so dangerous decisions are not made and gender-based abuses that fuel the spread of HIV/AIDS are not

committed. Enshrined in the Declaration of Commitment on HIV/AIDS which emerged from the UN General Assembly Special Session in 2001 is the call to integrate HIV/AIDS care, prevention, and treatment into development and poverty reduction strategies.

Dr. Peter Piot concluded his speech in honour of World AIDS Day by saying that only with a better job of preventing HIV among women and girls, "we can ultimately get ahead of the epidemic and save millions upon millions of lives."

For more information, please read the International Guidelines on HIV/AIDS and human rights published by UNAIDS and the UN High Commissioner for Human Rights (OHCHR).⁴

Creating Youth Employment: The Nairobi Conference on Urban Young People in Africa

Children and youth represent the largest potential for the human and social development of their countries. Though youth represent one quarter of the working age population between the ages of 15 and 64, they made up as much as 47 per cent of the total 186 million people out of work worldwide in 2003.¹ The bleakest picture is in sub-Saharan Africa where the share of youth unemployment in total unemployment reaches as high as nearly 80 per cent of total unemployed in some countries. In the 1990's both sub-Saharan Africa and North Africa recorded the world's highest youth unemployment and total unemployment rates; in South Africa the rate is 55.8 per cent. Yet, the severity of the youth unemployment situation is understated because many of these young employed people are underemployed and limited statistical data do not capture an accurate snapshot of youth poverty.

In the Millennium Declaration adopted by the General Assembly in September 2000, heads of State and governments resolved to "develop and implement

⁴http://www.unaids.org/en/in+focus/hiv_aids_human_rights/international_guidelines.asp

¹ Global Employment Trends for Youth, 2004, International Labour Office, Geneva, 2004 at www.ilo.org/trends

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strategies that give young people everywhere a real chance to find decent and productive work." Defining youth as persons between the ages of 15 and 24, the Secretary-General of the United Nations, together with the heads of the World Bank and the International Labour Organization, launched the Youth Employment Network (YEN) to pursue this goal. The Secretary-General convened a High-level Panel of the Network, comprised of twelve eminent persons drawn from leadership positions in private industry, civil society and economic policy, to advise him on strategies and policies to achieve the Millennium Development Goal for youth employment. The high level panel has put together a set of recommendations for policy makers to achieve decent work for young people.² The guidelines are also meant to assist in the preparation of the national reviews and action plans on youth employment called for by the UN General Assembly Resolution on Youth Employment (A/57/165) which also encourages Member States to involve youth organizations and young people in this process.

According to the panel's report, Africa is the region where the share of youth is the highest (20.3 per cent in 2000) and the only region where this share has been growing in recent years. Thus in June 2004 the UN Division for Social Policy and Development in collaboration with UN-HABITAT and the Youth Employment Network held an expert group meeting and youth roundtable on "Strategies for Creating Urban Youth Employment: Solutions for Urban Youth in Africa" in Nairobi, Kenya. Topics of the conference ranged from employment as a reintegration strategy for urban youth at risk to data collection to the promotion of community based enterprises. Drawing upon a selection of national and regional experiences, the week-long meeting examined new trends in youth unemployment, identified obstacles for creating jobs, provided policy recommendations to achieve current poverty reduction goals, and reviewed the role the UN system can play in the process.

Quality of employment was included in the discussions as in some countries it is estimated that only

5 to 10 per cent of new entrants into the labour market can be absorbed by the formal economy. The bulk of new jobs are generated by the informal economy, sometimes referred to as a "necessary survival strategy", where there is often little respect for the rights and legal protections of workers and where youth often work for long hours with low job security and low pay; wages are estimated to be 44 per cent below the formal sector while the working conditions are generally more perilous.

In comparison to older workers, the difficulties for youth rest largely on a lack of experience, lack of voice, a tough transition from school to the job market, and the obstacles to those not already employed posed by labour protection regulations. Though this trend is starting to change, historically young people are not well represented in political parties or trade unions and thus do not find adequate channels to be heard. Moreover, where vocational education and training is available, the curricula of these programs do not reflect current labour demands thus the acquisition of additional skills may involve extra costs to employers. Ways to improve the disadvantaged position of youth within the labour market were also discussed in Nairobi. Even with better training programmes, policy makers fear that the most disadvantaged youth will be left out.

Obstacles to improving the prospects for decent and productive employment may have dire consequences for young people making them more vulnerable to poverty, social exclusion, and personal frustration, as well as to crime, drug abuse, violence and HIV/AIDS. During a February 2005 open debate in the Security Council regarding security issues in West Africa, Secretary-General Kofi Annan commented, "Youth unemployment levels are shockingly high, and the accompanying desperation carries a real risk of political and social unrest in countries emerging from crisis, and even in those that are currently stable." Thus the problems facing youth are not only a challenge for the personal development of young people but for national and regional stability.

Though the current youth population is the most highly educated and trained group ever, they are still

²<http://www.ilo.org/public/english/employment/strat/yen/download/guidelines.pdf>.



viewed as risks both by employers and mainstream financial institutions. A participant from South Africa mentioned the formal banking system was not responsive to the needs of youth business creation. He suggested that perhaps a new sector could be created to fill this gap with government support to foster entrepreneurship among young people. Government and private sector assistance in the creation of new businesses should be a major focus of the policy discussions according to the Youth Employment Network, as this strategy may particularly benefit young women who have much higher rates of unemployment than young men and often occupy the lower echelons of the informal sector.

According to the unemployment trends examined in Nairobi, one may conclude that whatever is said about youth in general applies double for young women.³ The disadvantaged position for women is more pronounced while the structural barriers to the creation of employment are more deeply entrenched.

In March 2004, the International Labor Organization (ILO) released Global Employment Trends for Women. The main conclusion of the report is that the global female unemployment rate is significantly higher than the male rate. The regions where the female rates showed the most differentiation with those of men were Latin America and the Caribbean and the Middle East and North Africa. Though unemployment and labor force participation rates vary by region, in all regions the challenges for young women (under age 24) to find work are steepest.⁴ Better jobs for women not only result in the transfer of financial resources over time but also translate into improved family welfare, the reduction of child labour, and a better point from which to confront gender inequities.

The spotlight shining on the growth of youth focused initiatives is fairly new. Perhaps this is because data on poverty estimates do not accurately capture youth. One reason for this under-representation of youth is a static definition of poverty and the methods used to measure it. The current definition tends to focus on

persistent poverty among the long term poor often caused by entrenched structural, social or economic factors such as location or access to education or health. This kind of poverty is relatively easily measured in household surveys but will inevitably miss out on many young people, many of whom have no fixed accommodation.

Instead, youth poverty is situational and prone to short term durations rather than as an inherited status. There are times when one is struggling to develop a steady source of livelihood or when one is supporting young children. A more dynamic definition of poverty that captures the lifestyle fluctuations common among young people is of course difficult to measure but will provide a more thorough understanding of youth poverty and can, in the long run, better inform policy makers.

Even though the January publication of the UN Millennium Project Report to the Secretary General highlights youth unemployment as increasing in every region of the world, youth employment is often assigned a marginal place in national economic policy with little emphasis placed on the poorest communities.⁵ The international community will continue to discuss the creation of human development and productive jobs for youth this year as part of the comprehensive approach to poverty eradication at the five year review of the Millennium Development Goal to halve poverty by 2015.

The Commission for Social Development: A Ten Year Review of the Copenhagen Declaration

The Commission for Social Development, a functional commission of ECOSOC, is the key UN body in charge of the follow-up and implementation of the Copenhagen Declaration and Programme of Action. February 2005 marked the 10 year review of these commitments as the Commission met at the ministerial level to assess the progress made in fulfilling the pledges. Continuing the Commission's close relationship with civil society, sessions were open

3. <http://www.ilo.org/public/english/employment/gems/action.htm>

4. <http://www.ilo.org/public/english/employment/strat/stratprod.htm>

5. Page 23 at http://unmp.forumone.com/eng_high_res/TF1-overview-engHighRes.pdf

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to non-governmental organizations that also held a forum one day prior to the formal sessions.

In the General Assembly Hall at the opening of the high level segment, United Nations Deputy Secretary General Louise Fréchette said that Governments had to put people at the centre of their development policies because "relying on market forces will not, on its own, achieve major development gains."

Stressing a broad vision of development that includes the central goals of poverty eradication, the promotion full employment and fostering social integration supported by the necessary reforms and resources, she went on to highlight the importance of addressing "this 'implementation gap,' particularly by strengthening the global partnership for development" within the focus of the Millennium declaration in the year ahead.

In Under-Secretary-General for Economic and Social Affairs José Antonio Ocampo's opening remarks, he mentioned the growing consciousness of Member States of the intrinsic nature of "equality of rights, conditions, and opportunities" to social development policies culminating in the inclusion of some of these goals in the Millennium Declaration. Though there is still much progress to achieve, it is only through principles that people are able to participate in society as citizens, exercise their entitlement to resources, and contribute to the well being of themselves, their families and their communities.

Both Fréchette and Ocampo said the 10 year review reveals a mixed record. To better share what has worked to eradicate poverty on the national and regional levels, H.E. Ms. Ana María Romero-Lozada, Minister of Women and Social Development of Peru chaired a panel moderated by Professor Kaushik Basu of Cornell University.

Over 40 Member state delegations and 5 UN agencies participated in the Roundtable discussion on three broad themes: the root causes of poverty, the comprehensive approach to poverty, and the international environment.

"Chronic poverty isn't reported on the nightly news, but it is the story -- perhaps the most pressing story -- of our time", said Professor Kaushik Basu of Cornell University, said in his opening remarks. He warned that the persistent character of the multi-dimensional problem of poverty should not become an "alibi" or an excuse to do nothing. He also pointed out that the extreme income inequalities in the world are a stark reminder of the urgent need to find real, workable solutions to reduce these disparities in wealth, the constraints that engendered them, and hear the interests of the marginalized poor that have remained "voiceless".

Noting that 92 per cent of the world's poor lived and worked in rural farming communities, Professor Basu wondered whether the agricultural sector could support all these people and suggested that merely boosting agricultural subsidies would not be enough to improve their overall livelihoods. He went on to say that crop growing touched on industrial, manufacturing and distribution sectors, thus structural adjustments would be needed across the broader spectrum in order to spur and maintain socio-economic growth and development.

Root causes of poverty

Professor Basu categorized the wide-ranging root causes of poverty into three broad groups: unequal distribution of assets; insecurity and vulnerability; and social exclusion and powerlessness. Participants shared how these persistent root causes need to be addressed by national poverty eradication strategies.

High unemployment rates and lack of access to productive resources such as land, credit, market and information limit the productive capacity of the poor. At the same time, lack of access to basic services, such as education and health care, limit the opportunities available to poor people. Social exclusion and lack of voice prevent poor people from fully participating in decisions that affect their lives. The vulnerability and insecurity of poor people is magnified by weak social



protection programmes, and exacerbated by long-term civil conflict and breakdown of the rule of law. In many poor countries, specifically in sub-Saharan Africa, the HIV/AIDS pandemic as well as the "brain drain" stymie national efforts to eradicate poverty by depleting the labour force and diverting valuable resources away from economic and social development. Speakers from all regions addressed the feminization of poverty and the importance of education in poverty reduction.

Responses to the root causes of poverty should be not just at the level of individuals directly affected by poverty but be the collective responsibility of governments, international organizations, civil society and other partners. In this regard, volunteerism and social mobilisation can be powerful partners in the fight against poverty.

Many delegations shared their good practices in tackling the root causes of poverty. These included the role of governments in the redistribution of assets and in asset building. Speakers from Latin America and the Caribbean drew attention to the relationship between the unequal distribution of land holdings and poverty especially regarding the plight of small farmers and the landless poor, particularly in indigenous communities.

Comprehensive approach to poverty

As part of the establishment of national goals and targets to reduce poverty, special was placed on promoting agriculture and sustainable rural development, improving access to education and health, social protection and other social services, targeting the needs of vulnerable and disadvantaged groups, and promoting employment opportunities. Furthermore, empowering people living in poverty, improving access to productive assets, reducing social exclusion and vulnerabilities of disadvantaged groups, and ensuring gender equality at all levels should be at the centre of a comprehensive approach to poverty.

Specifically addressing the feminization of poverty, it was noted that the gender dimension deserves special attention because it is well-documented that female-headed households are more likely to be poor.

" . . . relying on market forces will not, on its own, achieve major development gains." --UN Deputy Secretary General Louise Fréchette

As the creation of productive employment and generation of adequate income are essential for reducing poverty, the low level of employment creation, especially for young people, is among the most serious obstacles in reducing poverty.

International Environment

The Roundtable agreed that it should be recognized that poverty exists in both developed and developing countries and that the international community needs to assume collective responsibility for eradicating poverty. In the past, this collective responsibility has strongly surfaced in times of emergency, such as in the aftermath of the financial crises of the past 15 years or in the aftermath of some natural disaster. However it is necessary that the global commitment to address poverty be sustained over the long term.

This commitment can take the form of relieving the debt burden of the poorest nations, innovative partnerships between regions and countries, and the sharing of information and best practices for poverty eradication. Consultation with the private sector may also be an integral part of the efforts to alleviate poverty while stimulating more balanced growth across sectors.

The Roundtable noted that many Member States have instituted policies and laws that ensure government transparency and accountability. There was agreement that while these steps are welcome at the national level, these good practices should also be reinforced at the regional and international levels, through the United Nations system and the mechanisms of regional bodies, to ensure durable democratic practices that increase the political and



economic participation of all segments of society.

The following recommendations emerged from the discussion:

- There should be collective responsibility for poverty eradication both at the national and global levels;
- The comprehensive approach to poverty eradication as agreed to in Copenhagen should form the basis of the approach to address the Millennium Development Goal to halve poverty by 2015;
- Economic growth is necessary but often not sufficient for poverty eradication, and social policy should be integrated into macroeconomic policies;
- " Strategies and policies for the eradication of poverty should take into account the gender dimension of poverty, particularly the feminization of poverty;
- Many countries still face debilitating debt burden and more effort should be made to address this issue, particularly through debt cancellation, in order to allow countries to redirect their scarce resources to social expenditures;
- Increased international and bilateral cooperation should be expanded, including the transfer of technology and the sharing of experiences and good practices for poverty eradication;
- The promotion of good governance and the rule of law is essential for successfully combating poverty.

Read about other roundtable discussions at:

<http://www.un.org/esa/socdev/csd/csocd2005.htm>

The high-level segment of the Commission adopted a Declaration on the Tenth Anniversary of the World Summit for Social Development (E/CN.5/2005/L.2):
<http://www.un.org/esa/socdev/csd/csocd2005/docs/outcome.pdf>

Events and New Publications on Poverty

The UNDP International Poverty Center

The United Nations Development Programme recently announced the creation of the International Poverty Centre (IPC), one of three global thematic facilities that have been established by UNDP to bring knowledge-based development services closer to country partners around the world. Based in Brazil, IPC serves as the nexus for promoting learning and knowledge sharing on key poverty concerns among developing countries to improve the living conditions of the world's poorest citizens. The IPC is part of a UNDP effort to decentralize key practice areas, monitor poverty and inequality, promote pro-poor growth policies, develop South-South cooperation, and strengthen social protection and human development strategies. The IPC will also be a forum for knowledge and cooperation, holding lectures and workshops, conducting cutting-edge poverty research, and fostering international partnerships. Recent issue briefs focus on "Defining Pro Poor Growth" and "Birth Control and Poverty in Latin America". IPC also publishes the online bulletin In Focus, which presents the results of recent research on poverty and inequality in the developing world. More information is available at the IPC website: <http://www.undp.org/povertycentre/>

ILO: A Fair Globalization: Creating Opportunities for All

The World Commission on the Social Dimension of Globalization was established by the International Labour Organization (ILO) in February 2002. It is an independent body that has looked at various facets of globalization. The commission's final report entitled Fair Globalization: Creating Opportunities for All was released in February 2004. This comprehensive report analyzes globalization from a number of perspectives and calls for an urgent rethink of current policies and institutions so that the open societies and open economies achieved by globalization are accompanied by a

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truly global conscience "sensitive to the inequities of poverty, gender discrimination, child labour and environmental degradation, wherever these may occur". Political support for this report has been strong with UN Secretary-General Kofi Annan noting, "the best anti-poverty programme is employment and the best road to economic empowerment and social well-being lies in decent work". On 2 December, the 59th UN General Assembly adopted by consensus a resolution (A/RES/59/57) recognizing the contribution of the World Commission's report to achieving a fully inclusive and equitable globalization.

Read the full text of the resolution at:

<http://www.ilo.org/public/english/fairglobalization/download/resolution.pdf>

ILO: Confronting Economic Insecurity in Africa

Social and economic insecurities have spread all over Africa during the period of globalization and economic liberalization, which has accelerated the erosion of traditional networks of ubuntu (cooperation and interconnectedness) and mutual support. This new multi-authored book, edited by Rajendra Paratian and Suktı Dasgupta, documents some of the main developments, drawing on information from all parts of Africa and on surveys of many thousands of Africans and hundreds of workplaces, as well as detailed statistics supplied by government agencies. It shows that conventional measures of poverty are inadequate to capture the depth of the crisis, and that orthodox anti-poverty measures often fail to reach the poor and most economically insecure. The study concludes that, whether for tackling poverty and inequality or the scourge of HIV/AIDS, new systems of social protection are needed that are based on principles of universalism and social solidarity.

More information is available at:

<http://www.ilo.org/public/english/support/publ/intro/index.htm>

UN Millennium Project Reports to the Secretary General

In January 2005, the UN Millennium Project presented its findings on achieving the Millennium Development Goals (MDGs) by 2015 to the Secretary General. The release of "Investing in Development: A Practical Plan to Achieve the Millennium Development Goals"

represents the work of a task force directed by Professor Jeffrey Sachs of Columbia University and is the first of a series of global events focusing on the MDGs this year culminating in a high-level summit in September 2005. Among the "quick wins", or interventions that may be initiated immediately for high impact results, are: the elimination of school fees (acknowledging that the 2005 target for gender parity in education will be missed in many areas), bringing 3 million AIDS patients in developing countries onto antiretrovirals by the end of 2005, free mass distribution of malaria nets, dissemination of accurate sexual and reproductive health information, and subsidized distribution of fertilizers to replenish soil nutrients for smallholder farmers. Though progress to date has been mixed, the report upholds the idea that the Goals are "ends in themselves" and that their inherent linkages may translate into economic growth, human capital, and natural capital (environmental sustainability). The recommendations contained in this document also feeds into the Secretary General's report on the status of the Millennium Declaration of March 2005.

More information on the Millennium Project and the full text of the report is available at:

<http://www.unmillenniumproject.org/>

The Social Panorama of Latin America

The 2004 edition of the Social Panorama of Latin America analyses the major demographic changes that have occurred in the region over the past few decades, examines the socioeconomic status of Latin American youth, looks at institutional and programmatic guidelines for youth policies, and describes how household structures and family roles have changed. As in past years, recent trends in poverty and income distribution in the Latin American countries are also reviewed. The report finds that the region has failed to gain any ground since 1997 in its effort to combat poverty and has actually witnessed deterioration in 2003. However, strong growth projections for 2004 give some cause for optimism that poverty reduction is possible and the Millennium Development Goal of halving poverty by 2015 is still possible. To date, Chile

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is the only Latina American country that has met the goal of halving the proportion of people living in extreme poverty, while Brazil, Ecuador, Mexico, Panama and Uruguay are on course to meet the first MDG. The report finds that the region's per capita GDP will have to grow at a minimum annual rate of 3.1% over the next 11 years if it hopes to achieve this goal. However, Latin America continues to be the world region with the worst income distribution indicators of all, heightening the urgency of developing distributive policies. Improvements in income distribution can magnify the effect of economic growth and thus greatly assist in reducing poverty. Nevertheless, the recent trend has been towards increasing levels of income concentration.

Download document at:

<http://www.eclac.cl/default.asp?idioma=IN>

New ILO Report Sees Weak Global Job Growth in 2004

Though unemployment worldwide dipped slightly in the past year with a 1.7% increase in the total of number of jobs, unemployment in Europe and Central Asia remained unchanged, according to the International Labour Organization. "While any global decline in unemployment is positive, we must not lose sight of the reality that employment creation still remains a major challenge for policy makers", said ILO DirectorGeneral Juan Somavia. "In other words, we need policies that encourage more employment intensive growth." In addition to job creation, the ILO's annual publication "Global Employment Trends" released in mid February 2005 reminds policy makers to focus on the conditions of work for those who are employed in addition to job creation and on policies on the depletion of the labour market due to the HIV/AIDS epidemic. The most pronounced decline in unemployment was in the Latin American and Caribbean region though this news needs to be tempered by addressing the special needs of the informal sector which makes up a huge segment of this region's working population. Though sub-Saharan

Africa registered a 4.4 per cent GDP growth rate in 2004, the unemployment rate actually increased slightly. Other topics covered by the report are youth employment, labour productivity, income inequality, human capital investment, and labour market participation.

Read the full report at:

<http://www.ilo.org/public/english/employment/strat/stratprod.htm>

World Bank: Partnerships in Development: Progress in the Fight against Poverty

The World Bank has developed a new poverty report which replaces the annual Poverty Progress Report it had been publishing since 1992. In contrast to the eight previous reports which focused on trends in income and poverty, the aim of the new publication is to provide an assessment of how the World Bank Group works with others governments and institutions to help countries move towards the more comprehensive poverty reduction visions outlined in the Millennium Development Goals and the Monterrey Consensus.

<http://poverty.worldbank.org/library/view/15028>

Know Risk or No Risk? UN Launches Guide to Disaster Reduction

The World Conference on Disaster Reduction in Kobe, Japan launched a new 376-page hardbound book entitled Know Risk that draws on disaster reduction experiences implemented around the world. The multi-authored publication, a product of a public-private partnership of the UN International Strategy for Disaster Reduction and Tudor Rose. UN Secretary General Kofi Annan opens the book by saying, "Disaster reduction is responsibility of all of us" and goes on to endorse committing more political, technical and financial resources to reducing people's exposure to risk. Know Risk may be obtained through the UN Publications office (unpubli@unog.ch) or through Tudor Rose (jon.ingleton@tudor-rose.co.uk).

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Asian Development Bank Institute Explores Child Malnutrition as Poverty Indicator

The discussion paper Child Malnutrition as a Poverty Indicator: An Evaluation in the Context of Different Development Interventions in Indonesia, written by Sununtar Setboonsarng, a Senior Research Fellow at the ADBI, evaluates the possibility of using child malnutrition as an alternate indicator for rural development projects in Indonesia. After discussing the limitations of using income or expenditure level as a determinant, the author finds that it is feasible to adopt child malnutrition as a poverty indicator in evaluating long-term interventions. Setboonsarng points out the seemingly obvious but often ignored fact that what gets measured and monitored usually gets the attention of policy makers; this underlines the importance of the choice of indicators. Potentially, the adoption of this more comprehensive indicator may be used to raise the commitment of governments and donors to prioritize resources to ensure children's health. Studies have shown that child malnutrition is closely linked to income levels, however the paper emphasizes how it is also reflective of other desired socio-economic outcomes such as "gender equality, intra-household distribution, and health environment quality". Measurements of child nutrition also tend to be more exact as there is no need to adjust for inflation or other fluctuations. The author focused on Indonesia because of readily available data. Thus any recommendations for more widespread use must be analyzed based on the limitations in a given geographic area.

The full paper is available at:

<http://www.adbi.org/files/2005.01.14.dp21.malnutrition.poverty.indonesia.pdf>

Redefining the Relationship between Business and the Poor

The international conference "Eradicating Poverty through Profit -- Making Business Work for the Poor" on the private sector and the public good was held at the Hyatt Regency in San Francisco, California, from

12 -14 December 2004. Among the many distinguished speakers were Mark Malloch Brown, Administrator, United Nations Development Programme (UNDP) and C.K Prahalad, author of the recent publication that focused on the "bottom of the pyramid" market. Through numerous case studies representing a range of industries, Prahalad's Prahalad's book examines the profitable ways to reach this market and how the poor benefited from products and services to which they previously did not have access. The conference's panel discussions, workshops and presentations explored the following fundamental questions: "Can private sector activity have a major impact on poverty alleviation? If it can, what are the business models that work, and where are the success stories?" The conference provided a platform for discussions on how business could catalyze economic development and how to better to help poor and low income people reap the benefits of globalization. The event approached business' interaction with poor communities as a new and evolving field that will inform new partnerships and policies; next years conference will be held in Frankfurt from 31 October to 1 November 2005.

More information is available at:
<http://povertyprofit.wri.org>.

How Poverty Separates Parents and Children: A Challenge to Human Rights, A Study by ATD Fourth World

Poverty can drive some parents to entrust their children to orphanages, foster care or to send them to work in domestic services. Often left with few options, something irreplaceable is lost when children are forced to leave their families and communities. The worst situations involve children leaving home on their own accord ending up on the streets where the health risks are the most grave. This study profiles how children and parents experience poverty in six countries. Case studies from Guatemala, Haiti, Philippines, United States, United Kingdom and Burkina Faso provide examples of both successful and

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ineffective measures and serve as the foundation for recommendations for a "human rights-based programming approach to family separation". The authors point out that it can be ineffective to bring children too suddenly from the streets back to their home village; children often require preparation for a successful transition to life back at home after living in high-risk settings. They also remind the reader to always take into account the perspective of the child as he or she, along with the family, are often fighting exclusion in their communities. The study was undertaken by ATD Fourth World with the goal of providing lessons from grassroots actions for relevant policy makers.

Read the full report at:

<http://www.atd-quartmonde.org/accueil-uk.html>

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