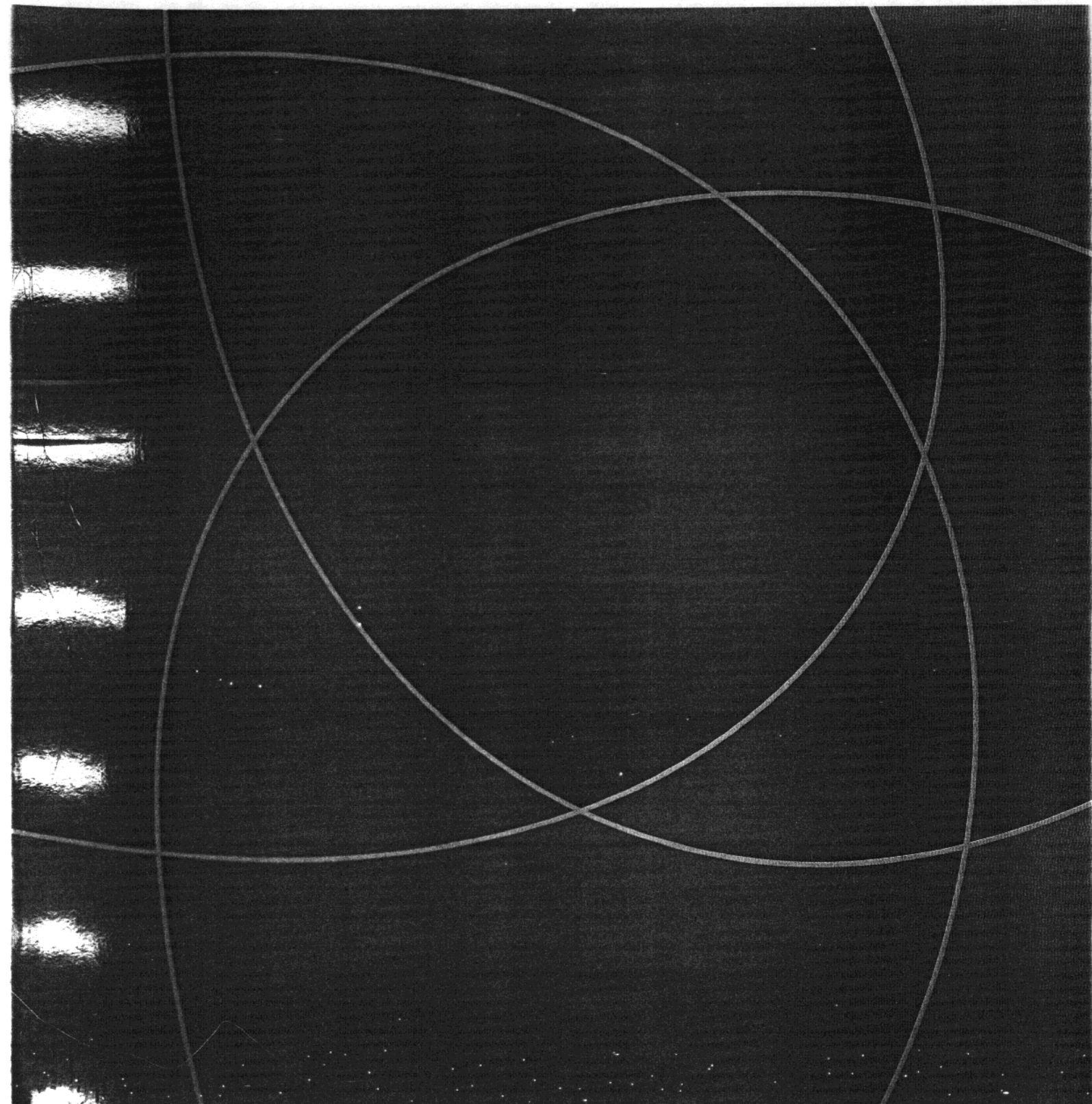
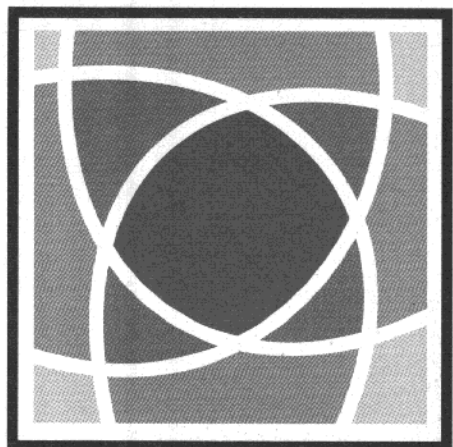


HUMAN DEVELOPMENT REPORT 1997





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Published
for the United Nations
Development Programme
(UNDP)

New York Oxford
Oxford University Press
1997

Oxford University Press
Oxford New York
Athens Auckland Bangkok Bombay
Calcutta Cape Town Dar es Salaam Delhi
Florence Hong Kong Istanbul Karachi
Kuala Lumpur Madras Madrid Melbourne
Mexico City Nairobi Paris Singapore
Taipei Tokyo Toronto

and associated companies in
Berlin Ibadan

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by the United Nations Development Programme
1 UN Plaza, New York, New York, 10017, USA

Published by Oxford University Press, Inc.
198 Madison Avenue, New York, New York, 10016

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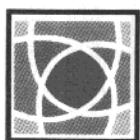
ISBN 0-19-511996-7 (cloth)
ISBN 0-19-511997-5 (paper)

9 8 7 6 5 4 3 2

Printed in the United States of America on acid-free, recycled paper. 

Cover and design: Gerald Quinn, Quinn Information Design, Cabin John, Maryland

Editing, desktop composition and production management: American Writing division of Communications Development Incorporated,
Washington, DC, and New York



Foreword

The 1990s began with a great surge of hope. With the cold war over, the world could harness its enormous resources for development and prosperity. During the first six years of the 1990s world conferences and summit meetings emphasized the urgency of eradicating poverty. The World Summit for Social Development in Copenhagen—attended by representatives of 185 governments and an unprecedented 117 heads of state and government—sharpened this focus. Countries committed themselves to the goal of eradicating poverty “as an ethical, social, political and moral imperative of human-kind” and recognized people-centred development as the key to achieving it.

In parallel, poverty eradication has become an overarching goal of international action—and of the United Nations system’s work in the followup to the UN conferences and summits. The social development summit’s programme of action calls on the United Nations Development Programme “to undertake efforts to support the implementation of social development programmes”. UNDP has made the eradication of poverty its overriding priority. As the principal antipoverty arm of the United Nations, it is well placed to work with other parts of the UN system, especially its sister organizations and agencies at the country level, to assist states in their programmes to eradicate poverty. Already UNDP is working with more than 70 countries to follow up on the commitment made at Copenhagen.

This year’s *Human Development Report* builds on that commitment. Its most important message is that poverty is no longer inevitable. The world has the material and natural resources, the know-how and the

people to make a poverty-free world a reality in less than a generation. This is not woolly idealism but a practical and achievable goal. Over the past three decades a dozen or more developing countries have shown that it is possible to eliminate absolute poverty. And most industrial countries had largely eradicated absolute poverty by the 1970s, although some have slipped in the past decade.

Poverty is not to be suffered in silence by the poor. Nor can it be tolerated by those with the power to change it. The challenge now is to mobilize action—state by state, organization by organization, individual by individual.

Poverty has many faces. It is much more than low income. It also reflects poor health and education, deprivation in knowledge and communication, inability to exercise human and political rights and the absence of dignity, confidence and self-respect. There is also environmental impoverishment and the impoverishment of entire nations, where essentially everyone lives in poverty. Behind these faces of poverty lies the grim reality of desperate lives without choices and, often, governments that lack the capacity to cope.

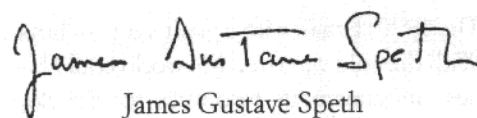
This year’s Report offers ideas for eradicating absolute poverty. The agenda includes but goes beyond income, encompassing gender, pro-poor growth, globalization and governance.

As in previous years, this year’s *Human Development Report* is the fruit of a collaborative effort by a team of eminent consultants and the Human Development Report team. Richard Jolly, my Special Adviser, together with Sakiko Fukuda-Parr, Director, Human Development Report Office, led the effort.

The analysis and policy recommendations in this Report do not necessarily reflect the views of UNDP, its Executive Board or its Member States. The independence of views and the professional integrity of its authors ensure that the conclusions and recommendations will have the greatest possible audience.

New York
May 1997

As always, this is an innovative and thought-provoking report. I welcome the publication of *Human Development Report 1997* as an important contribution to the international momentum for eradicating absolute poverty. Some 160 years ago the world launched a successful campaign against slavery. Today we must all help to lead a similar campaign against poverty.


James Gustave Speth

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*Human Development Report 1997***

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Acknowledgements

The preparation of the Report would not have been possible without the support and valuable contributions of a large number of individuals and organizations.

Several international institutions generously shared their experience, research materials and data with the authors. The Report drew from the databases and material of the Food and Agriculture Organization, International Fund for Agricultural Development, International Institute for Strategic Studies, International Labour Organisation, International Monetary Fund, International Telecommunication Union, Inter-Parliamentary Union, Joint United Nations Programme on HIV/AIDS, Office of the United Nations High Commissioner for Refugees, Organisation for Economic Co-operation and Development, Population and Statistical Divisions of the United Nations Department of Economic and Social Information and Policy Analysis, Statistical Office of the European Union, Stockholm International Peace Research Institute, Transparency International, United Nations Centre for Human Rights, United Nations Centre for Social Development and Humanitarian Affairs, United Nations Children's Fund, United Nations Division for the Advancement of Women, United Nations Economic Commission for Europe, United Nations Economic Commission for Latin America and the Caribbean, United Nations Educational, Scientific and Cultural Organization, United Nations Office at Vienna, United Nations Population Fund, United Nations Research Institute for Social Development, University of Pennsylvania, World Bank, World Food Programme and World Health Organization.

The Report drew from background research, statistical analysis or special contributions prepared by Bill Angel, Heidi Attwood, Ottar Brox, Lincoln Chen and staff of the Harvard Center for Population and Development Studies, Christopher Colclough, Elaine Darbellay, Ingrid Eide, Tim Evans, Gourishankar Ghosh, Arjan de Haan, Eva Jespersen, Ivar Lødemel, Wangari Maathai, Yasuyuki Matsunaga, Lars Mjøset, Harald Munthe-Kaas, Else Øyen, Alejandro Ramirez, Sethuramiah L. N. Rao, Leslie Roberts and her colleagues at the World Resources Institute, Douglas Roche, Pedro Sainz, Tom Scialfa, Anne Lise Seip, Kavita Sethuraman, Vivienne Taylor, Jamie Van Leeuwen, Denis Warner, Shahin Yaqub and Naisu Zhu.

The Report benefited greatly from intellectual advice and guidance provided by the external Advisory Panel of eminent experts, which included Bina Agarwal, Lourdes Arizpe, Lourdes Beneria, Robert Chambers, Nazli Choucri, Christian Comeliau, Susanna Davies, Carlos Fortin, Jacques van der Gaag, Ishrat Hussain, Devaki Jain, Jacques Loup, Wangari Maathai, Jim MacNeill, John Mason, Santosh Mehrotra, Solita Monsod, Caroline Moser, Jun Nishikawa, Arjun Sengupta, Vivienne Taylor, and Jan Vandermortele.

The Report also benefited greatly from discussions with, and kind contributions from, Sahid Ahmad, Sanjaya Baru, Yonas Biru, Thorsten Block, Nancy Chen, Shaohua Chen, Kevin Cleaver, Sonia Correa, Elizabeth Crayford, Herman Daly, Nitin Desai, Leandro Despouy, Clarence Dias, Teresita Escotto-Quesada, Shaukat Fareed, Anwar Fazal, Peter Hazell, Barry Herman, Alan Heston, Karl Hochgesand,

Tsuneo Ishikawa, Gareth Jones, John Langmore, Juan Luis Londoño, Chris McCormick, Michael McPeak, Geraldo Nascimento, Roger Normand, Peter Othman, Saeed Ordoubadi, William Prince, Purificacion Quisumbing, Martin Ravallion, Lora Sabin, Nafis Sadik, Juan Somavia, Lawrence Summers, Abram de Swaan, Peter Townsend, Tessa Wardlaw, Yin Yan, Toru Yanagihara and Sarah Zaidi.

Colleagues in UNDP provided extremely useful comments, suggestions and inputs during the drafting of the Report. In particular, the authors would like to express their gratitude to Fikret Akcura, Saad Alfarargi, William Andrianasolo, Marcia de Castro, Georges Chapelier, Shabbir Cheema, Desmond Cohen, Angela Cropper, Djibril Diallo, Sissel Ekaas, Juliette El-Hage, Peter Gilruth, Noeleen Heyzer, Nadia Hijab, Nay Htun, Tijan Jallow, Ellen Johnson Sirleaf, Mbaya Kankwenda, Soheir Kansouh-Habib, Inge Kaul, Anton Kruidierink, John Lawrence, Normand Lauzon, Thierry Lemauresquier, Roberto Lenton, Carlos Lopes, Khalid Malik, Terry McKinley, Saraswathi Menon, Omar Noman, John Ohiorhenuan, Minh Pham, Elizabeth Reid, Jordan Ryan, Antonio Vigilante, David Whaley, Anders Wijkman and Fernando Zumbado.

Several offices in UNDP provided support and information, including UNDP country offices, UNDP's Regional Bureaux and the Bureau for Policy and Programme Support. The United Nations Office for Project Services provided the team with critical administrative support. Particular thanks go to Ingolf Schuetz-Mueller, Serene Ong and Barry Boehm.

Secretarial and administrative support for the Report's preparation were provided by Oscar Bernal, Renuka Corea, Chato Ledonio-O'Buckley, U Thiha and Marjorie Victor. And as in previous years, the Report benefited from the design of Gerald Quinn and the editing and prepress production by American Writing's Bruce Ross-Larson, with Alison Strong, Kim Bieler, Donna Allen, Kelli Ashley, Mark Bock, Andrea Brunholz, Sandra Cutshall, Meta de Coquereaumont, Heidi Gifford, Wendy Guyette, Paul Holtz, Damon Iacovelli, Barbara Karni, Megan Klose, Wendi Maloney, Vince McCullough, Glenn McGrath, Heidi Manley, Laurel Morais, Christian Perez and Erika Schelble.

The team was assisted in background research, statistics and other contributions by Kojo Acquaise, Ariana Donalds, Marlen Marroquin, Than Kyaw Nyi Nyi, Nadia Rasheed and Lea Salmon.

Special thanks go to Mahbub ul Haq, the originator of the very idea of the *Human Development Report*. He continues to inspire this Report with his vision of human development.

The team also expresses sincere appreciation to the peer reviewers, Nancy Folbre and Dharam Ghai.

The authors also wish to acknowledge their great debt to James Gustave Speth, UNDP Administrator. His deep commitment to and support for an independent and stimulating Report have inspired us all.

Thankful for all the support that they have received, the authors assume full responsibility for the opinions expressed.

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ABBREVIATIONS

AIDS	Acquired immunodeficiency syndrome
ASEAN	Association of Southeast Asian Nations
CARICOM	Caribbean Community
CIS	Commonwealth of Independent States
EU	European Union
FAO	Food and Agriculture Organization
FDI	Foreign direct investment
GDI	Gender-related development index
GEM	Gender empowerment measure
HDI	Human development index
HIV	Human immunodeficiency virus
HPI	Human poverty index
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IMF	International Monetary Fund
NGO	Non-governmental organization
OECD	Organisation for Economic Co-operation and Development
PPP	Purchasing power parity
UNCHS	United Nations Centre for Human Settlements
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
WHO	World Health Organization
WTO	World Trade Organization



Human development to eradicate poverty

Human poverty is more than income poverty—it is the denial of choices and opportunities for living a tolerable life

The great success in reducing poverty in the 20th century shows that eradicating severe poverty in the first decades of the 21st century is feasible. This may seem an extraordinary ambition, but it is well within our grasp. Almost all countries committed themselves to this goal at the World Summit for Social Development in 1995. And many, including some of the largest, have embarked with all the seriousness necessary to achieve it.

Although poverty has been dramatically reduced in many parts of the world, a quarter of the world's people remain in severe poverty. In a global economy of \$25 trillion, this is a scandal—reflecting shameful inequalities and inexcusable failures of national and international policy.

Human Development Report 1997 reviews the challenge to eradicate poverty from a human development perspective. It focuses not just on poverty of income but on poverty from a human development perspective—on poverty as a denial of choices and opportunities for living a tolerable life.

The progress in reducing poverty over the 20th century is remarkable and unprecedented . . .

Few people realize the great advances already made. In the past 50 years poverty has fallen more than in the previous 500. And it has been reduced in some respects in almost all countries.

The key indicators of human development have advanced strongly in the past few decades. Since 1960, in little more than a generation, child death rates in developing countries have been more than halved. Malnutrition rates have declined by almost

a third. The proportion of children out of primary school has fallen from more than half to less than a quarter. And the share of rural families without access to safe water has fallen from nine-tenths to about a quarter.

These advances are found in all regions of the world (figure 1). China, and another 14 countries or states with populations that add up to more than 1.6 billion, have halved the proportion of their people living below the national income poverty line in less than 20 years. Ten more countries, with almost another billion people, have reduced the proportion of their people in income poverty by a quarter or more. Beyond mere advances in income, there has been great progress in all these countries in life expectancy and access to basic social services.

The accelerated progress in reducing poverty in the 20th century began in Europe and North America in the 19th century—in what can now be seen as the first Great Ascent from poverty and human deprivation. The ascent started in the foothills of the industrial revolution, with rising incomes, improvements in public health and education and eventually programmes of social security. By the 1950s most of Europe and North America enjoyed full employment and welfare states.

The second Great Ascent started in the 1950s in the developing countries. The end of colonialism was followed by improvements in education and health and accelerated economic development that led to dramatic declines in poverty. By the end of the 20th century some 3–4 billion of the world's people will have experienced substantial improvements in their standard of living, and about 4–5 billion will have access

to basic education and health care. It is precisely these gains that make eradicating poverty not some distant ideal—but a true possibility.

... but the advances have been uneven and marred by setbacks—and poverty remains pervasive.

Some stark figures summarize the balance sheet of poverty towards the end of the 20th century:

- More than a quarter of the developing world's people still live in poverty as measured by the human poverty index introduced in this Report. About a third—1.3 billion people—live on incomes of less than \$1 a day.
- South Asia has the most people affected by human poverty. And it has the largest number of people in income poverty: 515 million. Together, South Asia, East Asia and South-East Asia and the Pacific have more than 950 million of the 1.3 billion people who are income-poor.
- Sub-Saharan Africa has the highest proportion of people in—and the fastest growth in—human poverty. Some 220 million people in the region are income-poor. Indeed, the Sub-Saharan and other least developed countries are poverty stricken—and it is estimated that by 2000 half the people in Sub-Saharan Africa will be in income poverty.
- In Latin America and the Caribbean income poverty is more pervasive than human poverty—affecting 110 million people—and it continues to grow.
- Eastern Europe and the countries of the Commonwealth of Independent States (CIS) have seen the greatest deterioration in the past decade. Income poverty has spread from a small part of their population to about a third—120 million people below a poverty line of \$4 a day.
- And in industrial countries more than 100 million people live below the income poverty line, set at half the individual median income. Thirty-seven million are jobless.

Within these broad groups some people suffer more than others—particularly children, women and the aged.

Children are especially vulnerable—hit by malnutrition and illness just when their brains and bodies are forming. Some 160 million children are moderately or severely malnourished. Some 110 million are out of school.

Women are disproportionately poor—and too often disempowered and burdened by the strains of productive work, the birth and care of children and other household and community responsibilities. And their lack of access to land, credit and better employment opportunities handicaps their ability to fend off poverty for themselves and their families—or to rise out of it. Women are particularly at risk in poor communities. Half a million women die each year in childbirth—at rates 10–100 times those in industrial countries.

The aged, a growing group in all regions, often live their twilight years in poverty and neglect.

Just when the possibilities for advance should be greater than ever, new global pressures are creating or threatening further increases in poverty.

Some danger signs:

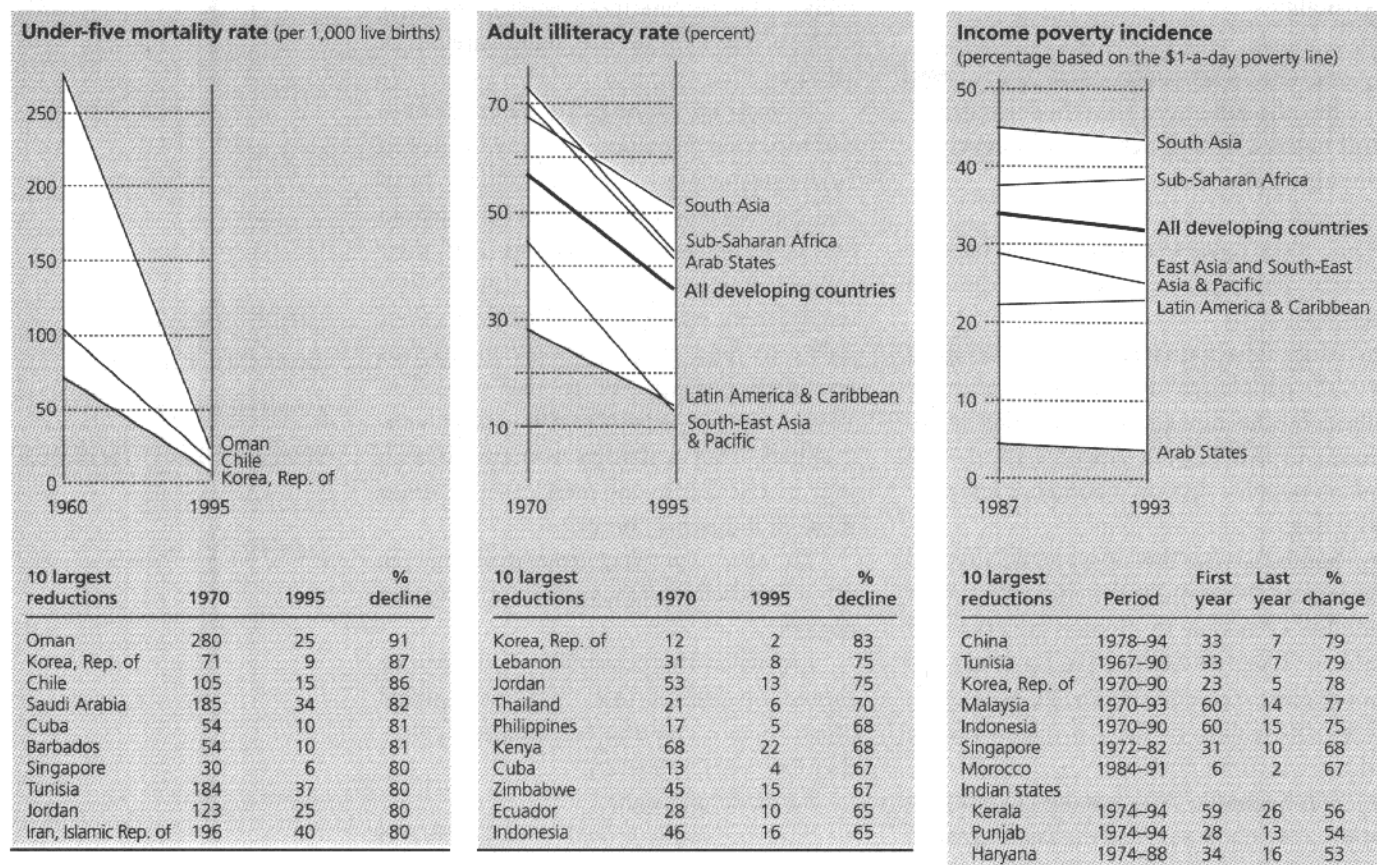
- Slow economic growth, stagnation and even decline in some 100 developing and transition countries.
- Continuing conflict in 30 countries, most in Africa.
- Slowing advance in such key areas as nutrition.
- The rise of such threats as HIV/AIDS.

The latest data show that the human development index declined in the past year in 30 countries, more than in any year since the *Human Development Report* was first issued in 1990. Between 1987 and 1993 the number of people with incomes of less than \$1 a day increased by almost 100 million to 1.3 billion—and the number appears to be still growing in every region except South-East Asia and the Pacific.

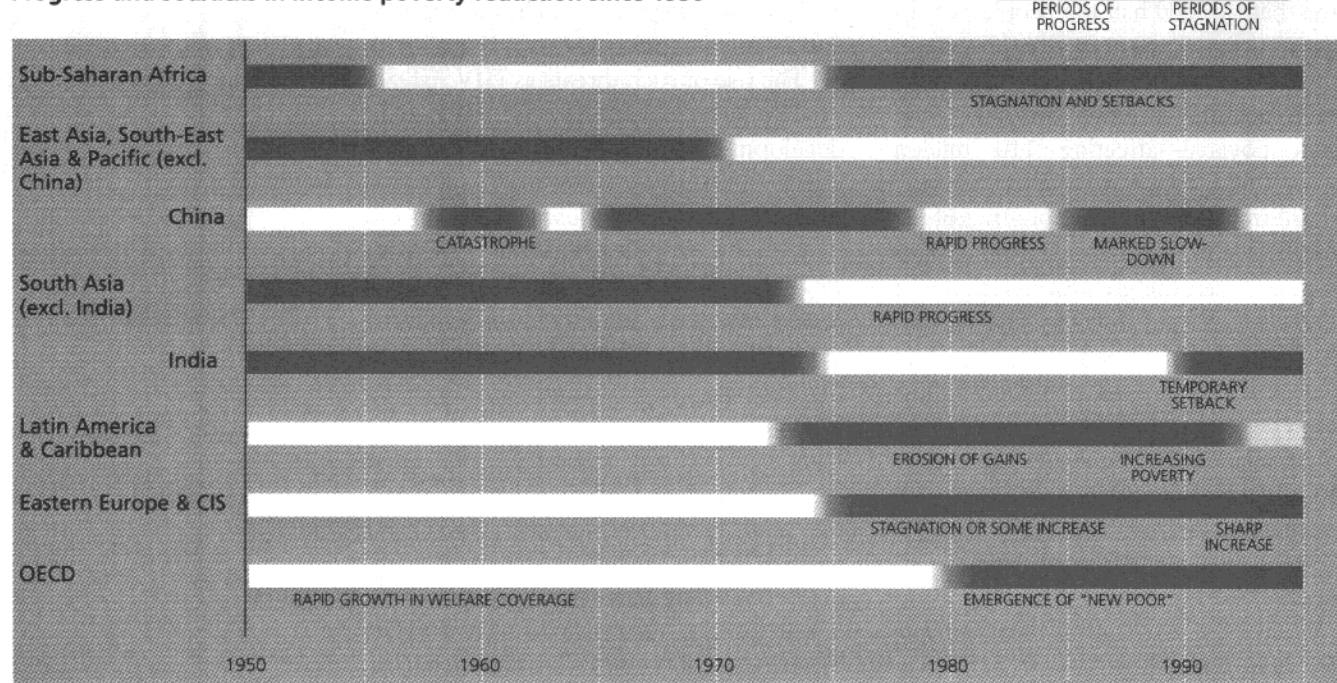
The transition from socialism to democracy and market economies has proved more difficult and costly than anyone imagined. The costs have been not only economic, from the dramatic decline in GDP. They have also been human, from falling wages, growing crime and loss of social pro-

New global pressures are creating or threatening further increases in poverty

FIGURE 1



Progress and setbacks in income poverty reduction since 1950



tection. In some countries life expectancy has fallen by five years or more.

In many industrial countries unemployment is rising, and the traditional protections against poverty are being undermined by pressures on public spending and the welfare state. In some industrial countries, such as the United Kingdom and the United States, poverty has risen considerably.

None of these depressing developments was inevitable. And all can be reversed, if countries take more seriously the commitments already made to giving poverty reduction high priority, nationally and internationally.

From a human development perspective, poverty means the denial of choices and opportunities for a tolerable life.

It is in the deprivation of the lives people lead that poverty manifests itself. Poverty can mean more than a lack of what is necessary for material well-being. It can also mean the denial of opportunities and choices most basic to human development—to lead a long, healthy, creative life and to enjoy a decent standard of living, freedom, dignity, self-esteem and the respect of others.

For policy-makers, the poverty of choices and opportunities is often more relevant than the poverty of income, for it focuses on the causes of poverty and leads directly to strategies of empowerment and other actions to enhance opportunities for everyone.

Poverty must be addressed in all its dimensions, not income alone. The needs are great. An estimated 1.3 billion people survive on less than the equivalent of \$1 a day. But there are other needs, equally basic and sometimes even more so (figure 2). Nearly a billion people are illiterate. Well over a billion lack access to safe water. Some 840 million go hungry or face food insecurity. And nearly a third of the people in the least developed countries—most of which are in Sub-Saharan Africa—are not expected to survive to age 40.

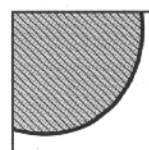
The human poverty index combines basic dimensions of poverty and reveals interesting contrasts with income poverty. This Report introduces a human poverty index (HPI). Rather than measure poverty by income, it uses indicators of the most basic dimensions of deprivation: a short life, lack of basic education and lack of access to public and private resources. Like all measures the HPI has weaknesses—in data and in concept. Like all measures it cannot capture the totality of human poverty. But by combining in a single poverty index the concerns that often get pushed aside when the focus is on income alone, the HPI makes a useful addition to the measures of poverty.

Among 78 developing countries ranked by the HPI, Trinidad and Tobago comes out on top, followed by Cuba, Chile, Singapore and Costa Rica. Human poverty has been

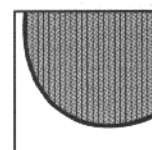
FIGURE 2

Poverty in the human development perspective

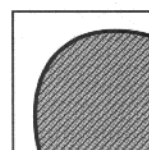
Poverty has many dimensions



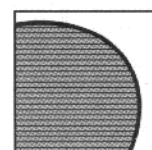
Short life



Illiteracy

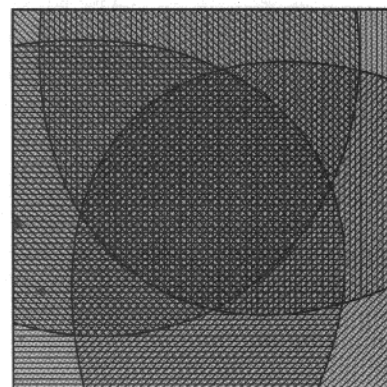


Exclusion



Lack of material means

And these dimensions can overlap in different combinations



A people-centred strategy for eradicating poverty should start by building the assets of the poor

reduced in these countries and now affects less than 10% of their people.

Where is human poverty most pervasive? The HPI exceeds 50% in seven countries—Niger, Sierra Leone, Burkina Faso, Ethiopia, Mali, Cambodia and Mozambique—implying that more than half their people suffer several forms of human poverty. Altogether, 35 of the 78 developing countries for which the HPI was calculated have HPIs exceeding 33%.

Comparing the HPI with income measures of poverty based on a \$1-a-day poverty line reveals interesting contrasts:

- Both income poverty and human poverty are pervasive, affecting a quarter to a third of the people in the developing world.
- Sub-Saharan Africa and South Asia have the highest incidence of both income and human poverty—at about 40%.
- Most of the Arab States have made remarkable progress in reducing income poverty, now a mere 4%, but face a large backlog of human poverty (32%).
- Latin America and the Caribbean, with an HPI of 15%, has reduced human poverty in many countries, but income poverty is still 24%.
- In Egypt, Guinea, Morocco, Pakistan and 10 other countries the proportion of people in human poverty exceeds the proportion in income poverty.
- In Guinea-Bissau, Honduras, Kenya, Peru and Zimbabwe the proportion of people in income poverty exceeds the proportion in human poverty.

The scale of poverty is daunting, but we should take heart from what's already been achieved—and focus on six priorities for action to eradicate poverty.

Every country—developing and developed—needs policies and strategies for “substantially reducing overall poverty in the shortest time possible, reducing inequalities and eradicating absolute poverty by a target date to be specified by each country in its national context”—goals set at the World Summit for Social Development. This process needs to be

undertaken in partnership by government and civil society, including the private sector.

The strategy for poverty reduction will naturally differ from country to country, but there are six priorities for action.

1. Everywhere the starting point is to empower women and men—and to ensure their participation in decisions that affect their lives and enable them to build their strengths and assets.

Poor people and poor communities rely primarily on their own energy, creativity and assets. Such assets are not just economic. They are also social, political, environmental and personal—both for women and for men.

A people-centred strategy for eradicating poverty should start by building the assets of the poor—and empowering the poor to win their fight against poverty. What does such a strategy entail?

- Political commitments to securing and protecting the political, economic, social and civil rights of poor people.
- Policy reforms and actions to enable poor people to gain access to assets that make them less vulnerable. Security of tenure for housing and land is as important as access to credit and other financial services.
- Education and health care for all, along with reproductive health services, family planning and safe water and sanitation. This needs to be achieved soon—not postponed for another generation.
- Social safety nets to prevent people from falling into destitution and to rescue them from disaster.

2. Gender equality is essential for empowering women—and for eradicating poverty.

Already women are on the front line of household and community efforts to escape poverty and cope with its impact. But too often they do not have a voice in decision-making—in the household, in the community or in national and international arenas.

Gender equality needs to be part of each country's strategy for eradicating poverty, both as an end and as a means to eradicating other forms of human poverty. This means:

- Focusing clearly on ending discrimination against girls in all aspects of health, education and upbringing—starting with survival.
- Empowering women by ensuring equal rights and access to land, credit and job opportunities.
- Taking more action to end violence against women, the all-too-pervasive hidden side of human poverty.

A creative commitment to gender equality will strengthen every area of action to reduce poverty—because women can bring new energy, new insights and a new basis for organization.

If development is not engendered, it is endangered. And if poverty reduction strategies fail to empower women, they will fail to empower society.

3. Sustained poverty reduction requires pro-poor growth in all countries—and faster growth in the 100 or so developing and transition countries where growth has been failing.

In the past 15–20 years more than 100 developing and transition countries have suffered disastrous failures in growth and deeper and more prolonged cuts in living standards than anything experienced in the industrial countries during the Great Depression of the 1930s. As a result of these setbacks, the incomes of more than a billion people have fallen below levels first reached 10, 20 and sometimes 30 years ago.

Economic growth can be a powerful means of reducing poverty, but its benefits are not automatic. Argentina grew 2% per capita a year in the 1950s, yet saw income poverty rise. Honduras grew 2% a year in 1986–89 and saw income poverty double. New Zealand, the United Kingdom and the United States all experienced good average growth during 1975–95, yet the proportion in poverty increased. That is why the policies for growth must be pro-poor.

Pro-poor growth

What makes growth pro-poor? Several key elements:

Restoring full employment as a high priority of economic policy. Economic growth contributes most to poverty reduction when it expands the employment, productivity and wages of poor people—and when public resources are channelled to promoting human development. *Human Development Report 1996* showed how a virtuous cycle of economic growth and human development arises when growth is labour-using and employment-generating—and when human skills and health improve rapidly.

Lessening inequality and moderating its extremes. If poverty is to be reduced, policy-makers must avoid “ruthless” growth that leads to increasing income inequality. Contrary to some perceptions, inequality usually hinders growth. In 29 of the 68 developing countries with data, the ratio of the incomes of the richest 20% to those of the poorest 20% exceeds 10 to 1; in 17, 15 to 1; and in 9, 20 to 1. In Latin America and the Caribbean the richest 20% have average incomes of more than \$17,000, the poorest 20%, \$930. Such inequalities undermine the whole process of development and slow poverty reduction.

Accelerating growth in poor countries. Poor countries urgently need to accelerate economic growth—to at least 3% per capita a year. This growth, if the right kind and if equitably distributed, would double incomes in a generation or even sooner. Under the right circumstances it could halve income poverty in a decade.

Something else is needed—mainstreaming the commitment to eradicate poverty. For macroeconomic policy this means much more than promoting economic growth. Poverty eradication must be a core priority of national economic policy, as it was in many countries that have successfully reduced poverty, such as Malaysia and Norway.

Actions for the rural poor

About three-quarters of the world's poorest people live in rural areas, dependent on

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agricultural activities for their livelihoods. For these people pro-poor growth means raising agricultural productivity and incomes.

Key priorities include:

Creating an enabling environment for small-scale agriculture, microenterprises and the informal sector. These are the sectors on which most poor people depend for their livelihoods. They also contribute to growth, since they generate incomes and employment at low cost, with few imported inputs and low management requirements.

Raising the productivity of small-scale agriculture does more than benefit farmers. It also creates employment on the farm and off—and reduces food prices. The poor benefit most, because about 70% of their consumption is food, mostly staples, and regular supplies and stable prices can greatly reduce the vulnerability of the poor. Strong support to small-scale agriculture was at the core of the most successful cases of poverty reduction—such as China in 1978–85, Malaysia since 1971 and India in the early 1980s.

Fostering technological progress. The first green revolution helped millions of small farmers and urban food buyers escape poverty with technological breakthroughs in wheat, maize and rice farming in high-potential areas. A second green revolution is needed for poor farmers in resource-poor areas, dependent on such crops as millet and cassava.

Reversing environmental decline in marginal regions. About half of the poorest people in the world—more than 500 million—earn their livelihoods in ecologically fragile and low-productivity areas. Here, efforts to reduce poverty need to go hand in hand with efforts to protect the environment. Securing sustainable energy sources and protecting biodiversity should be part of building environmental sustainability.

Speeding the demographic transition. Poverty reduction is closely linked with slower population growth—poor families may have more children precisely because they need their labour to collect ever more distant supplies of fuel or water.

Education and health for all

As the experience of the fast-growing countries attests, basic education and health care are among the most powerful forces for growth. Studies have repeatedly shown the high rates of return to these investments, especially for girls. True, such investments in people yield rich dividends only over a long period. But no policy-maker should sacrifice those dividends as a short-run expedient.

Accelerated action to reduce human deprivation in education and health is a near-universal need and should not wait for growth to resume. In the past 15 years, despite disastrous declines in per capita income, many countries have made significant advances in reducing some aspects of poverty.

- During 1980–95 Burkina Faso, Gambia, Senegal and Zimbabwe cut child mortality by a third to a half—despite declines in income for much of this period.

- Also during 1980–95 Algeria, Jordan, Peru, Syria and Trinidad and Tobago reduced child mortality by a half to two-thirds—despite reductions in per capita income of 20% or more over the past decade.

- In the Arab States the number of people with access to safe water more than doubled between 1980 and 1995—despite severe economic setbacks.

These advances are no cause for complacency. Many of the gains will remain fragile unless bolstered by strong pro-poor growth and policies to translate that growth into human development and poverty reduction. Countries with poor growth, such as Zimbabwe, have seen some of their gains reversed.

Poverty reduction in industrial countries

Rising unemployment, falling wages and cuts in social services are driving many people into poverty in industrial countries—and threatening the futures of millions more. Many of the poorest are kept at the bottom by social exclusion. The post-cold war reductions in military expenditure should have been seen as a major opportu-

nity for social investment. Instead, the priority seems to be saving money and reducing services. The very idea of the welfare state has been called into question and is under threat.

The 25 years after the Second World War showed what can be achieved by developing new policies to reduce unemployment and poverty. The same sustained commitment and policy innovation are needed today. The major challenges include providing employment for all, ensuring viable systems of social security, pensions and health services for all, and enabling men and women to share their home and workplace obligations better.

The recent resurgence of poverty in industrial countries is a reminder that fighting poverty must be a continuous process—requiring countries to adapt their safety nets and mechanisms for preventing poverty to changing economic realities.

4. Globalization offers great opportunities—but only if it is managed more carefully and with more concern for global equity.

Proceeding at breakneck speed but without map or compass, globalization has helped reduce poverty in some of the largest and strongest economies—China, India and some of the Asian tigers. But it has also produced losers among and within countries. As trade and foreign investment have expanded, the developing world has seen a widening gap between winners and losers. Meanwhile, many industrial countries have watched unemployment soar to levels not recorded since the 1930s, and income inequality reach levels not recorded since the last century.

The greatest benefits of globalization have been garnered by a fortunate few. A rising tide of wealth is supposed to lift all boats, but some are more seaworthy than others. The yachts and ocean liners are rising in response to new opportunities, but many rafts and rowboats are taking on water—and some are sinking.

The ratio of global trade to GDP has been rising over the past decade, but it has been falling for 44 developing countries,

with more than a billion people. The least developed countries, with 10% of the world's people, have only 0.3% of world trade—half their share of two decades ago.

The list goes on:

- More than half of all developing countries have been bypassed by foreign direct investment, two-thirds of which has gone to only eight developing countries.
- Real commodity prices in the 1990s were 45% lower than those in the 1980s—and 10% lower than the lowest level during the Great Depression, reached in 1932.
- The terms of trade for the least developed countries have declined a cumulative 50% over the past 25 years.
- Average tariffs on industrial country imports from the least developed countries are 30% higher than the global average.
- Developing countries lose about \$60 billion a year from agricultural subsidies and barriers to textile exports in industrial nations.

The bottom line for poverty and incomes: The share of the poorest 20% of the world's people in global income now stands at a miserable 1.1%, down from 1.4% in 1991 and 2.3% in 1960. It continues to shrink. And the ratio of the income of the top 20% to that of the poorest 20% rose from 30 to 1 in 1960, to 61 to 1 in 1991—and to a startling new high of 78 to 1 in 1994.

To open opportunities, not close them—to create employment and avoid a “rush to the bottom”—requires better management of globalization, nationally and internationally. Better policies, fairer rules and fairer terms for poor and weak countries to enter markets, especially those for agricultural exports, are all part of this.

All countries and all major international economic and financial agencies need to engage more seriously in efforts to formulate better policies towards globalization, not just stand cheering on the sidelines. Poor countries, increasingly marginalized from the world economy, need special support to help them reap the benefits of integration.

The great unanswered question is whether the winds of globalization will be viewed as a great opportunity or a great

Countries must invest liberally in human development so that they are ready to face the challenge of globalization

The state must advance the interests of poor people and promote pro-poor markets

threat, as a fresh breeze or a violent hurricane, by some of the poorer nations.

The answer lies in our policy actions. At the national level, countries must invest liberally in human development so that they are ready to face the challenge of globalization and compete in open markets. Indeed, poor countries can leapfrog several decades of development if they combine their low wages with basic education, technical skills and export-led growth, taking advantage of the rapidly opening global markets. This is the policy message of the East Asian tigers.

At the same time, poor countries need much stronger support from the international community—through concessional assistance, debt relief, trade preferences, technical cooperation and national capacity-building—if they are to make their way in the fiercely competitive global markets. What is true for national markets is true for global markets: an enabling environment must be created for the poor if they are to take full advantage of the new opportunities.

5. In all these areas the state must provide an enabling environment for broad-based political support and alliances for pro-poor policies and markets.

The state cannot relinquish its responsibilities in providing basic education and health care for all, reforming institutions to improve access to productive assets, shifting macroeconomic policy towards the goal of full employment and mobilizing resources to eradicate poverty and, through taxation, to control inequality. In every area of policy the state must advance the interests of poor people and promote pro-poor markets.

It is not the resources or the economic solutions that are lacking—it is the political momentum to tackle poverty head-on. An environment must be created in which state policies, as well as market forces, civil activism and community mobilization, contribute to the fullest possible extent to the eradication of poverty.

For this to happen, the following conditions are essential:

- Poor people must be politically empowered to organize themselves for collective action and to influence the circumstances and decisions affecting their lives. For their interests to be advanced, they must be visible on the political map.
- Community groups, professional associations, trade unions, private companies, the media, political parties and government institutions need to join in broad-based partnerships for poverty eradication. Such alliances can be built on common interests and brokered compromises.
- Democratic space needs to be maintained by the state to foster peaceful expression of people's demands and to resist pressures from the economically powerful.

A strategy for poverty eradication must therefore focus not only on what needs to be done, but on how to ensure that action is actually taken. Enabling policies for poverty eradication include such fundamental reforms as promoting broader political participation, ensuring accountability and transparency of government, preventing the criminalization of politics, promoting free flows of information and ensuring a strong role for community groups and NGOs in policy-making and legislative decision-making. The legitimacy and strength of the state depend in part on its capacity to mobilize and be mobilized in the fight against poverty.

6. Special international support is needed for special situations—to reduce the poorest countries' debt faster, to increase their share of aid and to open agricultural markets for their exports.

Without special support, international pledges of solidarity, human rights and worldwide poverty eradication ring hollow.

The least developed countries, most of them in Sub-Saharan Africa, face the biggest challenges in eradicating poverty in the next two or three decades. These are the countries in greatest economic difficulty—and most often in conflict. And these are the countries in which human poverty is growing fastest.

Yet Sub-Saharan Africa has many examples of success—and with sustained support the progress could be accelerated.

Five vital lines of action:

Conflict prevention and resolution, peace-building and reconstruction. A broader, more sustained approach is needed, directed to the whole continuum of peace-building, prevention of further conflict and reconstruction in ways that help build new momentum in which all groups in a country have a stake.

Reducing poverty and inequality would help avert many conflicts. And a pro-poor development strategy needs to be at the core of postconflict reconstruction. Restoring health services and moving towards education for all can help restore normalcy and serve as a focus for peace-building. The construction of housing and public buildings can provide employment. But controls on arms sales are needed, along with greater transparency in arms trade.

Debt relief for human development and poverty eradication. Debt is a millstone around the necks of Sub-Saharan and other least developed countries. The debt of the 41 highly indebted poor countries now totals \$215 billion, up from \$183 billion in 1990 and \$55 billion in 1980. Though the recent multilateral initiative to provide debt relief to these countries is welcome, the relief will be selective—and often take three to six years to have effect.

Desperately needed: more action, not more proposals. The benefits of debt relief could be channelled to support education, health care, credit and pro-poor rural development.

More aid, better directed. Despite rapidly growing poverty in most of the poorest and least developed countries, aid has been declining. A new impetus is needed, in the form of strong support for poverty reduction. That support needs to be translated into three actions:

- More aid for the Sub-Saharan and other least developed countries.
- A shift in the use of aid away from expatriate technical assistance personnel and towards long-term support for national capacity.
- A greater concentration of aid on countries demonstrating serious commitment to poverty reduction and human development.

Special support is also needed for slowing the spread of HIV/AIDS. Thailand and Uganda have had some success in this. But there has been little progress in most other developing countries, partly because the disease has yet to be acknowledged as not just a medical problem but also a development problem. Tackling it means dealing with ingrained cultural values and prejudices—particularly those relating to gender—and adopting a multisectoral approach targeted at communities in need.

The opening of global markets, especially for Africa's agricultural exports. Blunting Africa's opportunities for rapid advance is its lack of access to agricultural markets in the industrial countries. Fairer access for Africa's exports, especially its agricultural products, is thus a test of the international commitment to poverty reduction in the region.

Strengthening the United Nations' role and leadership. Rather than downsizing their vision for the United Nations, all governments need to expand their view of its role.

A grand alliance to eradicate poverty should be a powerful integrating force for all the development efforts of the UN system—a focus for advocacy, action and support. Already poverty reduction is the overriding priority for UNDP and among the central priorities for several of the main UN organizations. A system-wide action plan has been prepared, focused on coordinated followup to all the global conferences of the 1990s, with poverty reduction central.

All this could be taken much further, especially at the country level. Despite commitments at global conferences, no more than 30 countries have set clear goals for poverty eradication, and fewer still have serious strategies to achieve the goals.

But more than 100 countries have prepared plans of action to reduce different aspects of poverty, such as by expanding education, improving food security and ensuring reproductive health. These could be brought together in more comprehensive programmes. The UN system could help in this. It could also support efforts to incorporate poverty into mainstream economic policy, development programmes, data collection and monitoring.

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Recently, the members of the OECD Development Assistance Committee declared their support for halving income poverty by 2015 and for achieving education and health for all. Poverty eradication could become a focus of international support for many countries, bringing together all concerned UN organizations under the leadership of the government. The Special Initiative for Africa, for example, could be the focus for such collective support. All such efforts must be participatory, involving the poor themselves.

Eradicating absolute poverty in the first decades of the 21st century is feasible, affordable and a moral imperative.

Eradicating poverty everywhere is more than a moral imperative and a commitment to human solidarity. It is a practical possibility. The time has come to eradicate the worst aspects of human poverty within a decade or two—to create a world that is more humane, more stable, more just.

At the World Summit for Social Development in Copenhagen, governments committed themselves to eradicating poverty. As follow-up action, they agreed to set national goals and prepare strategies geared to reducing overall poverty substantially, reducing inequalities, and eradicating extreme poverty in the shortest time

possible—by target dates to be set by each country.

These commitments, and the success many countries have had in reducing poverty rapidly, make inaction immoral. But accelerated action will be spurred only if all countries develop a new vision of the possibility of poverty eradication and a stronger sense of how they will gain from it—through greater security, greater stability and greater prosperity.

The costs of eradicating poverty are less than people imagine—about 1% of global income and no more than 2–3% of national income in all but the poorest countries. Further cuts in military spending, with the savings channelled to poverty reduction and pro-poor growth, would go far towards providing the resources required. The challenge of mobilizing resources is thus mostly a challenge of restructuring priorities—and of steadily mainstreaming these priorities into a new programme of pro-poor growth. Combining growth with a small but steady redistribution towards poverty eradication could ensure all the resources required within this generation.

To restate: The unprecedented progress in reducing poverty in the 20th century sets the stage for eradicating absolute poverty in the early 21st century—a moral imperative, an attainable goal. No longer inevitable, poverty should be relegated to history—along with slavery, colonialism and nuclear warfare.

Absolute and relative poverty

Absolute poverty refers to some absolute standard of minimum requirement, while relative poverty refers to falling behind most others in the community. With respect to income, a person is absolutely poor if her income is less than the defined income poverty line, while she is relatively poor if she belongs to a bottom income group (such as the poorest 10%).

Functionings and capability

The functionings of a person refer to the valuable things the person can do or be (such as being well nourished, living long and taking part in the life of a community). The capability of a person stands for the different combinations of functionings the person can achieve; it reflects the freedom to achieve functionings.

Ultra-poverty

Ultra-poverty is said to occur when a household cannot meet 80% of the FAO-WHO minimum calorie requirements, even when using 80% of its income to buy food.

Incidence of poverty

The incidence of poverty, expressed as a headcount ratio, is simply an estimate of the percentage of people below the poverty line. It does not indicate anything about the depth or severity of poverty and thus does not capture any worsening of the conditions of those already in poverty.

Depth of poverty

The depth of poverty can be measured as the average distance below the poverty line, expressed as a proportion of that line. This average is formed over the entire population, poor and non-poor. Because this measure—also called the poverty gap—shows the average distance of the poor from the poverty line, it is able to capture a worsening of their conditions.

Severity of poverty

The severity of poverty can be measured as a weighted average of the squared distance below the poverty line, expressed as a proportion of that line. The weights are given by each individual gap. Again, the average is formed over the entire population. Since the weights increase with poverty, this measure is sensitive to inequality among the poor.

Transient and chronic poverty

Transient poverty refers to short-term, temporary or seasonal poverty, and chronic poverty to long-term or structural poverty.

Vulnerability

Vulnerability has two faces: external exposure to shocks, stress and risk; and internal defencelessness, a lack of means to cope without suffering damaging loss.

Poverty lines

- **POVERTY LINES FOR INTERNATIONAL COMPARISON.** A poverty line set at \$1 (1985 PPP\$) a day per person is used by the World Bank for international comparison. This poverty line is based on consumption.

A poverty line of \$2 (PPP\$) a day is suggested for Latin America and the Caribbean. For Eastern Europe and the CIS countries, a poverty line of \$4 (1990 PPP\$) has been used. For comparison among industrial countries, a poverty line corresponding to the US poverty line of \$14.40 (1985 PPP\$) a day per person has been used.

- **NATIONAL POVERTY LINES.** Developing countries that have set national poverty lines have generally used the food poverty method. These lines indicate the insufficiency of economic resources to meet basic minimum needs in food. There are three approaches to measuring food poverty.

Cost-of-basic-needs method. This approach sets the poverty line at the cost of a basic diet for the main age, gender and activity groups, plus a few essential non-food items. A survey then establishes the proportion of people living in households with consumption (or sometimes income) below this line. The basic diet may consist of the least expensive foods needed to meet basic nutritional requirements, the typical adult diet in the lowest consumption quintile or the investigator's notion of a minimal but decent diet. The choice of both the food and the non-food components included is necessarily arbitrary.

Food energy method. This method focuses on the consumption expenditure at which a person's typical food energy intake is just sufficient to meet a predetermined food energy requirement. Dietary energy intake, as the dependent variable, is regressed against household consumption per adult equivalent. The poverty line is then set at the level of total consumption per person at which the statistical expectation of dietary energy intake exactly meets average dietary energy requirements. The problem with this method is the *caviar caveat*: groups that choose a costly bundle of foods are rewarded with a higher poverty line than that for more frugal eaters.

Food share method. This method derives the cost of a consumption plan to acquire just sufficient nutrients. If the cost of basic nutrients is a third of total consumption, the poverty line is fixed at three times that cost.

All three approaches are sensitive to the price level used to determine the cost of the bundle. And all three concentrate mainly on calories or dietary energy, because protein deficiency due to inadequate economic resources is perceived to be rare in most societies.

In industrial countries too national poverty lines are used to measure relative poverty. The European Commission has suggested a poverty line for these countries of half the median adjusted disposable personal income.

The concept of human development

The process of widening people's choices and the level of well-being they achieve are at the core of the notion of human development. Such choices are neither finite nor static. But regardless of the level of development, the three essential choices for people are to lead a long and healthy life, to acquire knowledge and to have

access to the resources needed for a decent standard of living. Human development does not end there, however. Other choices, highly valued by many people, range from political, economic and social freedom to opportunities for being creative and productive and enjoying self-respect and guaranteed human rights.

Income clearly is only one option that people would like to have, though an important one. But it is not the sum total of their lives. Income is also a means, with human development the end.

Human development index

The human development index measures the average achievements in a country in three basic dimensions of human development—longevity, knowledge and a decent standard of living. A composite index, the HDI thus contains three variables: life expectancy, educational attainment (adult literacy and combined primary, secondary and tertiary enrolment) and real GDP per capita (in PPP\$).

Human poverty index

The human poverty index measures deprivation in basic human development in the same dimensions as the HDI. The variables

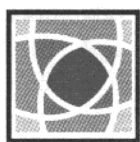
used are the percentage of people expected to die before age 40, the percentage of adults who are illiterate, and overall economic provisioning in terms of the percentage of people without access to health services and safe water and the percentage of under-weight children under five.

Gender-related development index

The gender-related development index measures achievements in the same dimensions and variables as the HDI does, but takes account of inequality in achievement between women and men. The greater the gender disparity in basic human development, the lower a country's GDI compared with its HDI. The GDI is simply the HDI discounted, or adjusted downwards, for gender inequality.

Gender empowerment measure

The gender empowerment measure indicates whether women are able to actively participate in economic and political life. It focuses on participation, measuring gender inequality in key areas of economic and political participation and decision-making. It thus differs from the GDI, an indicator of gender inequality in basic capabilities.



Poverty in the human development perspective: concept and measurement

It is in the deprivation of the lives that people can lead that poverty manifests itself. Poverty can involve not only the lack of the necessities of material well-being, but the denial of opportunities for living a tolerable life. Life can be prematurely shortened. It can be made difficult, painful or hazardous. It can be deprived of knowledge and communication. And it can be robbed of dignity, confidence and self-respect—as well as the respect of others. All are aspects of poverty that limit and blight the lives of many millions in the world today.

Defining poverty in the human development perspective

Since its launch in 1990 the *Human Development Report* has defined human development as the process of enlarging people's choices. The most critical ones are to lead a long and healthy life, to be educated and to enjoy a decent standard of living. Additional choices include political freedom, other guaranteed human rights and various ingredients of self-respect—including what Adam Smith called the ability to mix with others without being "ashamed to appear in public". These are among the essential choices, the absence of which can block many other opportunities. Human development is thus a process of widening people's choices as well as raising the level of well-being achieved.

If human development is about enlarging choices, poverty means that opportunities and choices most basic to human development are denied—to lead a long, healthy, creative life and to enjoy a decent standard of living, freedom, dignity, self-respect and the respect of others.

The contrast between human development and human poverty reflects two different ways of evaluating development. One way, the "conglomerative perspective", focuses on the advances made by all groups in each community, from the rich to the poor. This contrasts with an alternative viewpoint, the "deprivational perspective", in which development is judged by the way the poor and the deprived fare in each community. Lack of progress in reducing the disadvantages of the deprived cannot be "washed away" by large advances—no matter how large—made by the better-off people.

Interest in the process of development concerns both perspectives. At a very basic level, the lives and successes of everyone should count, and it would be a mistake to make our understanding of the process of development completely insensitive to the gains and losses of those who happen to fare better than others. It would go against the right of each citizen to be counted, and also clash with the comprehensive concerns of universalist ethics. Yet a part—a big part—of the general interest in the progress of a nation concentrates specifically on the state of the disadvantaged.

Successive *Human Development Reports* have been concerned with both ways of looking at progress. This Report explores in particular the deprivations in human development, including a measure of human development from a deprivational perspective.

Poverty has many dimensions

Concerns with identifying people affected by poverty and the desire to measure it have at times obscured the fact that poverty is too complex to be reduced to a single dimension

Poverty means that opportunities and choices most basic to human development are denied

POVERTY

"Poverty is criminal because it does not allow people to be people. It is the cruelest denial of all of us human beings."

—Educator from Colombia

"Poverty means never having quite enough to eat."

—Panhandler from the United States

of human life. It has become common for countries to establish an income-based or consumption-based poverty line. Although income focuses on an important dimension of poverty, it gives only a partial picture of the many ways human lives can be blighted. Someone can enjoy good health and live quite long but be illiterate and thus cut off from learning, from communication and from interactions with others. Another person may be literate and quite well educated but prone to premature death because of epidemiological characteristics or physical disposition. Yet a third may be excluded from participating in the important decision-making processes affecting her life. The deprivation of none of them can be fully captured by the level of their income.

Also, people perceive deprivation in different ways—and each person and community defines the deprivation and disadvantages that affect their lives.

Poverty of lives and opportunities—or human poverty—is multidimensional in character and diverse rather than uniform in content.

How does human poverty relate to other approaches?

Over the years the concept of poverty has been defined in different ways (box 1.1).

Poverty in the human development approach draws on each of these perspectives, but draws particularly on the capability perspective. In the capability concept the poverty of a life lies not merely in the impoverished state in which the person actually lives, but also in the lack of real opportunity—due to social constraints as well as personal circumstances—to lead valuable and valued lives.

In the capability concept the focus is on the functionings that a person can or cannot achieve, given the opportunities she has. Functionings refer to the various valuable things a person can do or be, such as living long, being healthy, being well nourished, mixing well with others in the community and so on.

The capability approach concentrates on functioning information, supplemented by considering, where possible, the options a person had but did not choose to use. For example, a rich and healthy person who becomes ill nourished through fasting can be distinguished from a person who is forced into malnutrition through a lack of means or as a result of suffering from a parasitic disease. In practice such discrimination is difficult when dealing with aggregate statistics (as opposed to detailed micro studies of individuals), and the practical uses of the capability concept in poverty analysis have been mainly with simple functioning data. The *Human Development Report* too presents information that is essentially about living conditions and functionings.

In choosing particular aspects of living for special investigation in a poverty study, there is need for public discussion. There is an inescapable element of judgement in any such selection. In constructing any index of poverty (such as the human poverty index presented in this Report), the selections and the weights have to be explicitly stated and clarified so that public scrutiny can occur. It is very important that the standards to be used are not determined on a top-down basis, but are open to—if possible, emerge from—a participatory, democratic process. One of the purposes of the *Human Development Report* has been precisely to facilitate such a process, and this applies to poverty analysis as well.

BOX 1.1

Three perspectives on poverty

- *Income perspective.* A person is poor if, and only if, her income level is below the defined poverty line. Many countries have adopted income poverty lines to monitor progress in reducing poverty incidence. Often the cut-off poverty line is defined in terms of having enough income for a specified amount of food.

- *Basic needs perspective.* Poverty is deprivation of material requirements for minimally acceptable fulfilment of human needs, including food. This concept of deprivation goes well beyond the lack of private income: it includes the need for basic health and education and essential services that have to be provided by the community to prevent people from falling into poverty. It also

recognizes the need for employment and participation.

- *Capability perspective.* Poverty represents the absence of some basic capabilities to function—a person lacking the opportunity to achieve some minimally acceptable levels of these functionings. The functionings relevant to this analysis can vary from such physical ones as being well nourished, being adequately clothed and sheltered and avoiding preventable morbidity, to more complex social achievements such as partaking in the life of the community. The capability approach reconciles the notions of absolute and relative poverty, since relative deprivation in incomes and commodities can lead to an absolute deprivation in minimum capabilities.

The “sustainable livelihood approach” to the study of poverty has particularly emphasized the need for local participation. In this approach each community can define criteria of well-being and the key elements of deprivation as they appear in the local context. This process brings out the concerns and worries of vulnerable people that are persistently neglected in national statistics and in many studies of poverty (box 1.2).

In the 1970s the concept of *social exclusion* came into the literature to analyse the condition of those who are not necessarily income-poor—though many are that too—but who are kept out of the mainstream of society even if not income-poor. The inadequacy of traditional definitions of poverty, based on incomes and consumption, was widely acknowledged to explain these new concerns.

Measurement of poverty and the human poverty index

Can the concept of human poverty be targeted and monitored? Can an overall measure of poverty be developed that can inform as well as be used for policy? Can an internationally comparable measure be defined?

This Report introduces a human poverty index (HPI) in an attempt to bring together in a composite index the different features of deprivation in the quality of life to arrive at an aggregate judgement on the extent of poverty in a community. *Human Development Report 1996* attempted this through a particular version of the “capability poverty measure”. The HPI pursues the same approach, focusing on a broader and more representative set of variables, in a consistent relationship to the human development index (HDI).

Like many other concepts, human poverty is larger than any particular measure, including the HPI. As a concept, human poverty includes many aspects that cannot be measured—or are not being measured. It is difficult to reflect them in a composite measure of human poverty. Critical dimensions of human poverty excluded from the HPI for these reasons

are lack of political freedom, inability to participate in decision-making, lack of personal security, inability to participate in the life of a community and threats to sustainability and intergenerational equity.

Poverty depends on the context

The nature of the main deprivations varies with the social and economic conditions of the community in question. The choice of indicators in the HPI cannot but be sensitive to the social context of a country. For example, an index that concentrates on illiteracy and premature mortality may be able to discriminate between Pakistan and Sri Lanka more easily than it can between, say, France and Germany.

Issues of poverty in the developing countries involve hunger, illiteracy, epidemics and the lack of health services or safe water—which may not be so central in the more developed countries, where hunger is rare, literacy is close to universal, most epidemics are well controlled, health services are typically widespread and safe water is easy to tap. Not surprisingly, studies of poverty in the more affluent countries concentrate on such variables as social exclusion. These can be forceful deprivations and very hard to eliminate in all countries. But they take on relatively greater prominence in the affluent ones. There is

Human poverty includes many aspects that cannot be measured—or are not being measured

Criteria of ill-being

BOX 1.2

The following criteria, drawn from various participatory studies, were used by local people in Asia and Sub-Saharan Africa for defining poverty and ill-being:

- Being disabled (for example, blind, crippled, mentally impaired, chronically sick).
- Lacking land, livestock, farm equipment, a grinding mill.
- Being unable to decently bury their dead.
- Being unable to send their children to school.
- Having more mouths to feed, fewer hands to help.
- Lacking able-bodied family mem-

bers who can feed their families in a crisis.

- Having bad housing.
- Suffering the effects of destructive behaviours (for example, alcoholism).
- Being “poor in people”, lacking social support.
- Having to put children in employment.
- Being single parents.
- Having to accept demeaning or low-status work.
- Having food security for only a few months each year.
- Being dependent on common property resources.

Source: Chambers 1997.

POVERTY

"Poverty is hunger, loneliness, nowhere to go when the day is over, deprivation, discrimination, abuse and illiteracy."

—Single mother
from Guyana

"Poverty is the squatter mother whose hut has been torn down by government for reasons she cannot understand."

—Slum dweller
from the Philippines

no real possibility of constructing an index of human poverty that would be equally relevant in the different types of countries.

Given the pervasiveness of poverty in poor countries, the HPI developed is aimed at that context and the variables chosen reflect that (box 1.3). The nature of poverty in rich countries deserves a specialized study—and a more specialized index—focusing on those deprivations particularly relevant for those countries.

The three indicators of the human poverty index

The HPI presented in this Report concentrates on the deprivation in three essential elements of human life already reflected in the HDI—longevity, knowledge and decent a living standard.

The first deprivation relates to survival—the vulnerability to death at a relatively early age—and is represented in the HPI by the percentage of people expected to die before age 40.

The second dimension relates to knowledge—being excluded from the world of reading and communication—and is measured by the percentage of adults who are illiterate.

The third aspect relates to a decent standard of living, in particular, overall economic provisioning. This is represented by a composite of three variables—the percentage of people with access to health services and to safe water, and the percentage of malnourished children under five.

A few observations must be made about this last variable and about why income does not figure in the HPI. The logic underlying the construction of the economic provisioning variable is that the GNP included in the HDI is actually an amalgam of private and public facilities, since public services are paid out of aggregate national income.

Private income could not be an adequate indicator of an individual's economic facilities, which also include crucial public services (such as health care arrangements and a safe water supply). But why is private income not chosen to supplement the information on public facilities?

One of the problems in assessing the prevalence of income poverty is that the use of the same poverty line in different countries can be very misleading because of the variation in "necessary" commodities. Depending on the prevailing patterns of consumption—clothing, accommodation and such tools of communication and interaction as radios and telephones—many provisions are taken to be essential for social participation in one community without being treated as such in another. As a result, the minimum income needed to escape social estrangement can be quite different between communities.

Given the social pressure, these felt "needs" may compete—for relatively poor people in rich countries—even with the provision of resources for food, nutrition and health care. This can explain the prevalence of some hunger and malnutrition, especially among children, even in the United States, where incomes are high but inequalities generate a heavy burden of "necessity" in the direction of socially obligated consumption, often to the detriment of health and nutritional spending. So, the assessment of poverty on the basis of a low minimum cut-off income used for poor countries fails to show any poverty in generally affluent societies, even when the relatively poor in those societies may lack social participation and may even suffer from hunger and malnutrition.

An alternative is to use different poverty lines in different countries. But it is not easy to decide what the appropriate variations would be and how the respective poverty lines could be estimated. The official national lines cannot serve this purpose, since they reflect other influences, especially political ones, and cannot be used for international comparisons. The general need for a variable cut-off line of poverty is easier to appreciate than it is to find adequate values for variable poverty lines in different communities.

A more practical possibility is to be less ambitious and focus on material deprivation in hunger and malnutrition, not on income. A very high proportion of personal income goes to food and nourishment, especially for poor people in poor countries.

For this we can use information on food intake, which relates to personal incomes. Alternatively, there are estimates of malnutrition, but these are influenced by a number of variables, such as metabolic rate, climatic conditions, activity patterns and epidemiology. Since our concern is with the lives that people can lead, there is a case for going straight to the prevalence of malnutrition, and this is what is done in the HPI, concentrating specifically on the malnutrition of children, which is relatively easier to measure and for which usable data are more uniformly available.

For public provisions, access to health services and to safe water were chosen. Combining these two access variables with the prevalence of malnutrition gives a fairly broad picture of economic provisioning—private and public—to supplement the information on survival and literacy.

These are the basic informational ingredients of the HPI. It must be emphasized that there is some inescapable arbitrariness in any such choice. The choice was made on the basis of balancing considerations of relevance on the one hand, and the availability and quality of data on the other. There are inevitable compromises made, and it would be idle to pretend that even the variables that have been included have high-quality data for every country. There has been an attempt, in these selections, to strike a balance between the demands of relevance and the need for tolerably usable data, and these choices would certainly remain open to criticism and public scrutiny.

Weighting and aggregation

The procedures for constructing the HPI, including weighting and aggregation, are presented in detail in technical note 1.

The process of aggregation can be sensitive to the overlaps in the three dimensions of the HPI. For example, consider a case in which in each of the three categories of deprivation, 30% of people fail to meet the minimum requirement. This can be so because the same 30% fail in all three fields. But it can also be that a different 30% fail in each category. Or we may have some combination of the two extremes. In the

first extreme case only 30% are affected by poverty, but they are deprived on all three fronts. In contrast, in the second extreme case as many as 90% of the population are deprived altogether, but each group has inadequacy in merely one field. Even though information on overlaps (or covariance) is not easy to obtain (since data regarding the different variables come from different sources), these distinctions can be important in describing poverty. They can also be crucial for causal analysis, since deprivation of one kind often feeds others.

However, when it comes to constructing an index, it is not easy to decide whether 30% of people with inadequacies of all three

BOX 1.3

The HPI—useful for policy-makers?

The human poverty index can be used in at least three ways.

1. *As a tool for advocacy.* If poverty is to be eradicated, public opinion and support needs to be mobilized to the cause. The HPI can help summarize the extent of poverty along several dimensions, the distance to go, the progress made. Income poverty also needs to be measured—but income alone is too narrow a measure.

2. *As a planning tool for identifying areas of concentrated poverty within a country.* The HPI has been used in many countries to rank districts or counties as a guide to identifying those most severely disadvantaged in terms of human development. Several countries, such as the Philippines, have used such analyses as a planning tool. The HPI can be used in a similar way, to identify those most seriously affected by human poverty. Though ranking by any one index alone would be possible—say, by illiteracy rate, lack of access to health services or the percentage in income poverty—the HPI makes possible a ranking in relation to a combination of basic deprivations, not one alone.

3. *As a research tool.* The HPI has been used especially when a researcher wants a composite measure of development. For such uses, other indicators have sometimes been added to the HPI. The HPI could be similarly used and enriched—especially if other measures of poverty and human deprivation were added, such as unemployment.

Although greeted with controversy when first launched in 1990, the HPI has found an increasing following as a simple measure of human development. The HPI provides an alternative to GNP for assessing a country's standing in basic human development or its progress in human development over time. It does not displace economic measures but can serve as a simple composite complement to other measures like GNP.

The HPI can similarly serve as a useful complement to income measures of poverty. It will serve as a strong reminder that eradicating poverty will always require more than increasing the incomes of the poorest.

Further work is merited to explore how the HPI and the HDI could be enriched and made more robust in situations where a wider range of data on different aspects of poverty and human development are available.

What the HPI does not show. The HPI provides a measure of the incidence of human poverty in a country (or among some other group), say 25%. This means that judged by the HPI, an "average" of some 25% of the country's population is affected by the various forms of human poverty or deficiency included in the measure. But unlike with a headcount measure, it is not possible to associate the incidence of human poverty with a specific group of people or number of people.

POVERTY

"Wealth is the blanket we wear. Poverty is to have that blanket taken away."

—NGO member
from Botswana

"Poverty is the impossibility of living in your own home. It is life in a refugee camp and the lack of opportunity for my children."

—Refugee from Azerbaijan

types represents larger social poverty than 90% of people having one deficiency each. It is a matter of the importance to be given to depth vis-à-vis breadth. For the purpose of the HPI, the two cases have been treated as equivalent, so that in some sense depth and breadth have been equally considered.

There is a further issue to be addressed in deriving an aggregate index, namely that of substitutability between the three components of the HPI. This is done through an explicit procedure of using an additional weight (α). The procedure is fully described and examined in technical note 1. When α is taken to be 1, perfect substitutability is presumed, and the aggregate is obtained by simply averaging the three deprivations. The opposite case of no substitutability corresponds to α being taken to be infinity. In that case the largest of the percentage shortfalls rules the roost. For example, if 30% fail in field one, 50% in field two and 45% in field three, then the overall extent of poverty, in this case, is simply 50%.

Perfect substitutability is too extreme an assumption, and goes against the sensible requirement that as the deprivation in some field becomes relatively more acute, the weight placed on removing deprivation in that field should increase. Nor is the other extreme, zero substitutability, very easy to support, since it implies that any increase in deprivation in any category other than the one with the highest rate of deprivation must leave the aggregate poverty measure completely unchanged. Both extremes are avoided by choosing an intermediate value of α .

The human development index and the human poverty index

While human development focuses on progress in a community as a whole, human poverty focuses on the situation and progress of the most deprived people in the community.

The distinction between the two is analogous to the distinction between GNP and the income-based poverty index. In the income-based perspective, poverty incidence is needed to monitor progress in eliminating poverty. In the same way, the HPI is needed

to judge the extent of human poverty in a country and to monitor its progress.

The growth rate of GNP per person gives an account of progress seen in the conglomerative perspective—everyone's income counts in the GNP total. In contrast, the reduction of an income-based poverty index—such as the decline in the proportion of people below the poverty-line income—uses the deprivational perspective, concentrating only on the incomes of the poor. In this income-based perspective, it would make little sense to argue that since GNP is already based on income information, any income-based poverty measure must be a substitute for GNP. Nor would it be sensible to suggest that the availability of GNP as an indicator makes it redundant to seek a measure of income poverty. GNP and the income poverty measures use the income information in different perspectives—with GNP taking a conglomerative view and the income poverty measures focusing specifically on people poor in income.

Perspective	Income	Human life
Conglomerative	GNP per capita	HDI
Deprivational	Headcount index	HPI

The relationship between the HDI and the HPI has to be seen in a similar way. Both have to use the rich categories of information associated with human development—characteristics of human lives and quality of living that go far beyond what income information can provide. But while the HDI uses these characteristics in the conglomerative perspective, the HPI must use them in the deprivational perspective. The availability of GNP measures does not obviate the need for an income-based poverty indicator, nor does the HDI measure eliminate the need for an HPI.

Values and rankings of the human poverty index

Estimates of the HPI have been prepared for 78 developing countries having adequate data (table 1.1). The procedure for computing the index and the full results are

presented in technical note 2. The HPI value indicates the proportion of the population affected by the three key deprivations in their lives—showing how widespread human poverty is.

At the top of the rankings are Trinidad and Tobago, Cuba, Chile, Singapore, Costa Rica—these countries have reduced human poverty to an HPI value of less than 10%. In other words, these countries have reduced human poverty to the point at which it affects less than 10% of the population.

At the bottom are the seven countries whose HPI exceeds 50%—Niger, Sierra Leone, Burkina Faso, Ethiopia, Mali, Cambodia and Mozambique. And in almost half the 78 countries covered, the HPI exceeds 34%, implying that about a third of their people suffer human poverty.

How does the HPI compare with income-based measures of poverty?

- Some countries have done better in reducing income poverty than human poverty. In Côte d'Ivoire and Egypt less than

TABLE 1.1
HPI ranking for developing countries

Country	Human poverty index (HPI) value (%)	HPI rank	HPI rank minus HDI rank	HPI rank minus \$1-a-day poverty rank	Country	Human poverty index (HPI) value (%)	HPI rank	HPI rank minus HDI rank	HPI rank minus \$1-a-day poverty rank
Trinidad and Tobago	4.1	1	-4	..	Cameroon	31.4	41	-4	..
Cuba	5.1	2	-18	..	Papua New Guinea	32.0	42	2	..
Chile	5.4	3	1	-13	Ghana	32.6	43	-1	..
Singapore	6.6	4	3	..	Egypt	34.8	44	14	15
Costa Rica	6.6	5	2	-15	Zambia	35.1	45	-8	-14
Colombia	10.7	6	-3	-6	Guatemala	35.5	46	12	-9
Mexico	10.9	7	-1	-9	India	36.7	47	-2	..
Jordan	10.9	8	-11	1	Rwanda	37.9	48	-29	-2
Panama	11.2	9	2	-13	Togo	39.3	49	-7	..
Uruguay	11.7	10	6	..	Tanzania, U. Rep. of	39.7	50	-8	14
Thailand	11.7	11	1	6	Lao People's Dem. Rep.	40.1	51	4	..
Jamaica	12.1	12	-6	1	Zaire	41.2	52	0	..
Mauritius	12.5	13	2	..	Uganda	41.3	53	-13	-3
United Arab Emirates	14.9	14	8	..	Nigeria	41.6	54	3	9
Ecuador	15.2	15	1	-15	Morocco	41.7	55	19	30
Mongolia	15.7	16	-12	..	Central African Rep.	41.7	56	-4	..
Zimbabwe	17.3	17	-24	-18	Sudan	42.2	57	-8	..
China	17.5	18	-11	-12	Guinea-Bissau	43.6	58	-11	-8
Philippines	17.7	19	-7	-9	Namibia	45.1	59	24	..
Dominican Rep.	18.3	20	-1	-5	Malawi	45.8	60	-8	..
Libyan Arab Jamahiriya	18.8	21	9	..	Haiti	46.2	61	-3	..
Sri Lanka	20.7	22	-1	8	Bhutan	46.3	62	-1	..
Indonesia	20.8	23	-4	3	Côte d'Ivoire	46.3	63	8	18
Syrian Arab Rep.	21.7	24	9	..	Pakistan	46.8	64	14	24
Honduras	22.0	25	-8	-15	Mauritania	47.1	65	6	11
Bolivia	22.5	26	-6	9	Yemen	47.6	66	9	..
Iran, Islamic Rep. of	22.6	27	14	..	Bangladesh	48.3	67	13	..
Peru	22.8	28	6	-14	Senegal	48.7	68	1	0
Botswana	22.9	29	4	-8	Burundi	49.0	69	-3	..
Paraguay	23.2	30	6	..	Madagascar	49.5	70	9	-1
Tunisia	24.4	31	15	15	Guinea	50.0	71	0	19
Kenya	26.1	32	-14	-13	Mozambique	50.1	72	2	..
Viet Nam	26.2	33	-4	..	Cambodia	52.5	73	11	..
Nicaragua	27.2	34	-5	-7	Mali	54.7	74	0	..
Lesotho	27.5	35	-13	-12	Ethiopia	56.2	75	2	14
El Salvador	28.0	36	5	..	Burkina Faso	58.3	76	1	..
Algeria	28.6	37	20	21	Sierra Leone	59.2	77	-1	..
Congo	29.1	38	-4	..	Niger	66.0	78	2	3
Iraq	30.7	39	1	..					
Myanmar	31.2	40	-3	..					

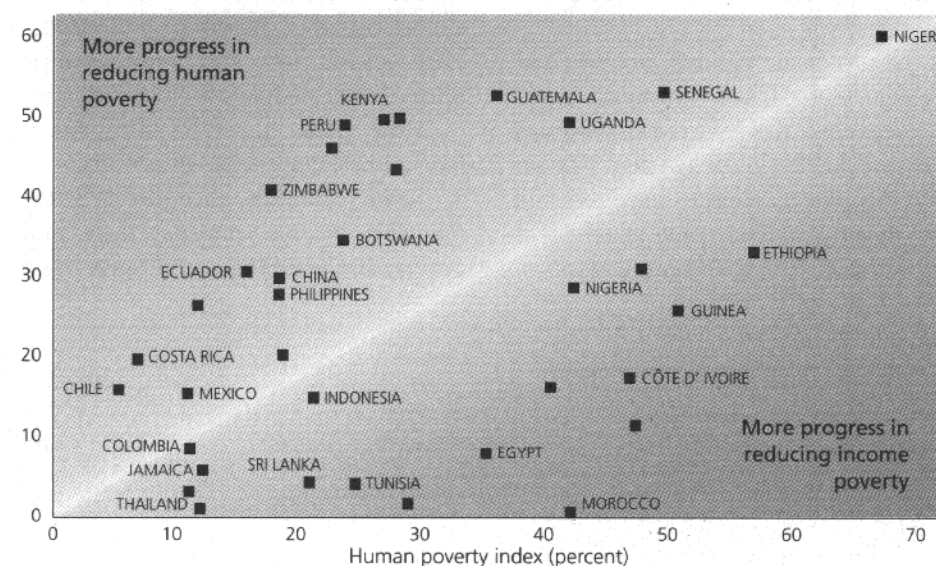
Note: HDI and \$1-a-day poverty ranks have been recalculated for the universe of 78 countries. A negative number indicates that the country performs better on the HPI than on the other measure, a positive the opposite.

Source: Human Development Report Office and World Bank 1996c.

FIGURE 1.1

Human poverty and income poverty do not always move together

Percentage of people below the \$1-a-day poverty line (1985 PPP\$), 1993



Source: Human Development Report Office and World Bank 1997b.

20% of the people are income-poor, but 35% or more are affected by human poverty. These countries could pay more attention to reducing basic deprivations in choices and opportunities, especially by extending access to basic education and health services.

- Other countries have done better in reducing human poverty than income poverty—China, Costa Rica, Kenya, Peru,

the Philippines, Zimbabwe. These countries have invested heavily in reducing deprivations in basic human capabilities.

Progress in reducing poverty in income and progress in reducing poverty in human choices and opportunities do not always move together. Regression analysis indicates a weak relationship between the headcount index of income poverty and HPI (figure 1.1). So, in monitoring progress, the focus should not be on income poverty alone, but on indicators of human poverty as well.

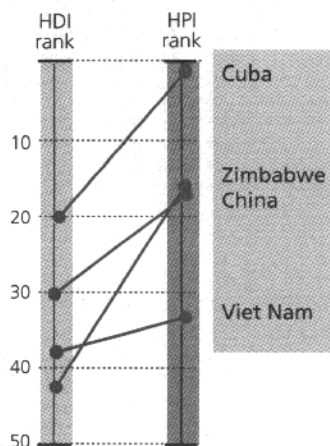
Comparing the HPI with the HDI reveals stark contrasts in some countries. These differences can alert policy-makers to the need to make human development better distributed, more pro-poor (figure 1.2). The HDI measures the overall progress of a country in human development. It can mask unequal distribution of that progress and the widespread human poverty that remains. Countries such as Namibia, Morocco, Pakistan, Egypt, Guatemala and Cambodia rank higher in the HDI than in the HPI—signalling the need for greater attention to human development for the most deprived.

Other countries rank much higher in the HPI than in the HDI—such as Zimbabwe, Cuba, China, Zambia and Viet Nam. In these countries overall progress in

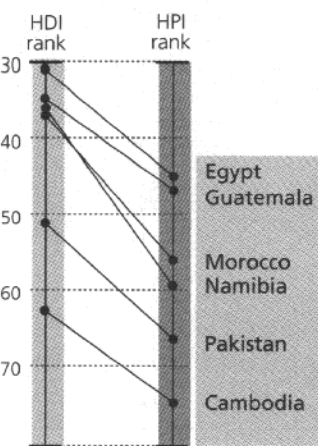
FIGURE 1.2

Human development progress: how pro-poor has it been?

Human development has sometimes worked well for poverty reduction



But it has not always done so



Source: Human Development Report Office.

TABLE 1.2
Trends in HPI for selected
developing countries, 1970–90

Country	HPI value (%)		Change in HPI value (%) 1970–90
	1970	1990	
Thailand	34	12	66
Mexico	30	11	63
Chile	13	5	59
Costa Rica	15	7	56
Trinidad and Tobago	9	4	54
Sri Lanka	35	21	41
Panama	17	11	36
Mauritius	19	13	35
Peru	28	23	19

Source: Human Development Report Office.

human development was pro-poor, effectively helping the most deprived lift themselves out of human poverty.

The countries at the bottom of the HPI rankings also rank near the bottom in the HDI. In these countries the overall progress in human development has been too low to raise the majority of their people from poverty.

Regional and global human poverty

HPI estimates for regions show that:

- Human poverty affects a quarter of the developing world's population, while income poverty affects a third.
- Human poverty is most widespread in Sub-Saharan Africa and in South Asia, affecting about 40% of the people.
- Progress in reducing human poverty and income poverty do not always go together. The contrasts are most stark in the Arab States, where income poverty was reduced to 4% by 1993 but human poverty was still 32%, and in Latin America and the Caribbean, where human poverty has been reduced to 15% but income poverty is still 24% (figure 1.3).

Trends in human poverty

The trends in human poverty in developing countries with available data show that although all were able to reduce the incidence of human poverty during the past two decades, the extent and pattern of reduction differed (table 1.2).

While Mexico and Thailand were able to reduce the incidence of human poverty by two-thirds, Peru, starting from a similar base, reduced it by less than a fifth. A similar comparison can be made for Costa Rica and Panama.

The disaggregated human poverty index

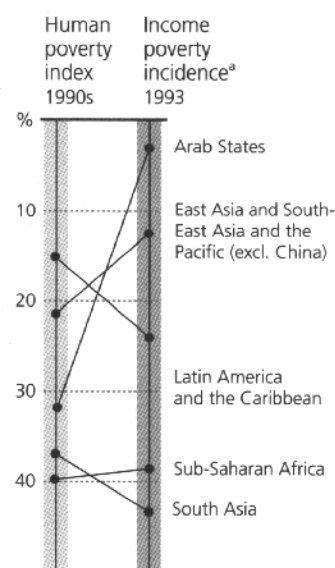
Estimating separate HPIs for groups or regions reveals disparities and contrasts within countries, and pinpoints concentrations of poverty (figure 1.4).

Brazil—Sharp contrasts exist between the North-East region, with an HPI of 46%, and the South and South-East, with HPIs of only 17% and 14%. These disparities have grown over the past two decades, as the incidence of human poverty declined by two-thirds in the South, but only a third in the North-East.

China—Disaggregated HPIs for Chinese provinces show stark contrasts. Human poverty is far more pervasive in the remote interior provinces of the western region (with an HPI of 44%) than in the coastal region (with an HPI of 18%).

India—Kerala is well ahead, having reduced human poverty to 15%, a clear reflection of the state's policy commitment to equity and human development. In Rajasthan and Bihar human poverty is pervasive—at more than 50%.

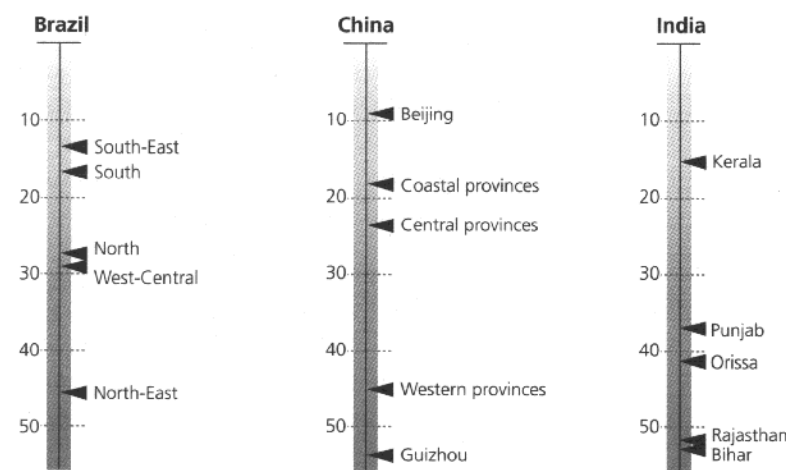
FIGURE 1.3
HPI and income poverty incidence



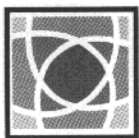
a. Percentage of people below the \$1-a-day poverty line (1985 PPP\$).
Source: Human Development Report Office.

FIGURE 1.4
Disparity in human poverty within countries

Human poverty index (percent)



Source: Human Development Report Office.



Progress and setbacks

Far from continuous, the progress has been marked by ascents and descents

Poverty has degraded human lives for centuries. But one of the great achievements of the 20th century is its dramatic reduction. Income poverty has fallen faster in the past 50 years than in the previous 50 decades. And by the end of the 20th century the number of people deprived in other aspects of life will be reduced to some 1–2 billion, from 2–3 billion three decades ago.

For the developing world in recent decades, the gains have been unprecedented. It has covered as much distance in the past 30 years as the industrial world did in a century. More than three-fourths of the population now can expect to survive to age 40. Adult illiteracy has been reduced by nearly half. Infant mortality has been cut by nearly three-fifths. And even though the South has an average per capita income that is a mere 6% of the North's, it now has a life expectancy and daily calorie supply that are more than four-fifths—and adult literacy that is two-thirds—of the North's.

This progress must be put in perspective, however.

First, far from continuous, the progress has been marked by ascents and descents (box 2.1). Nor has the progress been equally distributed—with some regions too often lagging behind others. Thus even in the 1990s, nearly 32% of people in Sub-Saharan Africa are not expected to survive to age 40, compared with 9% in East Asia. The adult illiteracy rate in South Asia, at nearly 50%, is four times that in South-East Asia and the Pacific. And the per capita GNP of \$9,425 in East Asia (excluding China) is more than 18 times the per capita GNP of less than \$550 in South Asia and Sub-Saharan Africa.

Second, much human deprivation still remains in the developing world. Nearly a

third of the people—1.3 billion—live on less than \$1 a day (1985 PPP\$). More than 800 million people do not get enough to eat. And more than half a billion are chronically malnourished.

The chronicle of suffering goes on. More than 840 million adults are still illiterate. About 800 million people lack access to health services, and more than 1.2 billion access to safe water. At least a quarter of the human race does not live under relatively pluralistic and democratic regimes.

And on: There are still more than 40 million refugees and internally displaced people, and more than half a billion poor people live in ecologically fragile regions.

And on: Children and women suffer the most. Nearly 160 million children under age five are malnourished, and more than 110 million children are out of school. At 538 million, women constitute nearly two-thirds of the adult illiterates in developing countries. The maternal mortality rate is nearly 500 women per 100,000 live births.

Third, there are still North-South gaps in many areas. The under-five mortality rate of 95 per 1,000 live births in the South is five times that in the North, at 18. The maternal mortality rate of 471 per 100,000 live births in the South is 15 times that in the North, at 31. And per capita energy consumption in the South is only about an eighth of that in the North.

Fourth, deprivation is not limited to developing countries—the industrial countries also suffer. More than 100 million of their people still live below the income poverty line—at 50% of the individual median adjusted disposable income. More than 5 million people are homeless, and more than 37 million are jobless. More than

a third of adults do not complete upper-secondary education. More than 130,000 rapes are reported every year, and these are only a fraction of the total.

Fifth, the uneven progress has given rise to disparities among regions, not only globally but also within countries—between poor and rich, women and men and rural and urban, and between ethnic groups. In 1994 the ratio of the income of the richest 20% of the world to that of the poorest 20% was 78 to 1, up from 30 to 1 in 1960. Because of departures from the natural sex ratio in a number of countries, nearly 100 million women are “missing” in the developing world. And in developing countries 72% of urban people, but only 20% of rural people, have access to sanitation.

Finally, the face of poverty is changing. Even though most poor people still live in rural Asia, particularly South Asia, the profile of poverty is rapidly shifting. In the next century a poor person is less likely to be a smallholder in rural Asia, more likely to be an unskilled, low-wage worker in urban Africa and Latin America.

So, coexisting with the impressive achievements in reducing human poverty is a considerable backlog, particularly in developing countries (figures 2.1 and 2.2 and tables 2.1 and 2.2). Human beings have advanced on several fronts—but retreated on several others. The trends in human poverty thus present a mixed picture of unprecedented human progress and unspeakable human misery—of hope and fear.

The analysis of human poverty trends in this chapter focuses on basic capabilities, participation, human security and environment, pointing to unevenness in progress over time and among regions. The chapter also examines economic well-being and income. Annex tables show progress by countries and regions in the different dimensions of human poverty.

Human poverty—progress and deprivation

Deprivation in basic capabilities encompasses deprivation in years of life, health, housing, knowledge, participation, per-

sonal security and environment. When these different kinds of deprivation interact, they severely constrain human choices. The performance of countries in improving the basic capabilities of their people can vary widely. But as Oman's experience shows, if a country puts concerted effort into overcoming deprivation in basic capabilities, it can with great

BOX 2.1

Two great ascents from human poverty

There have been two great “ascents” from human poverty in recent history: the first in industrial countries during the late 19th and the early 20th centuries, and the second in developing countries, Eastern Europe and the former Soviet Union in the aftermath of the Second World War. They had similar elements, but the second had a larger scale and a faster timetable.

The first ascent

Early in the industrial revolution poverty increased as farmers and peasants crowded the slums of industrial Europe, providing cheap labour for the “dark satanic mills”. But a later stage of the industrial revolution offered relief from grinding poverty, with the emergence of social movements, cooperatives and unionism. Some of the most significant developments occurred during 1850–1925, in Great Britain and elsewhere, with progress in primary education, public health, sanitation and housing. In Sweden between 1850 and 1870, the number of primary school students more than doubled, from 270,000 to 556,000. And between 1861 and 1891–1900 Sweden's infant mortality rate declined from 139 to 102 per 1,000 live births.

The period also saw the beginnings of the modern welfare state. The seeds can be found in Germany, where Bismarck, reacting to the increasing popularity of socialist ideas, announced an innovative social insurance programme for work-related accidents, sickness and old age in 1881. Before the First World War Germany, Denmark and Great Britain were among the leaders in social insurance; the United States didn't adopt its Social

Security Act until 1935. In the period following the Second World War the welfare state emerged. By the 1960s public and private action had achieved universal access to education, health services and pensions, and the first stage of the war on poverty was over.

The second ascent

The years following the Second World War saw the reduction of poverty in Eastern Europe, the former Soviet Union and most developing countries. The 1950s and 1960s were the “golden era” of postwar development. Newly freed from colonialism, many developing countries were ready to take advantage of advances in agriculture and health that increased food supplies and reduced mortality. Economic conditions were promising, and most governments favoured strategies to fight human poverty.

Many developing countries benefited from assistance for antipoverty strategies offered to attract them into one or the other of the competing blocs of the cold war. Progress in human poverty was often accompanied by increasing social and political progress, such as freedom from feudalism, bonded labour and social exclusion on the basis of caste and creed and expanding rights for women.

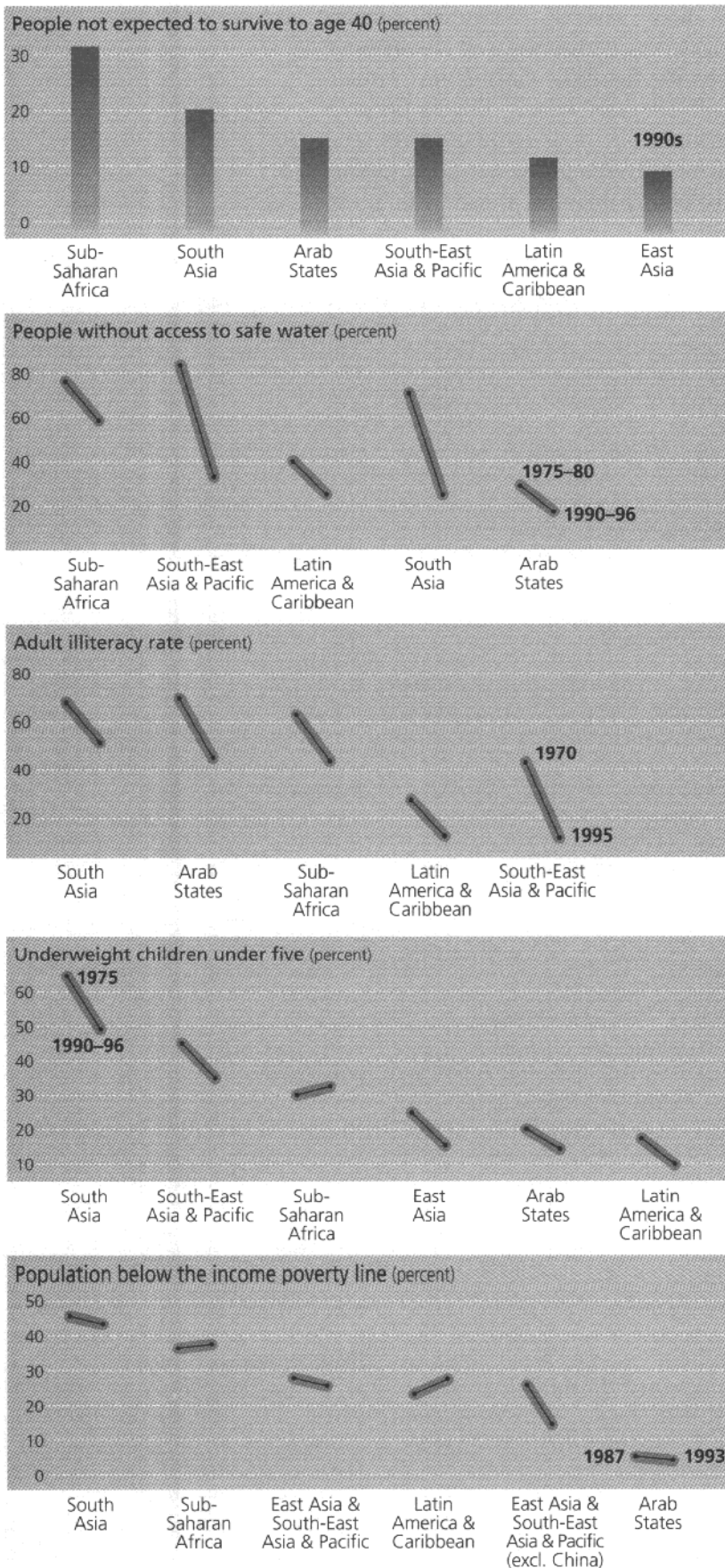
Eastern Europe and the former Soviet Union also made advances during the 1950s and 1960s. Infant mortality was reduced by half, from 81 to 41 per 1,000 live births. Life expectancy increased from 58 to 66 years for men, and from 63 to 74 years for women. And income poverty was declining. In Hungary between the early 1950s and 1972, the proportion of people living below the poverty line fell from 60% to 14%.

Source: de Vylder 1995, Lipton 1997, Kamerman and Kahn 1996 and Ruminska-Zimny 1997.

IMPRESSIVE POVERTY REDUCTIONS IN DEVELOPING COUNTRIES

FIGURE 2.1a

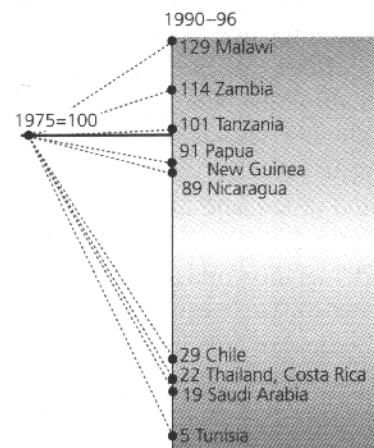
Trends in human and income poverty



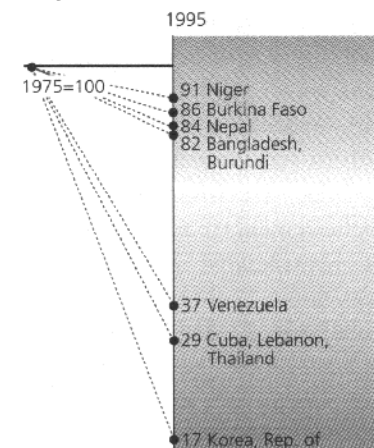
Source: Human Development Report Office.

FIGURE 2.1b

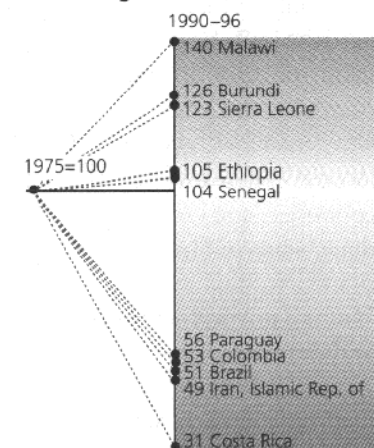
Fastest and slowest progress People without access to safe water



People who are illiterate



Underweight children under five



A SIGNIFICANT BACKLOG AWAITS A RENEWED COMMITMENT

FIGURE 2.2a

The backlog in poverty

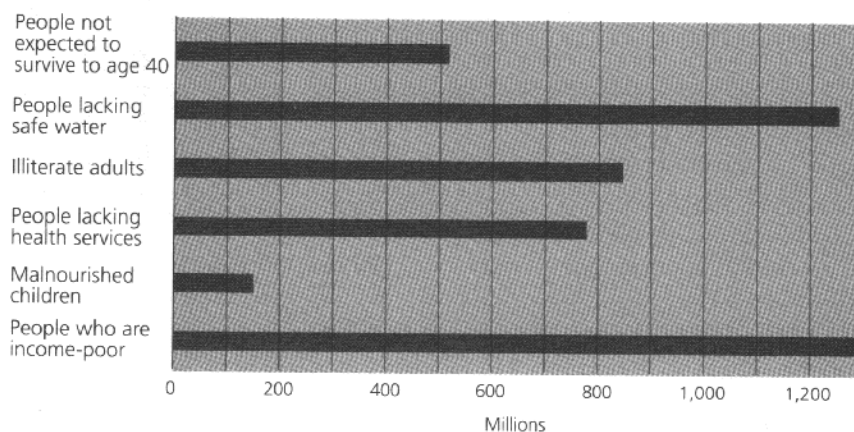


TABLE 2.1

Trends in income poverty in developing countries (poverty line at \$1 a day per person, 1985 PPPs)

Region or country group	People below the poverty line (%)		Share of all poor people (%)		Number of poor people (millions) 1993
	1987	1993	1987	1993	
Arab States	5	4	1	1	11
East Asia and South-East Asia and the Pacific	30	26	38	34	446
East Asia and South-East Asia and the Pacific (excl. China)	23	14	10	7	94
Latin America and the Caribbean	22	24	7	9	110
South Asia	45	43	39	39	515
Sub-Saharan Africa	38	39	15	17	219
Developing countries	34	32	100	100	1,301

Source: Human Development Report Office.

TABLE 2.2

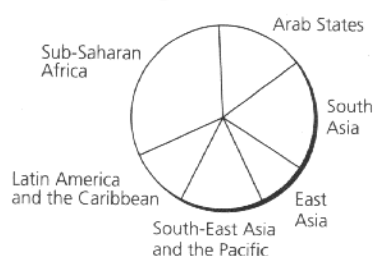
Human poverty in developing countries (millions)

Region or country group	Illiterate adults 1995	People lacking access to health services 1990-95	People lacking access to safe water 1990-96	Mal-nourished children under 5 1990-96	Maternal mortality rate (per 100,000 live births) 1990	People not expected to survive to age 40 ^a 1990s
All developing countries	842	766 ^b	1,213	158 ^b	471	507
Least developed countries	143	241	218	34	1,030	123
Arab States	59	29	54	5	380	26
East Asia	167	144	398	17	95	81
Latin America and the Caribbean	42	55	109	5	190	36
South Asia	407	264	230	82	554	184
South-East Asia and the Pacific	38	69	162	20	447	52
Sub-Saharan Africa	122	205	249	28	971	124

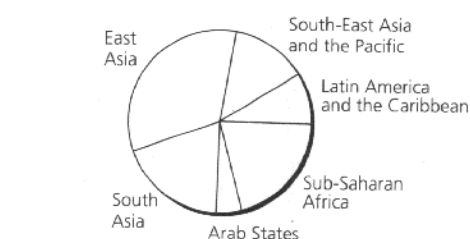
a. Among population aged 0-39. b. Excludes Cyprus and Turkey.
Source: Human Development Report Office.

FIGURE 2.2b

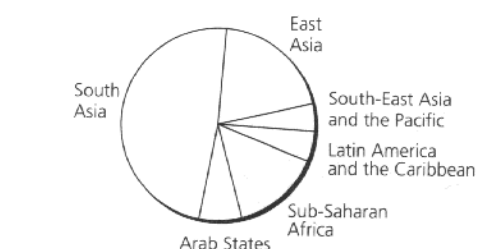
507 million people not expected to survive to age 40



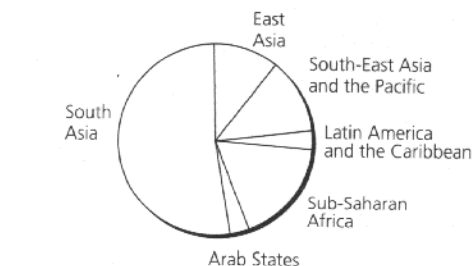
1.2 billion people without access to safe water



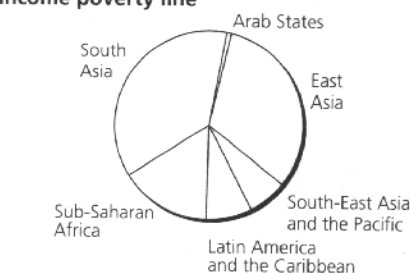
842 million illiterate adults



158 million malnourished children under five



1.3 billion people living below the income poverty line



rapidity make a big difference in the lives of its people (box 2.2).

Years of life

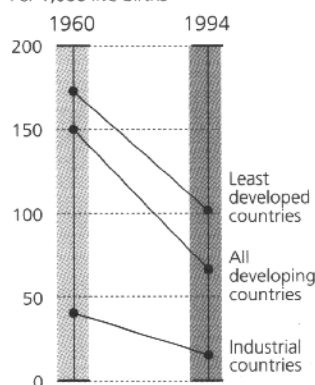
One major indicator of human poverty is a short life. Dying before age 40 represents a severe deprivation. In developing countries nearly a fifth of the people are not expected to survive to this age, four times the proportion in industrial countries. But in East Asia fewer than 10% of the people are expected to die before reaching age 40, compared with nearly 33% in Sub-Saharan Africa.

Deprivation in years of life is also reflected in child mortality. In 1960–94 the infant mortality rate in developing countries was cut by nearly three-fifths—from 150 per 1,000 live births to 64 (figure 2.3). But in Sub-Saharan Africa the rate is still nearly 100 per 1,000 live births. South Asia's under-five mortality rate—at 112 per 1,000 live births—is nearly three times that in East Asia and nearly six times that in industrial countries.

FIGURE 2.3

Trends in infant mortality

Per 1,000 live births



Source: Human Development Report Office.

BOX 2.2

Oman—an impressive record of accelerated human progress

Beginning in 1970, Oman undertook a comprehensive programme of human development, achieving some of the most rapid advances ever recorded. Life expectancy has increased by 30 years, from 40 years in 1970 to 70 years in 1994. Infant mortality was reduced from more than 200 per 1,000 live births in 1960 to less than 30 in 1994.

Improvements in education have been even more impressive. In 1970 there were only three schools—all primary—providing an education for 900 pupils—all boys. By 1994 there were 454,000 students in 920 schools, and 49% were girls.

Most health problems associated with poverty and lack of schooling have been controlled or eradicated. Trachoma leading to blindness, once affecting more than half of schoolchildren, has virtually disappeared. Maternal deaths declined to 27 per 100,000 live births in 1994.

Advances in health and education have been accompanied by rapid advances in other areas of human devel-

opment. Nearly three-quarters of houses now have running water and flushing toilets, and 9 of 10 have electric light and electricity or gas to cook with. Pensions are provided for the disabled, the elderly, widowed or divorced women and orphans. Oman has the highest number of televisions per capita in the developing world, with 730 per 1,000 people.

Oil revenues, of course, made possible such rapid progress and such a high standard of living. But without the commitment to human development, Oman might have been wealthy but unhealthy.

Oman has been a global pace-setter in human development. But there is still scope to enhance human development by translating income growth into the lives of the people. The female literacy rate is two-thirds the male rate, and the fertility rate, at 6.9, is one of the highest in the world. Oman has established an ambitious strategy to take its people to the year 2020 and ensure a better quality of life for all of them.

Source: Hill and Chen 1996 and Oman Ministry of Development and UNICEF 1995.

Maternal mortality—a major contributor to high mortality in developing countries—reflects serious neglect of women in society but can be easily avoided with little additional investment in maternal health care. The maternal mortality rate in the developing world is 471 per 100,000 live births, more than 15 times the rate in industrial countries (figure 2.4). Sub-Saharan Africa's maternal mortality rate of 971 per 100,000 live births is more than 10 times that in East Asia.

Progress in deprivation in years of life is reflected in longer life expectancy. In developing countries life expectancy at birth increased by 16 years during 1960–94, from 46 years to 62 (figure 2.5). Latin America's life expectancy, at 69, is only five years shorter than that in industrial countries, while Sub-Saharan Africa's of 50 years is 12 years lower than the developing country average.

Health

Around 17 million people in developing countries die each year from such curable infectious and parasitic diseases as diarrhoea, measles, malaria and tuberculosis. Of the world's 23 million people living with HIV/AIDS, more than 90% are in developing countries. Sub-Saharan Africa has nearly two-thirds of all those infected, almost 14 million people. South Asia and South-East Asia and the Pacific have nearly 5.2 million, with numbers growing more rapidly than in any other region.

Deprivation in health starts with lack of access to health care and other services (figure 2.6). There have been considerable improvements in health care in the past three decades, and about 80% of the people in developing countries now have access to health services—though nearly 50% of the people in Sub-Saharan Africa do not. The developing countries have one doctor for every 6,000 people, the industrial countries one for every 350. Among developing regions the ratio ranges from one doctor per 18,000 people in Sub-Saharan Africa to roughly one per 1,000 people in Latin America and the Caribbean.

Between 1975–80 and 1990–96 the share of people in developing countries

with access to safe water increased by more than half, from 41% to 69%. In East Asia 94% of the people have access to safe water, in Sub-Saharan Africa 42%.

Per capita food production in developing countries has increased by 22% since 1980, held back by a 3% decline in Sub-Saharan Africa. The share of underweight children under five in developing countries declined from 41% to 22% between 1975 and 1990–96. In the Arab States about 15% of the children under five are underweight, and in South Asia 50% are—though Thailand, through well-conceived and well-implemented policies, has made a big dent in malnutrition (box 2.3). More than half the pregnant women in developing countries suffer from anaemia, though the share ranges from 25% in East Asia to 78% in South Asia, where trained health personnel attend only a third of births.

The health backlog in the developing world is enormous. Nearly 800 million people lack access to health services, 264 million in South Asia and 29 million in the Arab States. And nearly 1.2 billion people lack access to safe water, nearly 400 million in East Asia and 54 million in the Arab States.

Industrial countries have health problems too. More than 300 people per 1,000 are likely to die from heart disease after 65, and more than 200 from cancer. Nearly 2 million people are infected with HIV. More than 40% of adult males smoke, the cause of many life-threatening diseases. Nor is there always support for the ill—in the United States more than 47 million people have no health insurance.

Health is even worse in Eastern Europe and the CIS countries, where both the adult and the infant mortality rates have risen in a number of countries. In addition, 2 million deaths since 1989 can be attributed to sharp increases in cardiovascular disease and violence. Malnutrition is also on the rise. In Ukraine the average daily intake of calories plummeted from more than 3,500 in 1989 to 2,800 in 1994. Children have been hit hardest. New cases of diphtheria among Russian children increased 29-fold—from 500 in 1989 to 15,000 in 1993. And most people are uncertain about their

health care prospects—health facilities are deteriorating and there is little likelihood of updating equipment.

Housing

Housing is fundamental to the formation of individual capabilities and to family and community ties. But more than a billion people in developing countries live without adequate shelter or in unacceptable housing. At least 600 million people live in dwellings that threaten their health and lives.

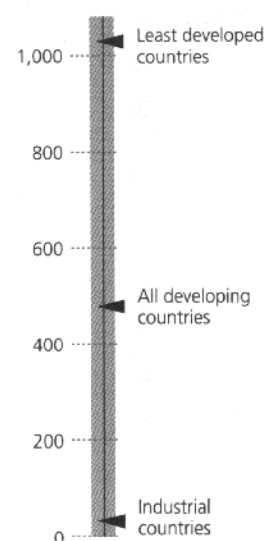
Adding to the housing problem is the insecurity due to the threat of eviction. Evictions often come with “justifications”: urban beautification, claims of illegal occupation of state lands, construction of infrastructure, major international events, and political, military and ethnic reasons. And evictions require force—and often result in violence. Legal loopholes and highly paid lawyers are more accessible to the rich than to poor people, unaware of their rights but conscious that their survival is seriously threatened.

The most extreme housing deprivation is to have no home, and worldwide, an estimated 100 million are homeless. Children are worst affected—in Brazil more than 200,000 children spend their lives on the streets.

Homelessness is growing in industrial countries. In New York nearly a quarter of a million people, more than 3% of the city’s population, have stayed in a shelter at some point in the past five years. London has about 400,000 registered homeless. In France the estimates range from 200,000 to 600,000. In Moscow 60,000 children are thought to live on the streets—in Romania, about 3,000.

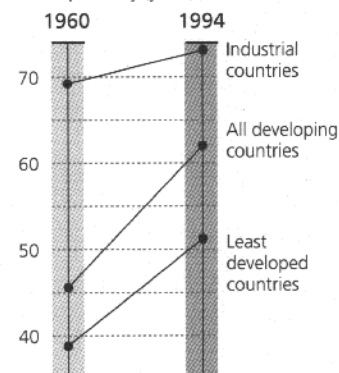
Poor housing is often connected with poor sanitation that exposes people to infection. About 40% of the people in developing countries have access to proper sanitation, but the range runs from 32% in South Asia to 68% in Latin America and the Caribbean. The backlog: significant, with more than 2.5 billion people in developing countries having no access to proper sanitation.

FIGURE 2.4
Maternal mortality rate, 1990
Per 100,000 live births



Source: Human Development Report Office.

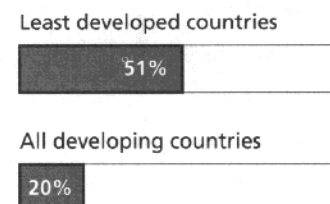
FIGURE 2.5
Trends in life expectancy
Life expectancy (years)



Source: Human Development Report Office.

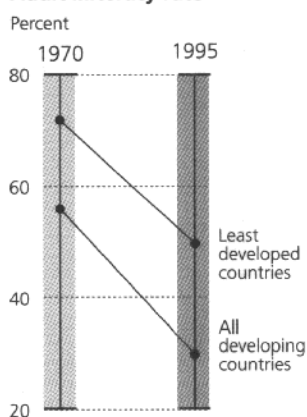
FIGURE 2.6
People without access to health services

Percentage of the population, 1990–95



Source: Human Development Report Office.

FIGURE 2.7

Adult illiteracy rate

Source: Human Development Report Office.

Between 1970 and 1995 the adult illiteracy rate in developing countries declined by nearly half—from 57% to 30% (figure 2.7). The fastest decline has been in the Arab States, which reduced adult illiteracy from 70% in 1970 to 43% in 1995. South Asia recorded the slowest decline—from 68% to 50% between 1970 and 1995.

There is still a significant backlog. The developing world has more than 840 million illiterate adults, 538 million of them women. The female illiteracy rate is still nearly 40% in developing countries (figure 2.8). Nearly half the developing world's illiterate adults (407 million) are in South

Asia—only 38 million in South-East Asia and the Pacific.

In developing countries some 110 million children are out of school at the primary level and 275 million at the secondary level. There are significant regional variations. At the primary level, nearly half the children out of school (50 million) are in South Asia; 10 million are in the Arab States.

Although industrial countries have near-universal education and close to 100% literacy, more than 15% of secondary-school-age children are not enrolled in school (table 2.5). The industrial world's postsecondary natural and applied science enrolment—at 30% of total enrolment—is less than the 47% in East Asia. In Bulgaria and Russia between 1990 and 1995, the combined primary and secondary enrolment ratios declined by 4–6%. In six Eastern European countries more than 20% of secondary-school-age children are not enrolled in school (table 2.3).

Developing countries have about 200 radios per 1,000 people, a fifth of the ratio in industrial countries, and 140 televisions per 1,000 people, a little more than a fourth of that in industrial countries. The regional range: 25 televisions per 1,000 people in Sub-Saharan Africa, 200 in Latin America and the Caribbean. The industrial countries' 350 main telephone lines per 1,000 people is more than four times the ratio in developing countries.

Participation

About two-thirds of the world's people live under relatively pluralistic, democratic regimes. Since 1980 nearly 45 general elections have been held in East Asia, and nearly 40 parliamentary elections in South Asia. In Sub-Saharan Africa more than half the states are now undertaking democratic reforms and renewing civil society—with nearly 30 multiparty presidential elections since 1990 (more than 20 the first in the country) and legalized opposition parties in more than 30 countries. In Latin America and the Caribbean nearly 150 general elections were held during 1974–94. Several Arab states have strengthened their multi-

BOX 2.3**How Thailand eradicated serious malnutrition in a decade**

During the nine years from 1982 to 1991 Thailand dramatically reduced severe and moderate malnutrition, almost eradicating it. In 1982 more than half of preschool children were malnourished, 15% moderately or severely. By 1991 malnutrition had been reduced by two-thirds, with severe and moderate malnutrition virtually eradicated. More than 80% of preschoolers were nutritionally normal.

What accounts for the dramatic success? A programme of accelerated action that focused on nutrition, with four critical elements:

- Protein-energy malnutrition was identified as the most important nutritional problem, and for the first time the National Economic and Social Development Plan included a separate national plan for food and nutrition. The plan set goals to eradicate all severe protein-energy malnutrition in preschool children and to reduce moderate protein-energy malnutrition by 50% and mild by 25%.
- Comprehensive nutritional surveillance was instituted through growth monitoring. All preschool children were weighed and checked every three months at community weighing posts.
- A programme of nutrition education and communication encouraged breastfeeding, timely introduction of supplementary foods and proper hygiene and

spread correct information about food beliefs and taboos.

- Household and community food security was strengthened by promoting home gardening, fruit trees, fish ponds and prevention of epidemic diseases in poultry. School lunch programmes were established in 5,000 schools in poor areas, and food fortification was introduced to iodize salt.

All this was in the context of a poverty alleviation plan for some 7.5 million poor people in the north, north-east and south of Thailand.

What does the dramatic progress in Thailand show?

- The need to establish broad-ranging, integrated food and nutrition programmes as part of poverty reduction efforts.
- The need for some form of local organization in which village-level workers or volunteers encourage and support the families of children who are lagging.
- The potential for very rapid progress, especially after periods of economic growth that may have neglected human development.

Thus, through a comprehensive approach, Thailand has been able to virtually eradicate severe and moderate malnutrition. And today, Thailand ranks eleventh among 78 developing countries in the human poverty index, with an HPI of 12%.

Source: Winichagoon and others 1992.

party systems, and since 1990 there have been 22 general elections in the region. And Eastern Europe and the CIS countries have undergone a significant democratization since 1990. All these reforms have opened opportunities for people to take part in the processes that shape their lives.

People are also taking a bigger part in civil society. NGOs in developing countries are increasing in number and taking on bigger roles in voicing people's aspirations and working as pressure groups.

Trade unions have always been strong institutions of civil society. But except in such Scandinavian countries as Denmark, Finland and Sweden, where union membership has risen significantly in the past two decades, union membership has been falling in industrial countries (the Netherlands, Portugal, the United States). In developing countries a smaller part of the workforce tends to be unionized because fewer workers are in the formal sector.

Political space has always been monopolized by men. Although women are half the electorate, they hold only 13% of parliamentary seats and 7% of national cabinet posts. Women are better represented in local government, with their local representation surpassing their national in 46 countries studied. India, in a significant move, reserved a third of its local council seats for women in 1994, allowing at least 800,000 women to enter the local political pipeline to national leadership.

Women's participation in various aspects of economic and community life has increased. The female economic activity rate is now nearly 70% of the male rate in developing countries, ranging from 86% in East Asia to 50% in Latin America and the Caribbean. Women are also increasingly taking part in appraisals of poverty, which have been important in understanding the well-being of poor people. In Guinea, for example, although household surveys have not found that the incidence of income poverty is higher among women than among men, participatory poverty appraisals show widespread agreement that women are more vulnerable and of lower status.

Often constraining women's social and political participation is high fertility. But

over the past 25 years fertility in developing countries has fallen by 40%.

Personal security

One of the less quantifiable aspects of deprivation, but one felt strongly in most poor communities, is a lack of personal security. Crime and violence are on the rise almost everywhere, and most of the victims are poor.

In the 1970s and 1980s reported crimes worldwide increased by 5% a year—2.5 times the growth in population. In the United States there are 2 million victims of violent crime every year. In many developing countries killings of minors have increased by more than 40% in the 1990s. In Bulgaria reported crimes more than quadrupled from an annual average of 50,000 during the 1980s to 223,000 in 1994. And in the Czech Republic and Hungary crime rates have tripled since 1989.

Internal conflicts also frequently threaten personal security. At the end of 1995 there were nearly 16 million refugees who had fled to other countries, 26 million people who were internally displaced and 4 million people who were "refugee-like"—more than 80% of them women and children. These people have lost their homes, their livelihoods, their security—and are constantly vulnerable. Another constant threat to security—some 110 million landmines lie in wait for victims in at least 68 countries.

Among the worst threats of violence are those against women. It is estimated that a third of married women in developing countries are battered by their husbands during their lifetime. In India the most conservative estimate puts dowry deaths at 5,000 in 1992. And nearly 130,000 rapes are reported annually in the industrial countries, a shocking figure but an understatement of the reality.

Children, who should be most protected in any society, are subject to many abuses. In the United States every year nearly 3 million children are reported to be victims of abuse and neglect. About 75 million children aged 10–14 labour in devel-

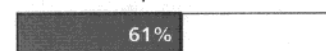
Political space has always been monopolized by men

FIGURE 2.8

Female illiteracy rate

Percentage of women who are illiterate, 1995

Least developed countries



All developing countries



Source: Human Development Report Office.

Continuing environmental deterioration is a source of continuing impoverishment

oping countries—45 million of them in Asia, 24 million in Africa—often working in slavery, prostitution and hazardous conditions. Each year an estimated 1 million children, mostly girls in Asia, are forced into prostitution.

Environment

Continued environmental deterioration is a source of continued impoverishment. Poor people depend on natural resources for their livelihoods—especially on common property resources. And they are more likely than the better off to live in vulnerable areas. Today nearly half a billion poor people in developing countries live in ecologically fragile regions. Thus poor people suffer most from deterioration in the environment—because of the threat to their livelihoods, but also because of aggravated health risks from pollution.

Environmental threats around the world stem from degradation of local ecosystems and of the global system. The

water supply per capita in developing countries today is only a third of what it was in 1970. More than 55% of the people in the Arab States suffer from serious water scarcity—with less than 1,000 cubic metres of water available per capita each year. In the developing world some 8–10 million acres of forest land are lost every year.

In Sub-Saharan Africa 65 million hectares of productive land have become desert in the past 50 years. Salinization damages 25% of the irrigated land in Central Asia and 20% in Pakistan.

Air pollution is also serious. About 700 million people, mainly women and children in poor rural areas, inhale indoor smoke from burning biomass fuel. In the industrial world air pollution is devastating Europe's forests, causing economic losses of \$35 billion a year. And it costs farmers more than \$4 billion a year in Germany, more than \$2 billion a year in Poland. Also linked to environmental degradation are natural disasters, striking an average of nearly 120 million people each year since 1970.

Solid wastes, if poorly managed, can contaminate water, soil and air. A city dweller in industrial countries produces 2–10 times as much garbage as a city dweller in the developing world. But in developing countries a third to a half of urban solid wastes go uncollected, with serious health implications.

Some environmental degradation—polluted air, greenhouse gases—migrates across borders, affecting poorer countries and people. One possible effect: Bangladesh produces only 0.3% of global greenhouse emissions but could see its land area shrink 17% with a one-metre rise in sea level from global warming.

Income poverty

Amenable to econometric analysis and statistical exercises, the measurement of income poverty has dominated the literature. Those measuring income poverty have focused more on its incidence than on its depth and severity. The incidence of income poverty is usually measured by a headcount index, which represents the percentage of people below the chosen poverty line.

BOX 2.4

Income poverty in Sub-Saharan Africa

Income poverty runs deep in Sub-Saharan Africa and is a serious threat to economic and social stability. People in this region, along with South Asia, are among the poorest in the world. In 1992 about 45% of Sub-Saharan Africa's population was income-poor according to national poverty lines. In Gambia and Zambia nearly two-thirds of the people were income-poor; in Cameroon, Guinea-Bissau and Uganda, more than half; and in Côte d'Ivoire, Kenya and Nigeria, more than a third. The poverty gap in Sub-Saharan Africa, at 15%, is nearly twice that in East Asia and South-East Asia and the Pacific (excluding China), at 8%.

The growth of income in Sub-Saharan Africa has been dismal in recent decades. Between 1970 and 1992 per capita GDP (PPP\$) grew by only \$73, compared with growth of \$420 in South Asia and \$900 in East Asia, regions with incomes comparable to those of Sub-Saharan Africa in 1970.

Source: Stewart 1995a and World Bank 1996d.

Between 1981 and 1989 the region saw a cumulative decline of 21% in real GNP per capita. This decline extended both to countries undertaking structural adjustment and to non-adjusting countries, exacerbating the conditions of the poor. Of the 35 countries in the region for which data are available, per capita GNP fell in 27. The most severe declines were in Gabon (58%), Nigeria (nearly 50%), Côte d'Ivoire (42%), Mozambique and Niger (more than 30%), Zaire (more than 25%) and Congo and Zambia (more than 20%).

Countries with adjustment programmes were more successful in improving macroeconomic balances towards the end of the 1980s, after making greater income sacrifices early in the decade. Nonetheless, 11 adjusting countries had falling per capita incomes in 1985–90, as did the region as a whole.

Thus income poverty was high and increasing in many countries of Sub-Saharan Africa in the 1980s. And the situation remains alarming in the 1990s.

Often, an international poverty line is chosen to compare the incidence of poverty across borders. The World Bank uses a poverty line of \$1 (1985 PPP\$) a day per person to compare poverty in most of the developing world. (For an explanation of the \$1-a-day poverty line see the glossary of poverty and human development.) For Latin America and the Caribbean a poverty line of \$2 (1985 PPP\$) a day per person is suggested. For countries in Eastern Europe and the CIS \$4 (1990 PPP\$) a day per person has been used. The figure suggested for industrial countries is \$14.40 (1985 PPP\$), which corresponds to the income poverty line in the United States. Some countries have also constructed national poverty lines, most based on food poverty (see the glossary). In industrial countries national poverty lines are sometimes set at 50% of the median disposable income of individuals. Setting national poverty lines at different levels can produce quite varied results, a constraint that any discussion of income poverty trends should recognize (see the last two columns of annex table A2.1).

Developing countries

In developing countries the proportion of people in income poverty by the \$1-a-day measure declined from 34% to 32% in 1987–93, but the number of income-poor people increased from 1.2 billion to 1.3 billion (see table 2.1). The share of poor people declined rather slowly in East and South Asia, and in Sub-Saharan Africa and Latin America and the Caribbean it even increased (box 2.4). In 1993 South Asia was home to two-fifths of the world's poor people (515 million), and East Asia and South-East Asia and the Pacific to a third (446 million).

For examining historical trends, the only possibility is to use national income poverty lines. The “big five” in Asia—with three-fifths of the developing world's people and two-fifths of the income-poor—have made impressive progress in reducing income poverty according to national poverty lines (figure 2.9). (See pages 49–52 for a discussion of poverty trends and strategies in two of these countries, China and India—the

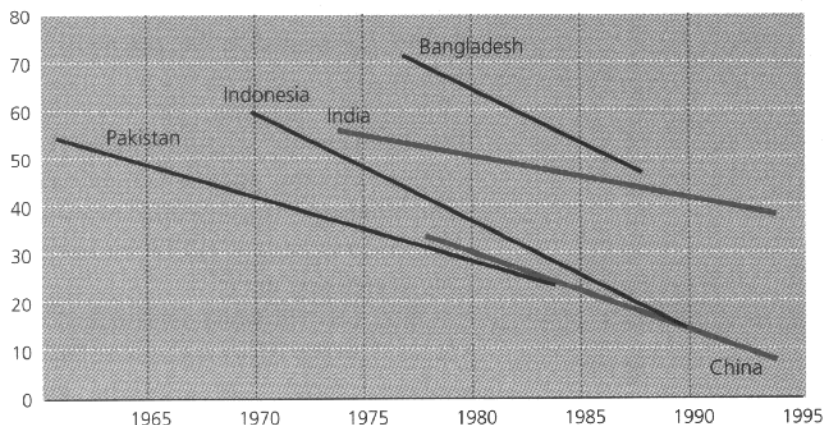
world's two most populous countries and home to many poor people.)

Other Asian economies have also seen major reductions in poverty. Big gains were made in the 1970s and 1980s by Hong Kong, the Republic of Korea, Singapore and Taiwan (province of China)—and more recently by Malaysia, the Philippines, Thailand and Viet Nam.

In Latin America and the Caribbean the incidence of poverty according to national poverty lines fell significantly in the 1950s, and even faster in the 1960s and 1970s (figure 2.10). But the 1980s were disastrous—with income poverty in the

FIGURE 2.9
Income poverty trends in Asia

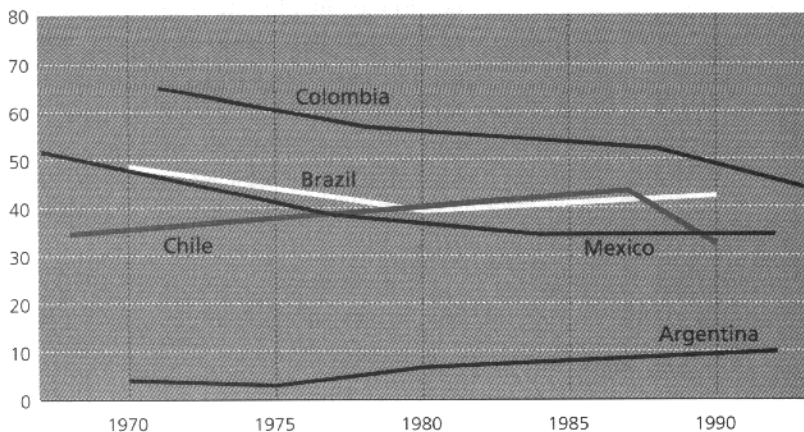
Incidence of income poverty according to national poverty lines



Source: Lipton 1997, Shiva Kumar 1997 and Zhang 1997.

FIGURE 2.10
Income poverty trends in Latin America and the Caribbean

Incidence of income poverty according to national poverty lines



Note: Data for Argentina refer to Greater Buenos Aires.
Source: Altamir 1996.

Income poverty among children and the elderly is staggering

region reverting to levels higher than those in the 1970s. Only in the early 1990s did poverty again begin to decline in a few Latin American and Caribbean countries (Chile, Colombia).

For Sub-Saharan Africa the most recent estimates show that 266 million of its 590 million people are income-poor by national poverty lines—a much higher proportion than in any other region except South Asia. The depth of poverty—that is, how far incomes fall below the poverty line—is greater in Sub-Saharan Africa than anywhere else in the world.

In the Arab States in the 1980s the incidence of poverty by national poverty lines was about 25%, implying that about 66 million people were income-poor during that decade.

Eastern Europe and the CIS countries

During the postwar decades Eastern Europe and the former Soviet Union reduced income poverty substantially, as rapid industrialization opened new choices and opportunities and education and health care expanded rapidly.

But this progress stagnated, even reversed, in the 1970s and 1980s. Based on national poverty lines, income poverty increased among Polish urban workers from 6% to 25% between 1978 and 1987, and among Yugoslav workers from 9% to 20%. At the same time, social services and health standards deteriorated.

A much steeper and broader decline accompanied the move to market economies in the late 1980s. If \$4 (1990 PPP\$) a day is taken as the poverty line, the average incidence of income poverty for the region increased sevenfold between 1988 and 1994—from 4% to 32% (figure 2.11). The number of poor people in the region increased from 14 million to more than 119 million.

In 1993–94, with almost 60 million poor people, Russia alone accounted for nearly half the income-poor in Eastern Europe and the CIS.

Income poverty among the elderly and children has increased dramatically (table 2.4 and figure 2.11). Among older people it

increased sixfold in Bulgaria in 1989–94, from 4% to 28%, and among children in Romania threefold, from 9% to 36%.

Industrial countries

The immediate postwar decades saw a substantial reduction in income poverty in the industrial countries. The United States reduced its incidence from 80% in 1939 to 16% in 1969, and Japan from 10% in 1960 to 7% in the early 1970s. By the early 1970s income poverty in all the major OECD countries had fallen to 10–20%.

But by the 1980s and the early 1990s this progress was in jeopardy. The incidence of income poverty increased substantially in the United Kingdom and marginally in Belgium, Finland, Germany, the Netherlands, Norway and the United States—but fell in Canada, Denmark, France and Spain and remained stable in Sweden (figure 2.12).

By the early 1990s more than 100 million people in industrial economies were income-poor, judged by a poverty line of 50% of the median adjusted disposable income for individuals. But if the criterion is the US poverty line of \$14.40 (1985 PPP\$) a day, the number of income-poor in industrial countries becomes 80 million. Whatever the yardstick, poverty is a huge problem (table 2.6).

Income poverty among the elderly and children is staggering. In Australia, the United Kingdom and the United States more than 20% of the aged are income-poor. And one in every four children in the United States is income-poor—one in six in Australia, Canada and the United Kingdom. Income poverty is alarmingly high in one-parent families and families headed by elderly women.

How do redistributive policies affect income poverty? In Belgium the government's transfer payments help reduce poverty by 81%, from 28% to 6%. In the United States the reduction is only 29%—from 27% to 19%. Transfer payments can have an even stronger impact on the poverty of the elderly and children. In Sweden, for example, transfers reduce poverty among children by 84%—from 18% to 3%.

POVERTY IN TRANSITION ECONOMIES

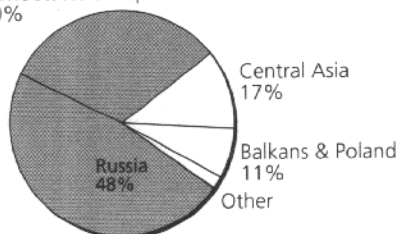
FIGURE 2.11a

Increasing poverty in transition economies

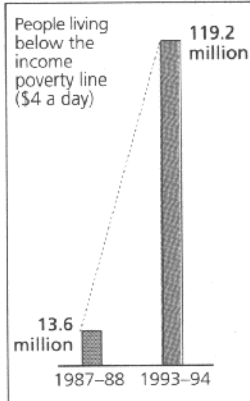
The incidence of income poverty has increased sevenfold since 1988, pushing an additional 105 million people below the poverty line.

Distribution of poor people in the transition economies

Slavic states & Rep. of Moldova 70%

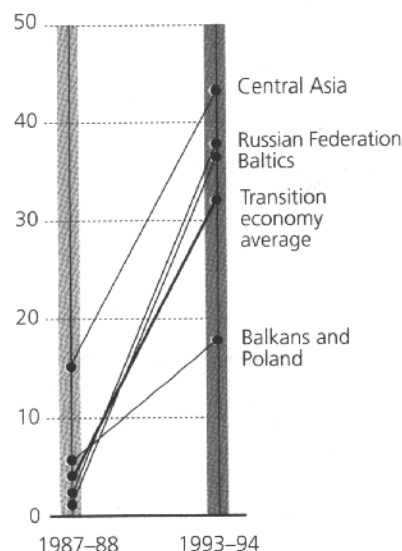


Source: Milanovic 1996.



The prevalence of income poverty has increased at a similar rate in all groups except the Balkan states and Poland.

Percentage of the population living below the income poverty line (\$4 a day)



Children experience the highest rates of income poverty.

Percentage of children living below the income poverty line (\$4 a day), 1992-95

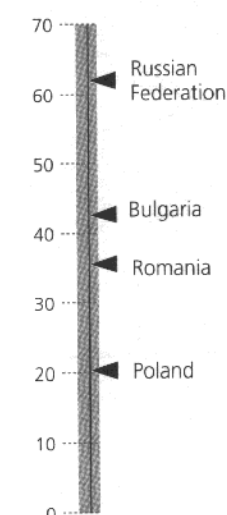


TABLE 2.3

Human poverty in selected countries of Eastern Europe and the CIS

Country	Population not expected to survive to age 40 (%) 1990 ^a	Secondary-school-age children not enrolled in school (%) 1993-95	Unemployment rate (%) 1995
Bulgaria	6.2	40	11.1 ^b
Croatia	4.5	34	17.6 ^b
Czech Rep.	3.7	12	2.9
Georgia	5.6	29	3.4 ^b
Hungary	8.2	27	10.4
Latvia	8.1	22	6.6
Lithuania	6.5	20	7.3 ^b
Poland	5.0	17	14.9
Romania	7.1	27	8.9 ^b

a. Data refer to 1990 or a year around 1990. b. Official unemployment rate; registered unemployment only.

Source: Kenneth Hill, UNESCO 1997 and UNECE 1996.

TABLE 2.4

Income poverty among children and the aged, 1989-93

(percentage below the poverty line)

Country	Children		Aged	
	1989	1993	1989	1993
Russian Federation	40 ^a	62 ^b	23 ^a	34 ^b
Bulgaria	2 ^c	43 ^d	4 ^c	28 ^d
Romania	9	36	12	19
Estonia	27 ^a	34 ^d	38 ^a	38 ^d
Poland	8	20 ^a	5	3 ^a
Slovakia	0	9	0	1
Hungary	2	7	1	1
Czech Rep.	0	1 ^a	0	1 ^a

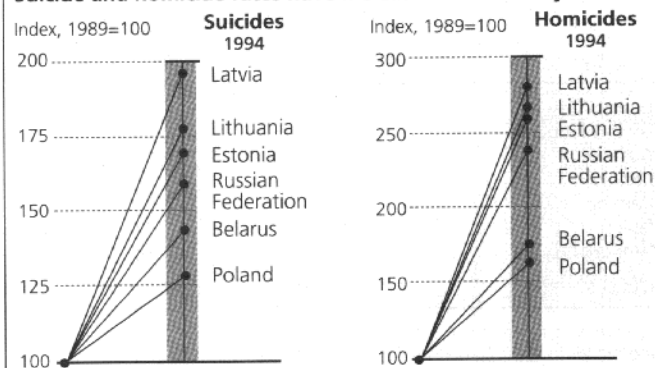
Note: Poverty line is set at 60% of a low income, which is considered to be 35-45% of the average 1989 wage.

a. 1992. b. 1995. c. 1990. d. 1994.

Source: UNICEF 1995a.

FIGURE 2.11b

Suicide and homicide rates have increased dramatically



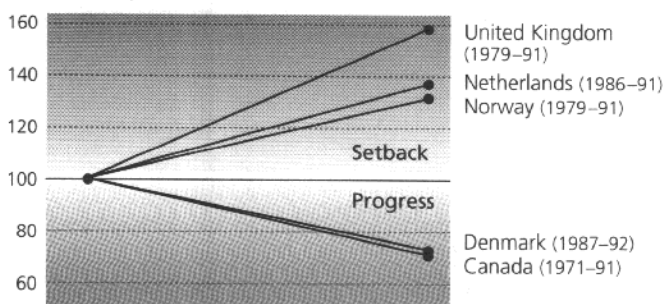
Source: Ruminska-Zimny 1997.

POVERTY IN INDUSTRIAL COUNTRIES

FIGURE 2.12a

Progress and setbacks in income poverty

Index of poverty rate



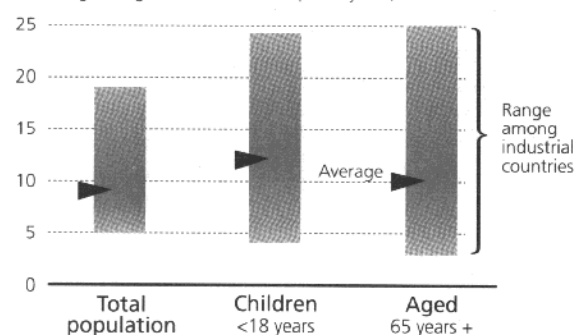
Note: In the figures on this page poverty is measured at 50% of the median adjusted disposable personal income for individuals.

Source: Smeeding 1996.

FIGURE 2.12b

Children and the aged are more likely to be income-poor

Percentage living below the income poverty line, 1989-92



Source: Smeeding 1996.

TABLE 2.5

Human poverty in selected industrial countries

Country	Population not expected to survive to age 40 (%) 1990 ^a	Secondary-school-age children not enrolled in school (%) 1993-95	Unemployment rate (%) 1995
Australia	3.5	18	8.5
Belgium	3.5	12	9.5
Canada	3.1	9	9.5
Finland	3.1	4	17.1
France	4.0	10	11.6
Germany	3.0	14	8.2
Ireland	2.9	16	12.9
Japan	2.2	4	3.1
Netherlands	2.5	14	6.5
New Zealand	4.3	5	6.3
Norway	2.7	8	4.9
Spain	3.0	10	22.7
Sweden	2.7	7	9.2
United Kingdom	2.6	16	8.7
USA	4.0	11	5.5

a. Data refer to 1990 or a year around 1990.

Source: Hill 1997, UNESCO 1997 and OECD 1996b.

TABLE 2.6

Income poverty in selected industrial countries

Country	Year	Population below the poverty line (%)
Ireland	1987	37
Spain	1990	21
Netherlands	1991	14
USA	1994	14
United Kingdom	1991	13
France	1984	12
Belgium	1992	12
Germany	1989	12
Australia	1989	8
Denmark	1992	8
Canada	1991	6
Sweden	1992	5
Japan	1992	4
Luxembourg	1985	4
Finland	1991	4
Norway	1991	3

Note: Poverty is measured at \$14.40 (1985 PPP\$) a day per person, which corresponds to the US poverty line.

Source: Smeeding 1996.

TABLE 2.7

Distribution of income poverty

Country	Share of population in income poverty ^a (%) 1989-94	Children in one-parent income-poor households (%) 1989-92
United States	19	59
United Kingdom	15	49
Australia	13	61
Japan	12	..
Canada	12	58
Spain	10	37
Netherlands	7	34
OECD average	9	..

a. Poverty is measured at 50% of the median adjusted disposable personal income for individuals, the standard used by OECD and the European Union.

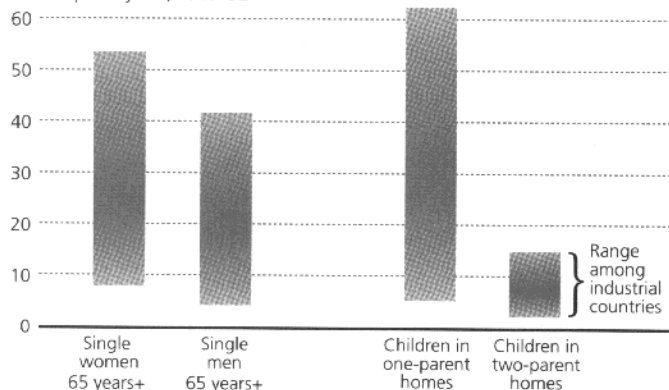
Source: Smeeding 1996.

FIGURE 2.12c

Among the aged, income poverty incidence is higher for women

Children in one-parent homes are more likely to grow up in income poverty

Percentage living below the income poverty line, 1989-92



Source: Smeeding 1996.

In recent decades social exclusion in industrial countries has been linked with exclusion from the mainstream labour market, showing up in long-term unemployment, youth unemployment and part-time employment.

Income poverty's links to deprivation

High income poverty is associated with high human poverty, and low income poverty with low human poverty. But the two forms of poverty can move in different directions. High income poverty can coexist with low human poverty (Peru and Zimbabwe), and low income poverty can coexist with high human poverty (Côte d'Ivoire and Egypt). The contrasts between the HPI and the headcount index of income poverty discussed in chapter 1 show these relationships. Analysis of different indicators of human poverty reveals more about the dynamics of income and human poverty.

The relationship between income poverty and human poverty can change. During 1970–90 Malaysia and the Republic of Korea reduced income poverty and some aspects of human poverty by more than half (figure 2.13). Colombia and Costa Rica also cut human poverty by half, but not income

poverty. So income poverty and human poverty generally go hand in hand, but not automatically or always.

Pakistan and Mauritania, for example, have the same illiteracy rate (around 64%), but the income poverty rate at \$1 a day is 12% in Pakistan and 31% in Mauritania. Similarly, illiteracy is less than 12% in Peru and Thailand, but Peru's income poverty is 49%, Thailand's 0.1%.

Income poverty's ties with child malnutrition are also weak—no surprise. Child malnutrition depends not so much on the income or food available as on the health care available to children and women. Income poverty explains only about 10% of the variation in child malnutrition.

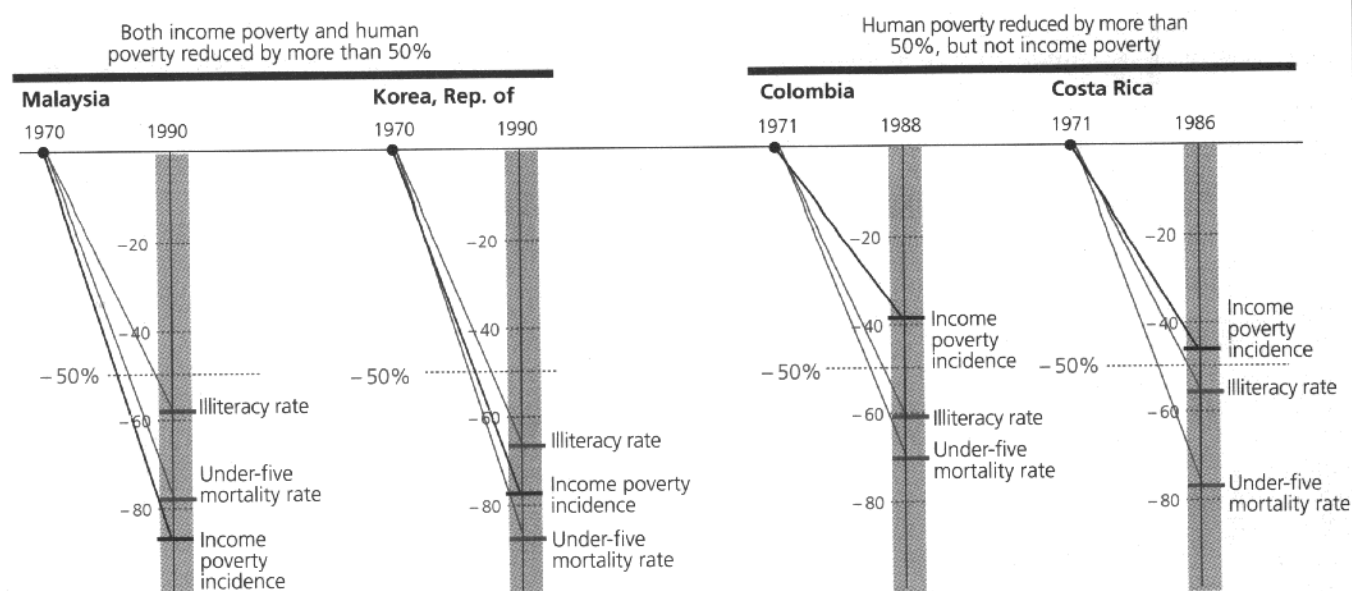
Income poverty has been reduced under a wide range of political regimes—from China and Viet Nam on the one hand to Costa Rica, Jamaica and Sri Lanka on the other. But the Vietnamese experience shows that both human and income poverty can be reduced through a combination of rigorous analysis of the problem and formulation and implementation of proper policies (box 2.5).

The lack of continuity and the unevenness of progress in human and income poverty over time have resulted in not only a backlog, but also striking disparities.

Income poverty and human poverty can move in different directions

FIGURE 2.13

Dynamics of income and human poverty



Source: Human Development Report Office.

The many disparities

And inequalities: between poor and rich, women and men, rural and urban, developed and underdeveloped regions and different ethnic groups. Seldom are these inequalities isolated—instead, they are interrelated and overlapping. Inequalities and poverty do not always move in the same direction. In some cases they increase or decrease together—in others they move in opposite directions.

Income disparity

In every region the per capita income of the richest 20% is naturally much higher than that of the poorest 20%—but by differing degrees. In the developing world it is 8 times as high, in industrial countries 7 times as high. And in South Asia it is 5 times as high, in Latin America and the Caribbean 19 times as high. The biggest range: the per capita income of the richest 20% in industrial countries (\$32,198 in PPP\$) is 11 times that in South Asia (\$2,833 in PPP\$) (annex table A2.1).

Regional figures may conceal large variations among countries. In Eastern Europe and the CIS countries the per capita income of the highest quintile is 7 times that of the lowest quintile—in Russia 14 times. In industrial countries the per capita income of the highest quintile is 7 times that of the lowest—in Japan only 4 times. Although no figure was available for Sub-Saharan Africa as a whole, income disparity is significant in some countries of the region. In Lesotho the per capita income of the richest 20% is 22 times that of the poorest 20%. For South Africa the figure is 19 times, and for Kenya 18 times.

At a global level, between 1989 and 1996 the number of billionaires increased from 157 to 447. Today the net wealth of the 10 richest billionaires is \$133 billion, more than 1.5 times the total national income of all the least developed countries. The wealth of the single richest Mexican in 1995 was \$6.6 billion, equal to the combined income of the 17 million poorest Mexicans. These, of course, are comparisons of wealth and income. But a comparison of wealth alone, if possible, would be even starker, since the wealth of the poorest people is generally much less than their income.

Income disparity is often linked with disparity in access to social services and productive resources and in the pattern of public expenditure. In urban Kenya the net primary enrolment ratio in the 1980s was 45% for the poorest 10% and 72% for the richest 10%. In rural Bangladesh in 1992 large landowners constituted only 7% of rural households but received 37% of the

BOX 2.5

Doi Moi—eliminating human and income poverty in Viet Nam

Viet Nam has approached poverty at two levels, seeking first to understand the phenomenon and then to formulate strategies to overcome it. The centre-piece of the government's socio-economic development strategy since 1986 has been *Doi Moi*, the reform process aimed at transforming the Vietnamese economy from a centrally planned system to one that is market-based and dynamic.

While Viet Nam has reduced income poverty by an estimated 35% since launching *Doi Moi*, the incidence remains high, ranging from less than 20% according to a national poverty line to around 50% based on an internationally comparable income poverty line. Income poverty is concentrated among ethnic minorities, who live mostly in the northern uplands and central highlands.

Even with a per capita income of \$200, Viet Nam has made much progress in reducing human poverty. It has achieved a life expectancy of 66 years, an adult literacy rate of 93% and access to health service for 90% of its population. And between 1990 and 1995 it reduced under-five mortality from 55 per 1,000 live births to 46. As measured by the HPI, human poverty in Viet Nam is now 26%.

Much of the remaining poverty in Viet Nam appears to be linked to five broad underlying causes:

- Isolation—geographic, linguistic and social.
- Excessive risks—such as typhoons, floods and illness.
- Lack of access to productive

resources, particularly land and credit.

- Unsustainable financial and environmental conditions.
- Inadequate participation of the people in planning and implementing development programmes.

A major aim of *Doi Moi* has been to create an enabling environment based on growth, stability and equity to ensure that poor people can better help themselves and that poverty reduction is sustainable. This broad-based strategy has been quite successful, in part because, besides creating an enabling environment for poor people, it has emphasized a supportive environment for the non-poor and some social assistance for those who may not rise on the tide of development.

In rural areas Viet Nam has taken significant steps in land reform. Between 1992 and 1995 the number of borrowers from the Viet Nam Bank of Agriculture increased almost sevenfold—from 900,000 to 7 million. And construction of rural infrastructure through local initiatives has been initiated to reduce isolation and the risks of poverty.

An important future challenge is to further develop the enabling environment of growth, stability and equity while working to ensure that poor people can participate in that environment—by strengthening the economy, incentives, institutions, organizations, families and human resources.

The government aims to eliminate chronic hunger by 1999, to eradicate income poverty by 2010 and, ultimately, to catch up with its more prosperous neighbours in East Asia.

Source: UNDP and UNICEF 1996.

institutional credit. In Nigeria only 12% of public health spending in 1992 went to the poorest 20%, while 33% went to the richest 20%.

Gender disparity

The disparity between women and men in income poverty and in different dimensions of human poverty can be illustrated by repeating some of the more striking facts. In developing countries there are still 60% more women than men among illiterate adults, female enrolment even at the primary level is 13% lower than male enrolment, and female wages are only three-fourths of male wages. In industrial countries unemployment is higher among women than men, and women constitute three-fourths of the unpaid family workers.

Gender disparity can be seen in proper perspective through the lens of the gender-related development index (GDI) and the gender empowerment measure (GEM). The GDI attempts to capture achievement in the same set of basic capabilities included in the human development index (HDI)—life expectancy, educational attainment and income—but adjusts the HDI for gender inequality. The GEM measures gender inequality in key areas of economic and political participation and decision-making. It thus differs from the GDI, an indicator of gender inequality in basic capabilities. (The methods for constructing the GDI and the GEM are described in technical note 2 and the full results are in indicator tables 2 and 3.)

Results of the gender-related development index

For this Report the GDI was calculated for 146 countries (table 2.8). Ten countries (Armenia, Azerbaijan, Benin, Botswana, Latvia, Lebanon, Kazakhstan, Kyrgyzstan, Mongolia, South Africa) have shifted in rank by 10 or more places compared with last year's GDI. The rank changes of these countries, all either in Eastern Europe and the CIS or in Sub-Saharan Africa, are due mainly to revisions of the data for life

expectancy and real GDP per capita (PPP\$).

Canada tops the GDI rankings. The second- and third-ranking countries are in the Nordic belt—Norway and Sweden. Several developing countries and areas do well in the GDI rankings: Barbados (17), the Bahamas (18), Singapore (27), Hong Kong (28), Uruguay (31), Trinidad and Tobago (32), Cyprus (33), the Republic of Korea (35), Costa Rica (36) and Thailand (39). These countries have succeeded in enhancing the basic human capabilities of both women and men.

The bottom five places are occupied by Sierra Leone, Niger, Burkina Faso, Mali and Ethiopia, in ascending order. Women in these countries face a double deprivation: overall achievements in human development are low in these societies, and women's achievements are lower than men's.

Several conclusions can be drawn from the GDI rankings.

First, no society treats its women as well as its men. This is evident from the fact that the GDI value for every country is lower than its HDI value. As many as 39 countries have a GDI value of less than 0.500, showing that women in these countries suffer the double deprivation of low overall achievement in human development and lower achievement than men. And only 41 countries have a GDI value of more than 0.800, underscoring the point that substantial progress in gender equality has been made in only a few societies.

Second, gender inequality is strongly associated with human poverty. The four countries ranking lowest in the GDI—Sierra Leone, Niger, Burkina Faso and Mali—also rank lowest in the human poverty index (HPI). Similarly, of the four developing countries ranking highest in the HPI, three—Costa Rica, Singapore and Trinidad and Tobago—also rank among the highest in the GDI.

Third, gender inequality is not always associated with income poverty. For example, Ecuador (73) and Peru (76) do relatively well in the GDI rankings, but their income poverty is quite high, with 49% of people in Peru below the \$1-a-day income

*Gender inequality
is strongly
associated with
human poverty*

poverty line, and 31% in Ecuador. By contrast, both Côte d'Ivoire (18%) and Tanzania (16%) have a low incidence of income poverty by the \$1-a-day poverty line, but quite low GDI ranks—with Côte d'Ivoire at 126 and Tanzania at 123.

Fourth, the countries showing a marked improvement in their GDI ranks relative to their HDI ranks are fairly diverse. They

include such industrial countries as Norway and Sweden, most of Eastern Europe and the CIS countries and such developing countries as the Bahamas, Barbados and Viet Nam. This shows that gender equality can be achieved at different income levels and stages of development. It also shows that it can be achieved across a range of cultures and political ideologies.

TABLE 2.8
Gender disparity—GDI and HDI ranks

GDI rank	HDI rank	HDI rank minus GDI rank	GDI rank	HDI rank	HDI rank minus GDI rank	GDI rank	HDI rank	HDI rank minus GDI rank
1 Canada	1	0	51 Kuwait	48	-3	101 Viet Nam	105	4
2 Norway	3	1	52 Estonia	60	8	102 Gabon	104	2
3 Sweden	10	7	53 Fiji	43	-10	103 Honduras	101	-2
4 Iceland	5	1	54 Mauritius	53	-1	104 Cape Verde	106	2
5 USA	4	-1	55 Lithuania	64	9	105 Morocco	103	-2
6 France	2	-4	56 Bahrain	40	-16	106 Nicaragua	108	2
7 Finland	8	1	57 Croatia	65	8	107 Guatemala	102	-5
8 New Zealand	9	1	58 Turkey	63	5	108 Papua New Guinea	109	1
9 Australia	14	5	59 Romania	67	8	109 Zimbabwe	110	1
10 Denmark	18	8	60 Brazil	58	-2	110 Myanmar	111	1
11 Netherlands	6	-5	61 United Arab Emirates	41	-20	111 Ghana	112	1
12 Japan	7	-5	62 Macedonia, FYR	68	6	112 Kenya	114	2
13 United Kingdom	15	2	63 Jamaica	71	8	113 Lesotho	117	4
14 Belgium	13	-1	64 Qatar	49	-15	114 Lao People's Dem. Rep.	116	2
15 Austria	12	-3	65 Turkmenistan	72	7	115 Cameroon	113	-2
16 Germany	19	3	66 Lebanon	56	-10	116 Equatorial Guinea	115	-1
17 Barbados	25	8	67 Latvia	76	9	117 Iraq	107	-10
18 Bahamas	28	10	68 Cuba	73	5	118 India	118	0
19 Spain	11	-8	69 Kazakhstan	79	10	119 Comoros	120	1
20 Switzerland	16	-4	70 Sri Lanka	77	7	120 Pakistan	119	-1
21 Greece	20	-1	71 South Africa	76	5	121 Nigeria	121	0
22 Israel	23	1	72 Ukraine	81	9	122 Zambia	122	0
23 Italy	21	-2	73 Ecuador	61	-12	123 Tanzania, U. Rep. of	127	4
24 Slovenia	34	10	74 Tunisia	69	-5	124 Benin	125	1
25 Czech Rep.	37	12	75 Dominican Rep.	74	-1	125 Togo	126	1
26 Slovakia	39	13	76 Peru	75	-1	126 Côte d'Ivoire	124	-2
27 Singapore	26	-1	77 Libyan Arab Jamahiriya	55	-22	127 Mauritania	126	-1
28 Hong Kong	22	-6	78 Uzbekistan	85	7	128 Bangladesh	123	-5
29 Ireland	17	-12	79 Botswana	82	3	129 Central African Rep.	129	0
30 Portugal	30	0	80 Mongolia	86	6	130 Haiti	131	1
31 Uruguay	36	5	81 Philippines	83	2	131 Nepal	130	-1
32 Trinidad and Tobago	38	6	82 Paraguay	80	-2	132 Uganda	133	1
33 Cyprus	24	-9	83 Armenia	88	5	133 Malawi	135	2
34 Hungary	45	11	84 Syrian Arab Rep.	68	-16	134 Senegal	134	0
35 Korea, Rep. of	31	-4	85 Albania	87	2	135 Sudan	132	-3
36 Costa Rica	32	-4	86 Indonesia	84	-2	136 Guinea-Bissau	136	0
37 Poland	50	13	87 Georgia	90	3	137 Chad	137	0
38 Luxembourg	27	-11	88 Kyrgyzstan	92	4	138 Gambia	138	0
39 Thailand	51	12	89 Azerbaijan	91	2	139 Mozambique	139	0
40 Colombia	47	7	90 China	93	3	140 Guinea	140	0
41 Panama	42	1	91 Guyana	89	-2	141 Burundi	141	0
42 Belarus	54	12	92 Algeria	70	-22	142 Ethiopia	142	0
43 Venezuela	44	1	93 Moldova, Rep. of	95	2	143 Mali	143	0
44 Chile	29	-15	94 Maldives	96	2	144 Burkina Faso	144	0
45 Malaysia	52	7	95 Saudi Arabia	62	-33	145 Niger	145	0
46 Russian Federation	57	11	96 Tajikistan	100	4	146 Sierra Leone	146	0
47 Argentina	35	-12	97 El Salvador	97	0			
48 Malta	33	-15	98 Swaziland	99	1			
49 Bulgaria	59	10	99 Bolivia	98	-1			
50 Mexico	46	-4	100 Egypt	94	-6			

Note: HDI ranks have been recalculated for the universe of 146 countries. A positive difference between a country's HDI and GDI ranks indicates that it performs relatively better on gender equality than on average achievements alone.
Source: Human Development Report Office.

Results of the gender empowerment measure

The GEM was estimated for 94 countries (table 2.9). Four of the top five in the GEM rankings are Nordic countries—Norway (1), Sweden (2), Denmark (3) and Finland (4). These countries are not only good at strengthening the basic capabilities of women, they have also opened many opportunities for them to participate in economic and political fields.

Some developing countries outperform much richer industrial countries in gender equality in political, economic and professional activities. Barbados is ahead of Belgium and Italy, Trinidad and Tobago out-ranks Portugal, and the Bahamas leads the United Kingdom. France lags behind Suriname, Colombia and Botswana, and Japan behind China, Guatemala and Mexico. The GEM value of Greece, at 0.391, is only 65% that of Barbados, at 0.602.

TABLE 2.9
Gender disparity—GEM, GDI and HDI ranks

GEM rank	GDI rank	HDI rank	GEM rank	GDI rank	HDI rank
1 Norway	2	3	51 Honduras	66	69
2 Sweden	3	9	52 Thailand	34	42
3 Denmark	9	17	53 Peru	53	55
4 Finland	6	7	54 Uruguay	26	31
5 New Zealand	7	8	55 Venezuela	37	36
6 Canada	1	1	56 Greece	20	19
7 USA	4	4	57 Chile	38	27
8 Austria	14	11	58 Brazil	46	47
9 Germany	15	18	59 Indonesia	57	61
10 Netherlands	10	5	60 Cyprus	28	22
11 Australia	8	13	61 Swaziland	63	68
12 Switzerland	19	15	62 Bolivia	64	67
13 Luxembourg	33	25	63 Haiti	82	88
14 Barbados	16	23	64 Paraguay	56	58
15 Belgium	13	12	65 Cameroon	73	77
16 Italy	22	20	66 Kuwait	42	40
17 Trinidad and Tobago	27	32	67 Maldives	61	65
18 Portugal	25	28	68 Fiji	43	35
19 Bahamas	17	26	69 Burkina Faso	87	93
20 United Kingdom	12	14	70 Sri Lanka	49	57
21 Spain	18	10	71 Zambia	77	83
22 South Africa	50	56	72 Morocco	68	71
23 Cuba	48	53	73 Korea, Rep. of	30	29
24 Ireland	24	16	74 Algeria	60	52
25 Hungary	29	37	75 Egypt	65	64
26 Costa Rica	31	30	76 Bangladesh	80	84
27 Bulgaria	40	48	77 Sierra Leone	88	94
28 China	58	63	78 Tunisia	51	51
29 Guatemala	69	70	79 Equatorial Guinea	74	78
30 Israel	21	21	80 Malawi	83	90
31 Mexico	41	38	81 Iran, Islamic Rep. of	..	49
32 Belize	..	45	82 Turkey	45	50
33 Guyana	59	62	83 Mali	86	92
34 Japan	11	6	84 United Arab Emirates	47	33
35 Philippines	55	60	85 Papua New Guinea	70	74
36 Panama	36	34	86 India	75	80
37 Suriname	..	46	87 Sudan	84	89
38 Colombia	35	39	88 Congo	..	76
39 Botswana	54	59	89 Zaire	..	82
40 France	5	2	90 Central African Rep.	81	87
41 Lesotho	72	79	91 Solomon Islands	..	72
42 Poland	32	41	92 Pakistan	76	81
43 Mozambique	85	91	93 Togo	78	85
44 El Salvador	62	66	94 Mauritania	79	86
45 Zimbabwe	71	75			
46 Dominican Rep.	52	54			
47 Singapore	23	24			
48 Malaysia	39	43			
49 Mauritius	44	44			
50 Cape Verde	67	73			

Note: GDI and HDI ranks have been recalculated for the universe of 94 countries.
Source: Human Development Report Office.

Some developing countries outperform much richer industrial countries in gender equality

The three countries with the worst GEM ranks—Mauritania (94), Togo (93) and Pakistan (92)—also have very high HPI values: 47% for Mauritania and Pakistan, and 39% for Togo. But among countries with higher GEM rankings—such as Trinidad and Tobago (17), Cuba (23) and Costa Rica (26)—are some of those with the lowest HPI values. For Trinidad and Tobago the HPI is 4%, for

Cuba 5% and for Costa Rica 7%. Thus in these six countries there is a strong association between the extent of human poverty and opportunities for women.

By contrast, the link between income poverty and opportunities for women is not always positive. For example, Guatemala (29) and Guyana (33) place quite high in the GEM rankings, but the incidence of income poverty by the \$1-a-day poverty line is extremely high in both countries—in Guatemala 53%, and in Guyana 46%. Morocco (72) and Tunisia (78) place quite low in the GEM rankings, but have income poverty of only 1% and 3% by the \$1-a-day yardstick. Thus even in income-poor societies, women may enjoy opportunities to participate in economic and political activities.

The GEM results show that no country has a GEM equal to or exceeding 0.800. Only 14 countries have a GEM of more than 0.600. And 21 countries have a GEM of less than 0.300. The low values make it clear that many countries have much further to travel in extending broad economic and political opportunities to women.

Rural-urban disparity

The rural-urban disparity in human and income poverty is pronounced. In developing countries 43% of rural men are illiterate, more than twice the share in urban areas. For women the shares are 66% and 38%. This rural-urban disparity in literacy reflects the rural-urban disparity in access to social services (figure 2.14).

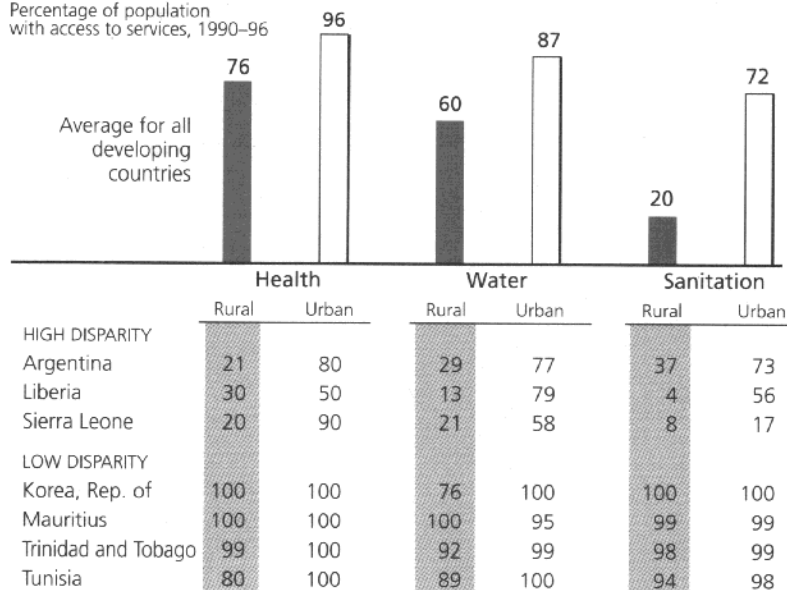
When the HDI for Turkey was disaggregated by rural and urban areas, the HDI for urban males was found to be 15% higher than that for rural males. And the HDI for urban females was estimated to be 13% higher than that for rural females.

There also are rural-urban disparities in income poverty. In 1990, 36% of urban people in South Asia were living in income poverty, compared with 47% of rural people. In Latin America and the Caribbean the incidence of rural poverty, at 58%, is 1.8 times the incidence of urban poverty, at 33%.

FIGURE 2.14

Urban-rural disparity in access to social services

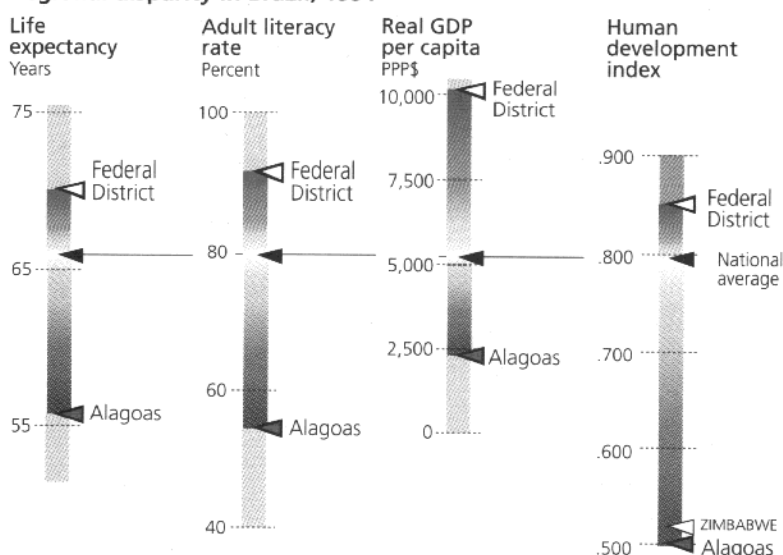
Percentage of population with access to services, 1990–96



Source: UNICEF 1997.

FIGURE 2.15

Regional disparity in Brazil, 1991



Source: UNDP 1996h.

Regional disparity within countries

Uneven progress in reducing human and income poverty has resulted in different forms of regional disparity within countries. In India life expectancy in the State of Kerala is 72 years, but in Madhya Pradesh it is only 54 years. In Brazil in 1991, the adult literacy rate in the Federal District was 91%, while in Alagoas Province it was only 55%. Similar disparities exist in other areas of human development and in the HDI (figure 2.15).

Regional variation in income poverty can also be significant. In the Philippines income poverty in the National Capital Region in 1991 was only 15%, compared with 56% in the province of Bicol. In Indonesia the incidence of income poverty was less than 10% in Jakarta, Yogyakarta and Bali, but more than 40% in East Nussa Tenggara, Iran Jaya and West Kalimantan. Such disparities are also observed in human development (figure 2.16).

Ethnic disparity

Uneven progress in reducing human poverty is reflected too in disparities among different ethnic groups in a country. For example, in Viet Nam income poverty is more pronounced among ethnic minorities living mainly in the northern uplands and central highlands. People in these groups earn only 60% as much as the Kinh, or Vietnamese. In South Africa only 3% of whites—but 18% of blacks—are not expected to survive to age 40. And while about 8% of whites lack an education, 16% of blacks do.

Ethnic disparity in human poverty is also significant in industrial countries. In Canada 35% of Inuit men are unemployed, compared with 10% of other Canadian men. And in the United States 31% of Hispanics aged 25–65 have not completed ninth grade, but only 6% of whites have not.

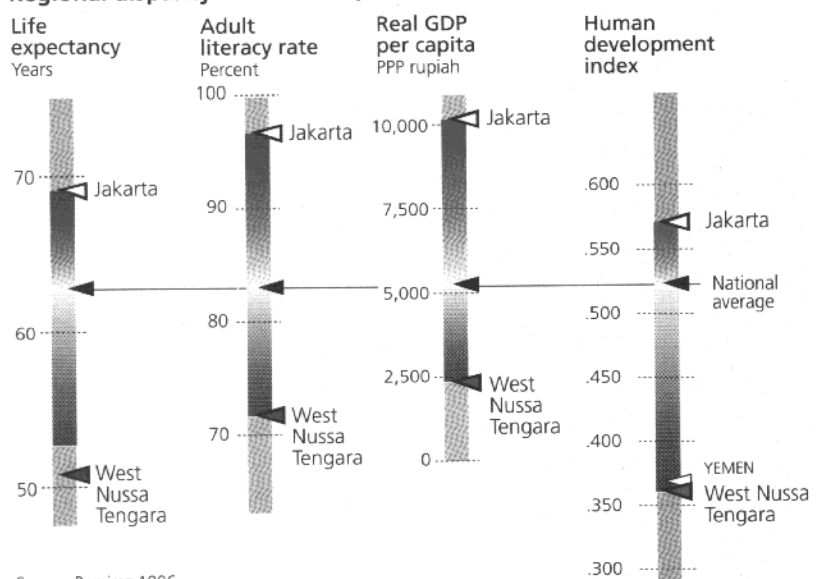
In many parts of the world disparities in income and human poverty disproportionately affect the indigenous people (box 2.6).

What the 1997 HDI reveals

Since 1990 the *Human Development Report* has presented the human development index to capture as many aspects of human development as possible in one simple,

FIGURE 2.16

Regional disparity in Indonesia, 1993



A bleak future for indigenous people

BOX 2.6

In almost all societies where they are to be found, indigenous people are poorer than most other groups. In Australia, for example, aboriginals receive about half as much income as non-aboriginals. In developing countries the poorest regions are those with the most indigenous people. In Mexico, for example, in *municipios* where less than 10% of the population is indigenous, only 18% of the population is below the poverty line. But where 70% of the population is indigenous, the poverty rate rises to 80%.

Indigenous people also fare worse in the non-income dimensions of poverty. In Canada the infant mortality rate for indigenous children is twice as high as for the population as a whole. In Peru the Indian population is much more prone to illness than the Spanish-speaking population—and twice as likely to be hospitalized.

Similar disparities are evident in education. In Bolivia and Mexico

indigenous children receive on average three years less education than non-indigenous children. And in Guatemala the majority of indigenous people have no formal education—only 40% are literate.

But even when they have the same education as the majority population, indigenous people still face discrimination when it comes to employment. In the United States, for example, around 25% of the earnings shortfall of indigenous people is estimated to result from discrimination—in Bolivia 28%, and in Guatemala close to 50%.

Indigenous people have seen their values and customs destroyed by the incoming population—and have frequently turned to alcoholism or suicide. In developing countries they generally mix to some extent with the majority population, but in the industrial countries many have ended up on reservations, facing a bleak future.

Source: Pscharapoulos and Patrinos 1994.

In the HDI rankings, Hong Kong, Cyprus and Barbados lead among developing countries

composite index and to produce a ranking of human development achievements.

The concept of human development is much deeper and richer than what can be captured in any composite index or even by a detailed set of statistical indicators. Yet it is useful to simplify a complex reality—and that is what the HDI sets out to do. It is a composite index of achievements in basic human capabilities in three fundamental dimensions—a long and healthy life, knowledge and a decent standard of living. Three variables have been chosen to represent these three dimensions—life expectancy, educational attainment and income.

The HDI value for each country indicates how far the country has to go to attain certain defined goals: an average life span of 85 years, access to education for all and a decent standard of living. The HDI reduces all three basic indicators to a common measuring rod by measuring achievement in each as the relative distance from the desirable goal. The maximum and minimum values for each variable are reduced to a scale between 0 and 1, with each country at some point on this scale. (The method for constructing the HDI is explained in detail in technical note 2.)

The HDI shows the distance a country has to travel to reach the maximum possible value of 1 and also allows intercountry comparisons. The difference between the maximum possible value of the HDI and the HDI value achieved by a country shows the country's shortfall in HDI. A challenge for every country is to find ways to reduce this shortfall. As explained in chapter 1, the HDI measures the overall progress of a country in human development, while the HPI identifies the deprivation in human development.

The ranking of countries by their HDI values leads to the following observations, the highlights of this year's exercise:

- Of the 175 countries for which the HDI was calculated, 64 are in the high human development category, 66 in the medium category and 45 in the low category. Thus, of the world's 5.6 billion people, 1.3 billion (23%) are in the high human development category, 2.6 billion (45%) in the medium

TABLE 2.10
HDI ranking for industrial countries, 1994

Country	HDI value	HDI rank	Real GDP per capita (PPP\$) 1994	Real GDP per capita (PPP\$) rank minus HDI rank ^a
Canada	0.960	1	21,459	7
France	0.946	2	20,510	13
Norway	0.943	3	21,346	6
USA	0.942	4	26,397	-1
Iceland	0.942	5	20,566	9
Netherlands	0.940	6	19,238	13
Japan	0.940	7	21,581	0
Finland	0.940	8	17,417	15
New Zealand	0.937	9	16,851	15
Sweden	0.936	10	18,540	11
Spain	0.934	11	14,324	19
Austria	0.932	12	20,667	1
Belgium	0.932	13	20,985	-1
Australia	0.931	14	19,285	4
United Kingdom	0.931	15	18,620	5
Switzerland	0.930	16	24,967	-12
Ireland	0.929	17	16,061	8
Denmark	0.927	18	21,341	-8
Germany	0.924	19	19,675	-3
Greece	0.923	20	11,265	15
Italy	0.921	21	19,363	-4
Israel	0.913	23	16,023	3
Luxembourg	0.899	27	34,155	-26
Portugal	0.890	31	12,326	3
Malta	0.887	34	13,009	-1
Slovenia	0.886	35	10,404	3
Czech Rep.	0.882	39	9,201	3
Slovakia	0.873	42	6,389	12
Hungary	0.857	48	6,437	5
Poland	0.834	58	5,002	14
Belarus	0.806	62	4,713	13
Russian Federation	0.792	67	4,828	7
Bulgaria	0.780	69	4,533	9
Estonia	0.776	71	4,294	8
Lithuania	0.762	76	4,011	8
Croatia	0.760	77	3,960	10
Romania	0.748	79	4,037	3
Macedonia, FYR	0.748	80	3,965	5
Turkmenistan	0.723	85	3,469	12
Latvia	0.711	92	3,332	6
Kazakstan	0.709	93	3,284	6
Ukraine	0.689	95	2,718	14
Uzbekistan	0.662	100	2,438	14
Albania	0.655	102	2,788	4
Armenia	0.651	103	1,737	24
Georgia	0.637	105	1,585	31
Azerbaijan	0.636	106	1,670	25
Kyrgyzstan	0.635	107	1,930	18
Moldova, Rep. of	0.612	110	1,576	28
Tajikistan	0.580	115	1,117	35

a. A positive figure indicates that the HDI rank is better than the real GDP per capita (PPP\$) rank, a negative the opposite.

Source: Human Development Report Office.

TABLE 2.11
HDI ranking for developing countries, 1994

Country	HDI value	HDI rank	Real GDP per capita (PPP\$) 1994	Real GDP per capita (PPP\$) rank minus HDI rank ^a	Country	HDI value	HDI rank	Real GDP per capita (PPP\$) 1994	Real GDP per capita (PPP\$) rank minus HDI rank ^a
Hong Kong	0.914	22	22,310	-17	Bolivia	0.589	113	2,598	-1
Cyprus	0.907	24	13,071	8	Swaziland	0.582	114	2,821	-10
Barbados	0.907	25	11,051	11	Honduras	0.575	116	2,050	7
Singapore	0.900	26	20,987	-15	Guatemala	0.572	117	3,208	-16
Bahamas	0.894	28	15,875	0	Namibia	0.570	118	4,027	-35
Antigua and Barbuda	0.892	29	8,977	16	Morocco	0.566	119	3,681	-26
Chile	0.891	30	9,129	13	Gabon	0.562	120	3,641	-25
Korea, Rep. of	0.890	32	10,656	5	Viet Nam	0.557	121	1,208	26
Costa Rica	0.889	33	5,919	27	Solomon Islands	0.556	122	2,118	0
Argentina	0.884	36	8,937	10	Cape Verde	0.547	123	1,862	3
Uruguay	0.883	37	6,752	15	Vanuatu	0.547	124	2,276	-7
Brunei Darussalam	0.882	38	30,447	-36	São Tomé and Príncipe	0.534	125	1,704	3
Trinidad and Tobago	0.880	40	9,124	4	Iraq	0.531	126	3,159	-24
Dominica	0.873	41	6,118	16	Nicaragua	0.530	127	1,580	10
Bahrain	0.870	43	15,321	-14	Papua New Guinea	0.525	128	2,821	-24
United Arab Emirates	0.866	44	16,000	-17	Zimbabwe	0.513	129	2,196	-10
Panama	0.864	45	6,104	14	Congo	0.500	130	2,410	-14
Fiji	0.863	46	5,763	16	Myanmar	0.475	131	1,051	25
Venezuela	0.861	47	8,120	1	Ghana	0.468	132	1,960	-8
Saint Kitts and Nevis	0.853	49	9,436	-9	Cameroon	0.468	133	2,120	-12
Mexico	0.853	50	7,384	0	Kenya	0.463	134	1,404	5
Colombia	0.848	51	6,107	7	Equatorial Guinea	0.462	135	1,673	-5
Seychelles	0.845	52	7,891	-3	Lao People's Dem. Rep.	0.459	136	2,484	-23
Kuwait	0.844	53	21,875	-47	Lesotho	0.457	137	1,109	14
Grenada	0.843	54	5,137	17	India	0.446	138	1,348	5
Qatar	0.840	55	18,403	-33	Pakistan	0.445	139	2,154	-19
Saint Lucia	0.838	56	6,182	-1	Comoros	0.412	140	1,366	1
Saint Vincent	0.836	57	5,650	6	Nigeria	0.393	141	1,351	1
Thailand	0.833	59	7,104	-8	Zaire	0.381	142	429	31
Malaysia	0.832	60	8,865	-13	Zambia	0.369	143	962	15
Mauritius	0.831	61	13,172	-30	Bangladesh	0.368	144	1,331	0
Belize	0.806	63	5,590	1	Côte d'Ivoire	0.368	145	1,668	-13
Libyan Arab Jamahiriya	0.801	64	6,125	-8	Benin	0.368	146	1,696	-17
Lebanon	0.794	65	4,863	8	Togo	0.365	147	1,109	4
Suriname	0.792	66	4,711	10	Yemen	0.361	148	805	14
Brazil	0.783	68	5,362	0	Tanzania, U. Rep. of	0.357	149	656	21
Iran, Islamic Rep. of	0.780	70	5,766	-9	Mauritania	0.355	150	1,593	-15
Ecuador	0.775	72	4,626	5	Central African Rep.	0.355	151	1,130	-2
Saudi Arabia	0.774	73	9,338	-32	Madagascar	0.350	152	694	16
Turkey	0.772	74	5,193	-4	Cambodia	0.348	153	1,084	1
Korea, Dem. People's Rep. of	0.765	75	3,965	10	Nepal	0.347	154	1,137	-6
Syrian Arab Rep.	0.755	78	5,397	-12	Bhutan	0.338	155	1,289	-10
Tunisia	0.748	81	5,319	-12	Haiti	0.338	156	896	5
Algeria	0.737	82	5,442	-17	Angola	0.335	157	1,600	-24
Jamaica	0.736	83	3,816	7	Sudan	0.333	158	1,084	-4
Jordan	0.730	84	4,187	-3	Uganda	0.328	159	1,370	-19
Cuba	0.723	86	3,000	17	Senegal	0.326	160	1,596	-26
Dominican Rep.	0.718	87	3,933	1	Malawi	0.320	161	694	7
Oman	0.718	88	10,078	-49	Djibouti	0.319	162	1,270	-16
Peru	0.717	89	3,645	5	Guinea-Bissau	0.291	163	793	1
South Africa	0.716	90	4,291	-10	Chad	0.288	164	700	2
Sri Lanka	0.711	91	3,277	9	Gambia	0.281	165	939	-5
Paraguay	0.706	94	3,531	2	Mozambique	0.281	166	986	-9
Samoa (Western)	0.684	96	2,726	12	Guinea	0.271	167	1,103	-14
Botswana	0.673	97	5,367	-30	Eritrea	0.269	168	960	-9
Philippines	0.672	98	2,681	12	Burundi	0.247	169	698	-2
Indonesia	0.668	99	3,740	-7	Ethiopia	0.244	170	427	4
Mongolia	0.661	101	3,766	-10	Mali	0.229	171	543	1
Guyana	0.649	104	2,729	3	Burkina Faso	0.221	172	796	-9
China	0.626	108	2,604	3	Niger	0.206	173	787	-8
Egypt	0.614	109	3,846	-20	Rwanda	0.187	174	352	1
Maldives	0.611	111	2,200	7	Sierra Leone	0.176	175	643	-4
El Salvador	0.592	112	2,417	3					

a. A positive figure indicates that the HDI rank is better than the real GDP per capita (PPP\$) rank, a negative the opposite.
Source: Human Development Report Office.

category and 1.8 billion (32%) in the low category.

- The HDI values and rankings for some countries have changed since last year, reflecting recent revisions of data by UN and other international organizations, particularly for life expectancy and real GDP per capita (PPP\$).

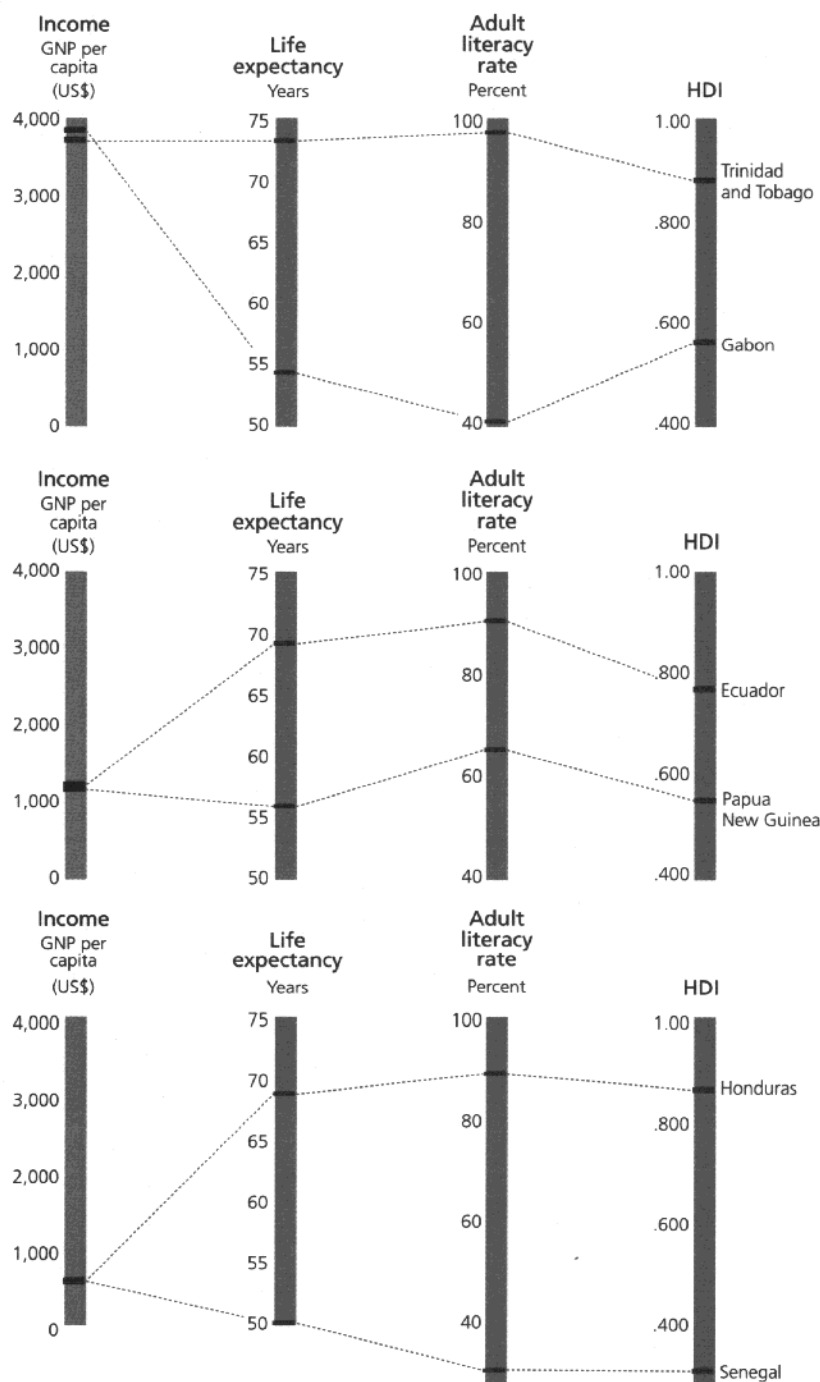
- Canada, France and Norway lead the HDI rankings. Among developing countries, Hong Kong, Cyprus and Barbados lead.

The HDI ranking of countries differs significantly from their ranking by real GDP per capita (tables 2.10 and 2.11). Ten countries have an HDI rank at least 20 places higher than their GDP rank. Among them are Costa Rica and Viet Nam, which have effectively translated the benefits of economic growth into improvements in the lives of their people. For 17 countries the GDP rank is higher than the HDI rank, implying considerable scope for distributing the benefits of economic growth more equitably. Thus countries can have similar incomes but different human development achievements—or similar HDIs but very different incomes (figure 2.17 and table 2.12).

One important finding of this year's HDI exercise is that the HDI values of about 30 countries are lower for 1994 than 1993. Two important observations: First, the decline mostly reflects a fall in life expectancy, school enrolment, or real GDP per capita (PPP\$). Second, most affected countries are in Sub-Saharan Africa or in Eastern Europe and the CIS or are countries in conflict. In many Sub-Saharan countries such as Botswana and Burundi, the shorter life expectancy reflects the toll of HIV/AIDS. The shortened life expectancy, particularly among men, in Eastern Europe and the CIS countries (for example, Armenia and Russia) reflects the

FIGURE 2.17

Similar income, different human development, 1994



Source: Human Development Report Office.

TABLE 2.12
Similar HDI, different income, 1994

Country	HDI value	GNP per capita (US\$)
New Zealand	0.937	13,350
Sweden	0.936	25,530
Barbados	0.907	6,560
Singapore	0.900	22,500
Brazil	0.783	2,970
Bulgaria	0.780	1,250
South Africa	0.716	3,040
Sri Lanka	0.711	640
São Tomé and Príncipe	0.534	1,150
Vanuatu	0.547	250
Lao People's Dem. Rep.	0.459	320
Lesotho	0.457	720
Gambia	0.281	330
Mozambique	0.281	90

Source: Human Development Report Office.

changing social reality in those countries. These trends signal worrying setbacks and reversals in the long term gains in human development. The change in the absolute value of HDI should be monitored regularly as it reflects not only the normal fluctuations in economic activity, but more seriously, an erosion in the real capabilities of the people (in the form of education and health assets).

The changing face of poverty

The trend analysis of human and income poverty prompts some questions about the overall situation.

- *How big is the poverty problem?* In developing countries as a group, human

poverty affects more than a quarter of the population.

- *Where is poverty most pervasive?* Sub-Saharan Africa and South Asia have the highest incidence of both income poverty (by the \$1-a-day poverty line) and human poverty—at about 40%. The incidence of human poverty in Sub-Saharan Africa is 42%, and that of income poverty 39%. In South Asia human poverty is 38%, and income poverty 43%. But the cause for greatest concern for Sub-Saharan Africa is that poverty is increasing—both in proportion and in absolute numbers—and the increase is occurring in both human poverty and income poverty.

- *Where are the poor?* South Asia is home to two-fifths (515 million of 1.3 billion) of

BOX 2.7

The changing face of income poverty

In 1993 more than 500 million of the developing world's 1.3 billion income-poor people—those subsisting on less than \$1 a day—lived in South Asia, a majority of them in rural areas. But the face of poverty is constantly changing. Compared with 1970, an income-poor person today is:

<i>Less likely to be</i>	<i>More likely to be</i>	<i>And likely to be poor as a result of</i>
Asian	African or Latin American	<ul style="list-style-type: none"> • Economic stagnation and slow employment growth • Increasing disparity • Lack of pro-poor growth • Increased marginalization from global trade and financial flows • Higher fertility and the spread of HIV/AIDS • Accelerated degradation of natural resources • Increased displacement from home and country
An adult male	A child, a woman or elderly (in some countries)	<ul style="list-style-type: none"> • Increased cuts in social welfare • Greater disintegration of the family • Higher unemployment, particularly chronic unemployment and involuntary part-time work • High costs of social and economic transition • Increased time burdens
A small farmer	An unskilled, low-wage worker	<ul style="list-style-type: none"> • Continuing globalization and trade liberalization • Increased liberalization of labour markets
Rural	Urban	<ul style="list-style-type: none"> • Rapid demographic change and migration to urban areas • Growth of the low-productivity informal sector • Worsening access to productive resources • Inadequate development of urban housing and physical infrastructure
Settled	A refugee or internally displaced	<ul style="list-style-type: none"> • Increasing wars and conflicts • Deepening economic and environmental crises

Source: Lipton and Maxwell 1992 and Human Development Report Office.

the income-poor of developing countries and almost half of those in human poverty. East Asia, South Asia and South-East Asia and the Pacific combined account for 960 million of the 1.3 billion income-poor in developing countries, and more than two-thirds of the people in human poverty.

- *Where are the stark contrasts between human and income poverty?* Latin America and the Caribbean has reduced the incidence of human poverty to about 15%, but its income poverty is about 24%. In fact, apart from Sub-Saharan Africa, it is the only region where the incidence of income poverty has increased.

The Arab States have been able to reduce income poverty to 4%, but their human poverty is about 34%, not far from South Asia's 38%.

A comparison of the profile of people in income poverty in the 1970s with that in the 1990s shows that income poverty is still concentrated in rural areas of Asia, particularly in South Asia. But the face of income poverty is rapidly changing (box 2.7). Today a poor person is more likely to be African, to be a child, a woman or an elderly person in an urban area, to be landless, to live in an environmentally fragile area and to be a refugee or a displaced person.

Progress in reducing human and income poverty is marked by discontinuity and unevenness. The resulting disparity and the remaining backlog create and re-create human poverty, a continuing and perpetuating process that the poor constantly struggle to overcome. Chapter 3 looks at this process in a rapidly changing world.

China

In the past 45 years or so China has made impressive reductions in human poverty. Between 1949 and 1995 it reduced infant mortality from 200 per 1,000 live births to 42, and increased life expectancy at birth from 35 years to 69. Today almost all children go to school, and adult illiteracy, 80% in the 1950s, has fallen to 19%.

For decades after the mid-1950s, life in rural China continued to be harsh. In 1959–62 more than 30 million people, most of them peasants, died in the Great Famine. And even in the 1970s hungry peasants swamped cities to beg for food. In 1978 the government, concerned about rural poverty, carried out a special investigation that concluded that 260 million people lived below the poverty line—a third of the rural population.

From 1978 onwards, the government took measures to attack rural poverty:

- *Land reform.* Most collective land was distributed to households. This provided peasants with greater incentives to increase output, and productivity in household agriculture rose to a level about 40% higher than that in collectives.
- *Market orientation.* Reforms also improved incentives by allowing people to sell more food on the open market. The government would purchase less: it cut quotas on grain procurement and reduced the number of products that it controlled through planning. It also loosened restrictions on private trade between regions.
- *Price reform.* The government raised agricultural prices. In the early stages of reform it increased the average procurement price for major crops by 22%, and retail prices for pork, eggs, fish and other items by 33%. These increases are estimated to account for 20% of the improvement in rural per capita incomes in 1978–84.

All these measures contributed to a dramatic increase in output. In the 26 years before 1978 agricul-

tural output had been growing by 3% a year. But in 1978–84 it grew by more than 7% a year. Agricultural growth led to big increases in rural incomes, which more than doubled between 1978 and 1984.

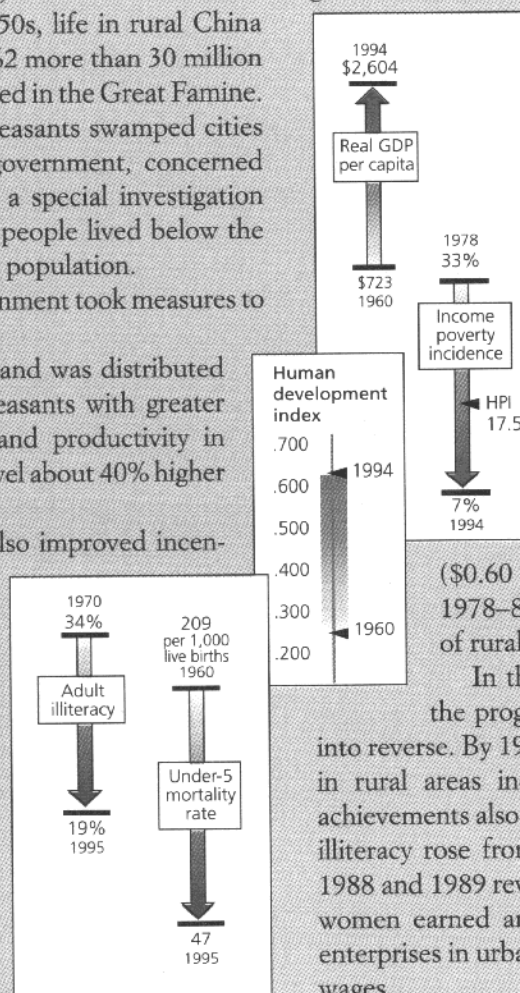
Rural development was not restricted to agriculture. The government also encouraged township and village enter-

prises—reducing or abolishing their taxes and giving them more autonomy in production and marketing. As a result, between 1978 and 1992 their share of gross national industrial production increased from 12% to 39%. This created millions of new jobs. Between 1978 and 1992 employment in these enterprises increased from 28 million to 124 million—or from 7% of total employment to 21%.

The expansion of rural agricultural and industrial output had a dramatic effect on income poverty. Based on the national poverty line (\$0.60 a day), the incidence of poverty in 1978–85 fell from 33% to 9%, and the number of rural poor from 260 million to 97 million.

In the second half of the 1980s, however, the progress in reducing income poverty went into reverse. By 1989 the number of income-poor people in rural areas increased to 103 million. Educational achievements also faltered: between 1982 and 1987 adult illiteracy rose from 24% to 27%. Moreover, surveys in 1988 and 1989 revealed a wide gender gap; in rural areas women earned around 20% less than men. In private enterprises in urban areas they earned only 56% of men's wages.

Why the setback? It resulted partly from a shift in development strategy. After the mid-1980s the emphasis moved away from agriculture and towards industrial and export sectors. The government redirected public investment and fiscal incentives to the coastal regions—allowing them, for example, to retain more local tax and foreign



exchange revenues and giving them greater freedom to use bank loans for local investment.

Although this coastal development strategy, coupled with globalization, helped to reduce income poverty in the coastal areas, the poor interior provinces, especially the isolated mountainous areas with poor infrastructure, were left behind. Not surprisingly, interregional disparities began to widen. In 1990 the HPI value for the interior regions, at 44%, was more than twice that in the coastal regions, at 18%.

At the same time, there was a weakening in public services after the central government transferred part of the responsibility for education and public health to local governments. These were not priorities for local governments.

The central government also reduced its commitment to alleviating rural income poverty. In the 1980s government spending on rural relief and poverty alleviation fell both in real terms and as a proportion of all government expenditure. By 1990 total spending on urban food subsidies was five times as much as the combined expenditure on health, education, relief and other services in poorer rural areas.

At the beginning of the 1990s the government became increasingly concerned about the increases in poverty and started to take measures to reverse the trend. Its approach was formalized in 1994 with the 8-7 Poverty Reduction Programme, which aims to eliminate absolute poverty by the year 2000. (The 8 stands for the 80 million people living in income poverty, the 7 for the programme's seven-year period.)

This programme is strengthening the institutional structure for poverty reduction. The State Council funded several antipoverty units, including the Poor Area Development Office, the China Development Foundation for Poor Areas and the Cadre Training Centre. All these agencies would report to a strengthened Leading Group for the Economic Development of Poor Areas, responsible for coordinating antipoverty programmes at the ministerial level. Similar decentralized institutions were established at the provincial and county levels.

There was also a strong financial commitment: the total annual funds from the central government to alleviate income poverty amounted to 15.3 billion yuan (\$1.8 billion). The spending of these funds would also be monitored more carefully, to avoid luxury projects. Previously, there had been some diversion of central government funds. According to a 1994 survey, only 70% of poverty alleviation funds and 60% of development funds were

reaching the 592 poor counties for which they were intended.

The central government increased investment and loans in poor areas and gave the areas financial and monetary preferences. It arranged partnerships between the more developed provinces and municipalities and the poorer ones. Beijing helps Inner Mongolia, for example, and Tianjin helps Yunnan. The mayor of Shenzhen has allocated 200 million yuan (\$24 million) to development projects in Guizhou, and 17 million yuan (\$2 million) for social welfare and infrastructure.

The renewed commitment to poverty reduction was already showing results by 1992. Poverty reduction resumed, though not at the same pace as before. Between 1991 and mid-1995 the number of rural people living in income poverty fell from 94 million to 65 million.

The central government has also stepped up investment in reducing human poverty, increasing expenditure on basic education and health care from 18% to 22% of total government expenditures between 1992 and 1994. But much remains to be done.

- *Water.* Up to a third of the rural population has an inadequate supply of drinking water—130 million people use untreated surface water contaminated by domestic, industrial or agro-chemical wastes, and 43 million people live in water-scarce areas.
- *Sanitation.* Today 97% of the rural population (and 73% of the total population) do not have access to adequate sanitation.
- *Health.* Services in poor rural areas are still inferior to those in cities. Around 60% of births in poor rural areas are unattended, and maternal mortality is 202 per 100,000 live births in many counties—more than twice the national average.
- *Education.* In 1991–92 more than 2 million children were not enrolled in school, of whom 70% were girls. And in many rural areas women are 70% of the illiterate population.
- *Minorities.* Minority groups generally live in areas where the soil is too poor for even subsistence crop production, so they are net buyers of food and have been hit hard by higher prices. The incidence of poverty in these groups is much higher than in the general population.

Although China has gone through different phases—with both advances and setbacks—progress in recent decades has been remarkable. But there is a long way to go before China eliminates income poverty—and even further before it eradicates human poverty.

Source: Zhang 1997.

India

In the 1930s Jawaharlal Nehru described India under British rule as "a servile state with its splendid strength caged up, hardly daring to breathe freely, governed by strangers from afar, her people poor beyond compare, short lived and incapable of resisting disease and epidemic". On being sworn in as India's first prime minister in 1947, Nehru called for "the ending of poverty and ignorance and disease and inequality of opportunity". Mahatma Gandhi too steadfastly argued that India would become truly independent only when its poorest were free of human suffering and poverty.

Since then, India has had 50 years of plans and programmes to promote development and eradicate poverty. What has been achieved? Certainly, there has been progress in agriculture, industry and, more recently, income poverty reduction. But the record is mixed—and India remains a country of stark contrasts and disparities.

- **Food and nutrition.** Between 1951 and 1995 food grain production increased fourfold and famines were virtually eliminated. Yet 53% of children under age four—60 million—remain undernourished.

- **Education.** In 1961–91 literacy more than doubled, yet half the population is still illiterate. And for females aged seven and above, the proportion is 61%. More than 45% of children do not reach grade five.

- **Health.** In 1961–92 life expectancy almost doubled to 61 years, and by 1995 infant mortality had been more than halved to 74 per 1,000 live births. Even so, each year there are 2.2 million infant deaths, most of them avoidable.

- **Safe water.** More than 90% of the population has access to safe drinking water. But declining water tables, quality problems and contamination threaten the advances.

- **Gender.** Because of systematic deprivation, women have always fared worse than men. Though the gap has been narrowing in recent years, India is still one of a hand-

ful of countries with fewer women than men—927 females for every 1,000 males.

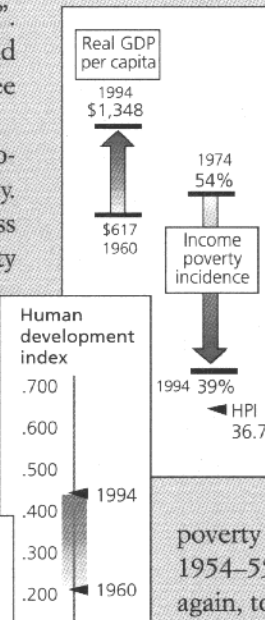
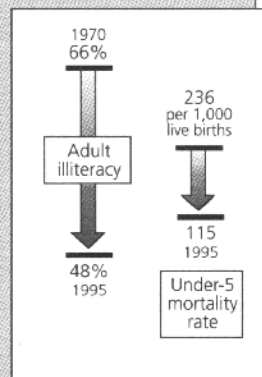
- **Income poverty.** The share of people in income poverty has fluctuated wildly in the past but the trend is downwards. In 1977–81 rural poverty declined from almost 50% to around 36%, and urban poverty from 40% to 33%. By 1994 rural poverty in India was 39%, and urban poverty 30%.

Many people would credit the reductions in human poverty (and even more so those in income poverty) to economic growth. Yes, growth has been substantial. In 1950–94 the index of industrial production increased 13-fold, and per capita net national product more than doubled. But the trends in income poverty over this period are far from uniform.

- **1951 to mid-1970s: fluctuation.** In 1951 the proportion of the rural population living below the income poverty line was 47%. It rose to 64% in 1954–55, fell to 45% in 1960–61, then rose again, to 51%, in 1977–78.

- **Mid-1970s to end of the 1980s: significant, steady improvement.** Between 1977–78 and 1985–86 rural income poverty fell from 51% to 39%; by 1989–90 it had fallen to 34%. Income poverty also fell in urban areas, from 40% to 33% between 1977–78 and 1989–90.

- **After 1991: progress and setbacks.** During the period following economic reform there was first a rise, then a fall in income poverty. In 1989–90 the incidence of income poverty in rural areas was 34%; in 1992, 43%; and in 1993–94, 39%. In urban areas in these years it was 33%, 34% and 30%. But these national aggregates mask wide variation among states. Four states managed to reduce income poverty by more than 50%—Andhra Pradesh, Haryana, Kerala and Punjab. Other states were less successful, and today 50% of India's rural income-poor live in three states: Bihar, Madhya Pradesh and Uttar Pradesh.



How much of the reduction in poverty can be ascribed to economic growth? Growth was slower in 1950–75, averaging 3.6% a year. Over the next 10 years, when income poverty fell the most, growth rose to 4% a year, and in 1986–91 it averaged 6% a year. But equating growth with poverty reduction is too simplistic. In the second half of the 1980s, for example, despite rapid economic growth, income poverty fell little. Statistical analyses suggest that economic growth explains at best around 50% of the reduction in income poverty.

Whether growth translates into human poverty reduction depends on social and political factors. Kerala, for example, ensured big reductions in income poverty, despite slow economic growth, through political activism and rapid, equitable expansion of opportunities.

Nationwide, India did not see a consistent drop in poverty in the first period because of a greater emphasis on total output than on distribution. In rural areas, where three-quarters of the poor people live, the green revolution increased agricultural production, but inadequate efforts were made to distribute the benefits equitably. Land and tenancy reforms were introduced, but seldom implemented. Similarly, in urban areas the focus was on heavy industry and public enterprises rather than on the microenterprises that employ most of the poor people.

Imbalances were also evident in human poverty. A large share of the (limited) education budget was spent on higher education—at the expense of basic education. Health services were concentrated in urban areas, where they could best serve the middle classes. Nor was there much participation. Village and local institutions were replaced by bureaucracies that administered centrally developed programmes. All this added to inequality. And those most affected were the scheduled castes and scheduled tribes, which have higher rates of illiteracy and child mortality.

The better performance in the second period is largely a result of pro-poor policies and programmes. As part of a strategy to alleviate poverty, the government introduced new programmes for employment and asset generation and required banks to direct 40% of lending to priority sectors. Rural non-agricultural employment increased sharply, as did real agricultural wages.

But the most important part of the pro-poor effort was a massive increase in public spending. In 1976–90 real per capita development spending grew by 6% a year—twice the 3% annual growth in GDP. Comparisons among states

show the significance of public spending: income poverty levels are closely correlated with public spending levels.

But state comparisons also show that reducing human poverty demands much more than income growth. Many aspects of deprivation—from poor health to discrimination to domestic violence—have little to do with income. Haryana's per capita income is among the highest and fastest growing in India. Yet its infant mortality rate, at 68 per 1,000 live births, is four times Kerala's. Women in Haryana suffer systematic deprivation, reflected in one of the lowest female to male ratios in the country—865 to 1,000. If all of India had Kerala's birth and child death rates, there would be 1.5 million fewer infant deaths in the country every year, and a dramatic reduction in population growth. The disaggregated HPI for India shows similar variations: while Kerala has reduced its HPI to 15%, for Bihar and Rajasthan the HPI is more than 50%.

As for the future, the Ninth Five-Year Plan (1997–2002) calls for eradicating income poverty by the year 2005. The planning commission interprets this goal as reducing income poverty to around 5% over the next 10 years.

Is this realistic? There are reasons for optimism. First, the official policies for eradicating poverty focus on human development priorities—including basic health, basic education, safe drinking water and special attention for socially disadvantaged groups. Second, since the post-1991 reforms, economic conditions have been more favourable. Third, democratic participation is opening up—not just through local government but also through people's organizations and through women's groups, often organized around credit or income-generating activities.

But there is also cause for concern. The focus on reducing fiscal deficits is forcing major cuts in public spending, and the emphasis on state minimalism is leading to abdication of state responsibilities in key areas affecting the lives of poor people. This can be seen, for example, in the failure to provide free and compulsory elementary education—a commitment under the Constitution of India—to abolish child labour, to provide adequately for the social and economic security of marginalized communities, to assure poor people of employment opportunities, to improve living conditions in slums, to prevent pollution and to not only correct but also to forestall market failures. India needs sustained public action if it is to eliminate the worst forms of human poverty and promote an equitable expansion of social, economic and political opportunities.

Source: Shiva Kumar 1997.

PROFILE OF HUMAN POVERTY

HDI rank	SURVIVAL			EDUCATION		PERSONAL SECURITY	SUSTAINABILITY	INCOME				
	People not expected to survive to age 40 (as % of total population) 1990 ^a	Population without access to health services (%) 1990-95	Population without access to safe water (%) 1990-96	Adult illiteracy rate (%) 1995	Children not reaching grade 5 (%) 1990-95	Refugees by country of asylum (thousands) 1995	People killed and affected by disasters (annual average; thousands) 1969-93	Forest and woodland (% change) 1980-93	Real GDP per capita (PPP\$)		Population in poverty (%)	
									Poorest 20% 1980-94	Richest 20% 1980-94	\$1 a day (PPP\$) 1989-94	National poverty line 1989-94
High human development	5.0	..	..	..	8	2,272T	2,088T	15.6	5,042	35,189	..	..
1 Canada	3.1	..	..	..	3	144.2	19.8	45.1	5,971	42,110	6 ^b	..
2 France	4.0	..	..	..	4	170.2	33.5	2.2	5,359	40,098	12 ^{b,c}	..
3 Norway	2.7	..	..	..	0	22.5	..	0	6,315	37,379	3 ^b	..
4 USA	4.0	..	..	..	..	645.5	30.5	-2.9	5,800	51,705	14 ^b	..
5 Iceland	2.6	..	..	..	..	(..)	0.2	0	..	..	..	..
6 Netherlands	2.5	..	..	..	..	72.0	0.5	20.3	7,109	31,992	14 ^b	..
7 Japan	2.2	..	3	..	0	0	141.3	-0.4	8,987	38,738	5 ^b	..
8 Finland	3.1	..	..	..	0	13.3	..	-0.6	5,141	30,682	4 ^b	..
9 New Zealand	4.3	..	3	..	6	1.2	2.0	4.1	4,264	37,369	..	..
10 Sweden	2.7	..	..	..	2	43.2	..	0.3	7,160	33,026	5 ^b	..
11 Spain	3.0	..	..	..	4	7.1	32.4	3.5	5,669	24,998	21 ^b	..
12 Austria	3.7	..	..	..	3	37.5	..	-1.3	..	..	..	..
13 Belgium	3.5	..	..	..	..	31.7	0.1	0	7,718	35,172	12 ^b	..
14 Australia	3.5	..	..	..	1	35.6	2.9	36.9	4,077	39,098	8 ^b	..
15 United Kingdom	2.6	..	..	..	..	20.4	0.3	16.0	3,963	38,164	13 ^b	..
16 Switzerland	3.4	..	..	..	0	57.3	0.1	19.0	5,907	50,666	..	..
17 Ireland	2.9	..	..	..	0	0.4	0.2	0	..	..	37 ^{b,c}	..
18 Denmark	3.4	..	..	..	0	35.6	..	-9.7	5,454	38,986	8 ^b	..
19 Germany	3.0	..	..	..	0	569.0	4.7	4.1	6,594	37,963	12 ^b	..
20 Greece	3.8	..	..	..	0	4.5	29.1	0	..	..	..	..
21 Italy	3.0	..	..	..	0	80.0	75.5	6.5	6,174	37,228	2 ^b	..
22 Hong Kong	2.4	..	0	7.8	..	1.5	1.6	4.8	5,821	50,666	..	..
23 Israel	2.8	..	..	..	0	..	..	8.6	4,539	29,957	..	..
24 Cyprus	3.1	..	..	..	0	0.1	0.1	0	..	..	..	..
25 Barbados	4.2	..	..	2.6	..	..	..	0	..	..	..	..
26 Singapore	3.2	..	0 ^c	8.9	0	0	..	0	4,934	47,311	..	..
27 Luxembourg	3.8	..	..	..	..	0.3	..	..	..	..	4 ^{b,c}	..
28 Bahamas	5.5	..	..	1.8	..	..	..	0	..	..	..	..
29 Antigua and Barbuda	..	..	..	..	..	..	3.0	..	..	..	..	12
30 Chile	4.6	3 ^c	..	4.8	5	0.3	168.4	0	1,558	27,145	15	..
31 Portugal	4.7	..	..	..	..	1.4	1.6	15.8	..	..	..	..
32 Korea, Rep. of	4.8	0	7	2.0	0	..	80.9	-1.6	..	..	..	..
33 Costa Rica	4.1	..	4	5.2	12	24.2	10.1	-14.2	1,136	14,399	19	11
34 Malta	4.0	..	..	..	0	0.3	..	..	..	..	..	..
35 Slovenia	..	..	..	..	0	22.3	..	0.6	..	..	1 ^d	..
36 Argentina	6.3	29 ^c	29	3.8	..	12.0	510.7	0	..	..	..	26
37 Uruguay	5.4	18 ^c	25 ^c	2.7	6	0.1	0.9	0	..	..	..	..
38 Brunei Darussalam	4.6	..	..	11.8	0	..	..	0	..	..	..	..
39 Czech Rep.	3.7	..	..	..	2	2.7	..	0	4,426	15,764	1 ^d	..
40 Trinidad and Tobago	5.4	0	3	2.1	5	..	2.0	2.2	..	..	..	21
41 Dominica	..	..	..	..	7	..	..	0	..	..	..	33
42 Slovakia	4.1	..	..	..	3	1.9	..	..	3,344	8,823	1 ^d	..
43 Bahrain	6.5	..	..	14.8	1	..	..	..	..	..	..	..
44 United Arab Emirates	3.6	1	5	20.8	1	0.4	..	0	..	..	..	..
45 Panama	6.2	30	7	9.2	18	0.9	7.0	-21.8	589	17,611	26	..
46 Fiji	6.6	..	..	8.4	13	..	51.1	0	..	..	..	..
47 Venezuela	6.1	..	21	8.9	22	11.2	5.2	-9.3	1,505	24,411	12	31
48 Hungary	8.2	..	..	..	2	11.4	..	9.6	2,878	11,088	2 ^d	25
49 Saint Kitts and Nevis	..	..	..	..	..	..	..	0	..	..	..	15
50 Mexico	8.3	7	17	10.4	16	39.6	87.6	1.8	1,437	19,383	15	34
51 Colombia	6.3	19	15	8.7	41	5.5	242.6	-6.2	1,042	16,154	7	19
52 Seychelles	..	..	..	..	1	..	..	0	..	..	..	..
53 Kuwait	3.8	0 ^c	..	21.4	1	30.0	..	0	..	..	..	..
54 Grenada	..	..	..	..	..	..	..	0	..	..	..	20
55 Qatar	7.4	..	..	20.6	2	..	..	..	..	..	..	..
56 Saint Lucia	..	..	..	..	5	..	..	0	..	..	..	25
57 Saint Vincent	..	..	..	..	..	..	1.7	0	..	..	..	17
58 Poland	5.0	..	..	..	0	0.6	0.9	1.2	2,186	8,605	13 ^d	24
59 Thailand	8.9	10 ^c	11	6.2	12	101.4	480.7	-18.4	1,778	16,732	(.)	13
60 Malaysia	7.2	..	22	16.5	2	0.2	14.9	5.5	1,923	22,447	6	16
61 Mauritius	6.2	0 ^c	1	17.1	0	..	39.5	-24.1	..	..	..	11
62 Belarus	5.9	..	..	..	1	(..)	1.6	-7.7	2,355	6,981	23 ^d	37
63 Belize	4.9	32	8.7	3.7	0	35
64 Libyan Arab Jamahiriya	16.2	5	3	23.8	..	3.3	..	40.0

PROFILE OF HUMAN POVERTY

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									Poorest 20% 1980-94	Richest 20% 1980-94	\$1 a day (PPP\$) 1989-94	National poverty line 1989-94
Medium human development	11.2	13	31	19.4	13	5,544T	32,568T	-1.1	870	7,178	..	..
65 Lebanon	8.4	5	6	7.6	..	348.3	2.1	-5.9	..	..	..	..
66 Suriname	7.8	..	..	7.0	..	(..)	0.2	0.7	..	..	..	..
67 Russian Federation	9.6	..	..	..	3	42.3	2.0	3.1	881	12,804	38 ^d	31
68 Brazil	14.0	..	27	16.7	30	2.0	1,878.7	-5.9	578	18,563	29	17
69 Bulgaria	6.2	..	..	..	7	0.1	..	0.8	1,793	8,489	33 ^d	..
70 Iran, Islamic Rep. of	11.7	12	10	31.4	10	2,024.5	72.9	0	..	..	..	..
71 Estonia	7.3	..	..	..	0	..	..	21.8	1,191	8,357	40 ^d	..
72 Ecuador	9.9	..	32	9.9	33 ^c	14.5	62.2	0.7	1,188	11,572	30	35
73 Saudi Arabia	8.8	3 ^c	5 ^c	37.2	6	13.3	0.1	50.0	..	..	..	..
74 Turkey	13.1	..	20	17.7	11	9.9	33.4	0	..	..	..	..
75 Korea, Dem. People's Rep. of	7.0	..	..	..	..	..	..	0	..	..	..	..
76 Lithuania	6.5	..	..	..	6	..	..	2.0	1,260	6,547	46 ^d	..
77 Croatia	4.5	..	..	..	2	188.6	..	3.8	..	..	..	..
78 Syrian Arab Rep.	10.3	10	15	29.2	8	374.3	5.4	39.5	..	..	..	..
79 Romania	7.1	..	..	..	7	0.2	58.3	1.7	1,714	6,485	22 ^d	..
80 Macedonia, FYR	6.6	..	..	..	5	9.0	..	..	..	..	..	..
81 Tunisia	10.5	..	2	33.3	8	0.1	18.5	25.2	1,460	11,459	4	14
82 Algeria	10.6	2	22	38.4	8	206.8	34.5	-8.8	1,922	12,839	2 ^c	..
83 Jamaica	4.3	10 ^c	14	15.0	4	2.0	54.2	-5.1	922	7,553	5	32
84 Jordan	9.2	3 ^c	2	13.4	2	1,288.9	0.8	11.1	1,292	10,972	3	15
85 Turkmenistan	13.6	0	26	..	..	3.0	..	-14.9	1,048	6,694	48 ^d	..
86 Cuba	6.2	0	11	4.3	5	1.8	62.2	4.4	..	..	..	..
87 Dominican Rep.	10.2	22	35	17.9	42	1.0	101.9	-5.5	775	10,277	20	21
88 Oman	8.8	4	18	..	4	..	0.2	..	..	..	..	..
89 Peru	13.4	56	28	11.3	..	0.7	514.3	-0.1	813	8,366	49	32
90 South Africa	17.0	..	1	18.2	24	91.8	262.6	0	516	9,897	24	..
91 Sri Lanka	7.9	..	43	9.8	8	0	579.3	19.3	1,348	5,954	4	22
92 Latvia	8.1	..	..	..	5	..	..	3.4	2,405	9,193	23 ^d	..
93 Kazakhstan	9.3	..	..	..	..	(..)	1.2	-9.4	1,391	7,494	50 ^d	..
94 Paraguay	9.2	37 ^c	58	7.9	29	0.1	17.7	-36.3	..	..	..	22
95 Ukraine	6.3	..	..	..	3	5.2	16.3	47.6	1,544	5,753	41 ^d	32
96 Samoa (Western)	11.2	..	..	..	..	..	..	0	..	..	..	..
97 Botswana	15.9	..	7 ^c	30.2	16	0.3	170.9	0	..	..	35 ^c	..
98 Philippines	12.8	29	14	5.4	33	0.1	2,050.6	9.2	842	6,190	28 ^c	41
99 Indonesia	14.8	7	38	16.2	8	0	316.3	-5.0	1,422	6,654	15	8
100 Uzbekistan	9.9	..	38	..	0	0.9	2.0	-45.8	..	..	29 ^d	..
101 Mongolia	16.0	5 ^c	20	17.1	..	..	4.0	-9.4	..	..	..	36
102 Albania	6.1	..	..	..	8	(..)	140.0	3.4	..	..	..	..
103 Armenia	6.9	..	..	..	..	218.0	52.0	..	..	..	..	..
104 Guyana	15.8	..	..	1.9	..	..	10.9	0.8	..	..	..	43
105 Georgia	5.6	..	..	..	..	0.1	4.3	-8.8	..	..	..	30
106 Azerbaijan	7.3	..	..	..	7	233.7	..	-15.9	..	..	..	..
107 Kyrgyzstan	9.9	..	..	..	..	13.2	6.0	-13.6	..	..	76 ^d	40
108 China	9.1	12	33	18.5	12	288.3	23,655.0	..	722	5,114	29	11
109 Egypt	16.6	1	21	48.6	2	7.7	3.3	0	1,653	7,809	8	..
110 Moldova, Rep. of	10.0	..	45	..	..	..	..	100.5	818	4,918	65 ^d	..
111 Maldives	18.0	..	..	6.8	7	..	0.5	0	..	..	..	..
112 El Salvador	11.7	60	31	28.5	42	0.2	65.0	-25.7	..	..	..	38
113 Bolivia	19.6	33	34	16.9	40	0.7	162.2	0	703	6,049	7	..
114 Swaziland	23.9	..	..	23.3	22	0.5	62.1	16.5	..	..	..	..
115 Tajikistan	11.4	..	..	..	..	0.4	3.2	-0.6	..	..	..	..
116 Honduras	10.8	31	13	27.3	..	0.1	49.2	0	399	6,027	47	53
117 Guatemala	14.5	43	36	44.4	..	1.5	157.8	27.8	357	10,710	53	58
118 Namibia	21.1	41	43	..	18	1.4	10.0	-2.3	..	..	..	..
119 Morocco	12.3	30 ^c	45	56.3	20	0.4	17.3	15.2	1,079	7,570	1	13
120 Gabon	29.0	..	32 ^c	36.8	50 ^c	0.8	0.4	-0.6	..	..	..	..
121 Viet Nam	12.1	10	57	6.3	..	(..)	1,579.0	-19.3	406	2,288	..	51
122 Solomon Islands	7.7	..	..	..	19	..	8.9	-4.3	..	..	..	..
123 Cape Verde	14.6	..	..	28.4	..	..	0.3	0	..	..	..	44
124 Vanuatu	14.0	..	..	..	..	..	7.1	0	..	..	..	..

PROFILE OF HUMAN POVERTY

HDI rank	SURVIVAL			EDUCATION		PERSONAL SECURITY		SUSTAINABILITY	INCOME			
	People not expected to survive to age 40 (as % of total population) 1990 ^a	Population without access to health services (%) 1990-95	Population without access to safe water (%) 1990-96	Adult illiteracy rate (%) 1995	Children not reaching grade 5 (%) 1990-95	Refugees by country of asylum (thousands) 1995	People killed and affected by disasters (annual average; thousands) 1969-93	Forest and woodland (% change) 1980-93	Real GDP per capita (PPP\$)		Population in poverty (%)	
									Poorest 20% 1980-94	Richest 20% 1980-94	\$1 a day (PPP\$) 1989-94	National poverty line 1989-94
125 São Tomé and Príncipe	..	..	..	..	..	..	7.5	..	..	..	..	46
126 Iraq	15.4	7 ^c	22	42.0	28 ^c	123.3	..	0	..	..	..	..
127 Nicaragua	13.6	17 ^c	47	34.3	51	0.6	59.4	-29.0	479	6,293	44	50
128 Papua New Guinea	28.6	4 ^c	72	27.8	29	9.5	7.7	0	..	..	..	..
129 Zimbabwe	18.4	15	23	14.9	24	0.3	184.2	-7.4	420	6,542	41	26
130 Congo	22.1	17 ^c	66	25.1	47	15.0	..	-1.2	..	..	..	..
Low human development	25.3	30	29	49.0	38	6,601T	84,956T	-4.3	530	2,870	..	..
131 Myanmar	25.6	40	40	16.9	..	..	238.5	1.1	..	..	..	..
132 Ghana	24.9	40 ^c	35	35.5	20	89.2	501.1	-9.9	790	4,220	..	31
133 Cameroon	25.4	20	50	36.6	34	45.9	40.7	0	..	..	..	..
134 Kenya	22.3	23	47	21.9	23	239.5	141.8	0	238	4,347	50	37
135 Equatorial Guinea	36.5	..	..	21.5	..	..	..	0.4	..	..	..	..
136 Lao People's Dem. Rep.	32.7	33 ^c	48	43.4	47	..	191.7	-9.0	700	2,931	..	46
137 Lesotho	23.9	20 ^c	44	28.7	40	(..)	34.0	..	137	2,945	50 ^c	26
138 India	19.4	15	19	48.0	38	274.1	63,271.2	1.5	527	2,641	53	..
139 Pakistan	22.6	45 ^c	26	62.2	52	867.6	982.8	22.1	907	4,288	12	34
140 Comoros	26.3	..	..	42.7	22	..	15.4	14.3	..	..	..	..
141 Nigeria	33.8	49	49	42.9	8	8.1	124.5	-24.2	308	3,796	29	21
142 Zaire	30.0	74 ^c	58	22.7	36	1,326.5	33.0	-2.2	..	..	..	..
143 Zambia	35.1	..	73	21.8	..	130.6	103.2	-2.9	216	2,797	85	86
144 Bangladesh	26.4	55	3	61.9	53 ^c	51.1	10,927.5	-13.3	606	2,445	29	48
145 Côte d'Ivoire	23.1	..	25	59.9	27	297.9	0.4	-28.3	551	3,572	18 ^c	..
146 Benin	29.5	82 ^c	50	63.0	45	23.5	136.4	-14.4	..	..	..	33
147 Togo	28.4	..	37	48.3	50	11.0	24.1	-11.8	..	..	..	17
148 Yemen	25.6	62	39	..	..	40.3	121.1	-50.7	..	..	..	..
149 Tanzania, U. Rep. of	30.6	58	62	32.2	17	829.7	140.7	-20.5	217	1,430	16	50
150 Mauritania	31.7	37	34 ^c	62.3	28	40.4	253.1	-2.7	290	3,743	31 ^c	57 ^c
151 Central African Rep.	35.4	48	62	40.0	35 ^c	33.8	0.6	0	..	..	..	..
152 Madagascar	32.1	62	71	..	72	(..)	254.8	0	203	1,750	72	59
153 Cambodia	31.9	47 ^c	64	..	50	0	41.6	-11.9	..	..	..	..
154 Nepal	19.9	..	37	72.5	48	124.8	252.1	3.6	455	1,975	53 ^c	..
155 Bhutan	33.2	35 ^c	42	57.8	18	..	..	20.3	..	..	..	..
156 Haiti	27.1	40	72	55.0	53	..	159.8	0	..	..	..	..
157 Angola	38.9	..	68	..	66	10.9	279.8	-3.5	..	..	..	..
158 Sudan	25.2	30	40	53.9	6	558.2	986.9	-7.5	..	..	..	..
159 Uganda	39.0	51	62	38.2	45	229.3	57.4	-9.2	309	2,189	50	55
160 Senegal	25.3	10	48	66.9	12 ^c	68.6	291.1	-5.5	299	5,010	54	..
161 Malawi	38.3	65	63	43.6	63	1.0	459.7	-1.1	..	..	..	..
162 Djibouti	35.6	..	..	53.8	6	25.7	27.7	0	..	..	..	..
163 Guinea-Bissau	43.2	60	41	45.1	80 ^c	15.3	0.4	0	90	2,533	87	49
164 Chad	34.0	70	76	51.9	54	0.1	283.3	0	..	..	..	..
165 Gambia	40.6	7	52	61.4	13	7.2	29.4	0	..	..	..	64
166 Mozambique	43.8	61 ^c	37	59.9	65	0.1	1,179.7	-9.4	..	..	..	..
167 Guinea	41.3	20	45	64.1	20	633.0	1.0	-4.7	270	4,518	26	..
168 Eritrea	34.1	..	..	..	21	1.1	0.3	0	..	..	..	..
169 Burundi	33.8	20	41	64.7	26	142.7	0.3	0	..	..	..	..
170 Ethiopia	35.7	54	75	64.5	42	393.5	2,402.3	-11.1	..	..	34 ^c	..
171 Mali	28.4	60	55	69.0	15	15.6	209.3	-4.9	..	..	..	..
172 Burkina Faso	36.1	10	22	80.8	39	29.5	279.1	0	..	..	..	..
173 Niger	43.2	1	46	86.4	18	22.6	313.4	-3.9	296	1,742	61	..
174 Rwanda	42.1	20	..	39.5	40	7.8	164.2	-5.8	359	1,447	46 ^c	53
175 Sierra Leone	52.1	62	66	68.6	..	4.7	0.5	-3.5	..	..	..	75

PROFILE OF HUMAN POVERTY

	SURVIVAL			EDUCATION		PERSONAL SECURITY	SUSTAINABILITY	INCOME				
	People not expected to survive to age 40 (as % of total population) 1990 ^a	Population without access to health services (%) 1990-95	Population without access to safe water (%) 1990-96	Adult illiteracy rate (%) 1995	Children not reaching grade 5 (%) 1990-95	Refugees by country of asylum (thousands) 1995	People killed and affected by disasters (annual average; thousands) 1969-93	Forest and woodland (% change) 1980-93	Real GDP per capita (PPPs)		Population in poverty (%)	
									Poorest 20% 1980-94	Richest 20% 1980-94	\$1 a day (PPPs) 1993	National poverty line 1989-94
All developing countries	18.0	20	29	29.6	25	11,670T	118,950T	-4.1	768	6,194	32	..
Industrial countries	5.2	..	..	..	2	2,747T	663T	12.5	4,810	32,198	..	..
World	16.4	..	..	..	23	14,417T	119,613T	3.2	1,787	12,747	..	..
Arab States	15.5	13	24	43.2	9	3,021T	1,218T	-3.6	..	..	4	..
East Asia	8.9	12	32	17.8	12	290T	23,742T	..	748	5,342	26 ^e	..
East Asia (excl. China)	6.0	..	..	3.2	..	..	87T	-5.3	..	..	14 ^e	..
Latin America & the Caribbean	10.8	..	25	13.4	27	128T	4,398T	-4.6	932	17,391	24	..
Latin America & the Caribbean (excl. Mexico & Brazil)	9.8	30	27	12.2	30	86T	2,432T	-3.7	..	..	..	..
South Asia	19.9	22	18	49.6	39	3,342T	76,086T	2.6	586	2,833	43	..
South Asia (excl. India)	21.0	42	17	54.1	42	3,068T	12,815T	5.3	778	3,459	..	..
South-East Asia & the Pacific	15.1	15	35	12.3	16	..	4,988T	-4.0	1,253	8,269	14	..
Sub-Saharan Africa	31.9	47	49	42.2	29	4,889T	8,485T	-4.5	..	..	39	..
Least developed countries	31.6	51	43	50.4	43	4,710T	19,619T	-4.4	..	..	..	..
North America	3.9	..	..	..	..	790T	50T	22.8	5,817	50,769	..	..
Eastern Europe & the CIS	8.2	..	..	..	3	754T	288T	2.9	1,509	9,959	..	..
Western and Southern Europe	3.3	..	..	..	2	1,146T	178T	1.5	6,156	36,088	..	..
OECD	5.2	..	..	..	6	2,057T	496T	20.1	5,764	39,274	..	..
European Union	3.2	..	..	..	2	1,087T	178T	1.9	5,780	36,137	..	..
Nordic countries	2.9	..	..	..	8	115T	0T	-0.2	6,179	34,666	..	..

a. Data refer to 1990 or a year around 1990.

b. Income poverty line is \$14.40 (1985 PPP\$) a day per person.

c. Data refer to a year or period other than that specified in the column heading.

d. Income poverty line is \$4 (1990 PPP\$) a day per person.

e. Includes South-East Asia and the Pacific.

Source: Column 1: see technical note table 2.1; columns 2 and 3: calculated on the basis of data from UNICEF 1997; column 4: calculated on the basis of data from UNESCO 1996a; column 5: calculated on the basis of data from UNESCO 1996d and UNICEF 1997; column 6: UNHCR 1996a; column 7: International Federation of Red Cross and Red Crescent Societies 1995; column 8: WRI 1996b; columns 9 and 10: UNDP 1996d; columns 11 and 12: \$1-a-day data are from World Bank 1997b, \$4-a-day data are from Milanovic 1996, \$14.40-a-day data are from Smeeding 1996 and national poverty line data are from World Bank 1996e and Lipton 1996g.

HUMAN POVERTY OF WOMEN AND CHILDREN

HDI rank	SURVIVAL			EDUCATION			POLITICAL PARTICIPATION		INCOME			
	Maternal mortality rate (per 100,000 live births) 1990	Children dying before age 1 (thousands) 1995	Under-weight children under age five (%) 1990-96	Adult Illiteracy		Female primary enrolment ratio (as % of male) 1995	Female secondary enrolment ratio (as % of male) 1993-95	Children not in primary school (%) 1993-95	Child economic activity rate (% age 10-14) 1995	Parliamentary seats held by women (as % of total) ^a 1996	Female unpaid family workers (as % of total) 1990	Female economic activity rate (as % of male) 1995
				Female rate (%) 1995	Female rate as % of male rate 1995							
High human development	56	279T	..	..	..	..	103	6	..	13	68	69
1 Canada	6	5	..	..	..	..	101	4	..	19	80	80
2 France	15	10	..	..	..	..	105	1	..	6	82	76
3 Norway	6	1	..	..	..	..	100	1	..	39	67	82
4 USA	12	61	..	..	..	..	100	4	..	11	76	80
5 Iceland	..	..	..	..	..	..	..	..	..	25	..	83
6 Netherlands	12	2	..	..	..	..	104 ^b	7	..	28	91	65
7 Japan	18	11	..	..	..	..	101	0	..	8	82	66
8 Finland	11	1	..	..	..	..	101	1	..	34	38	86
9 New Zealand	25	1	..	..	..	..	104	1	..	29	66	77
10 Sweden	7	1	..	..	..	..	100	1	..	40	67	90
11 Spain	7	6	..	..	..	..	105 ^b	0 ^b	..	20	62	54
12 Austria	10	1	..	..	..	..	101	0	..	25	75	65
13 Belgium	10	2	..	..	..	..	103	2	..	15	85	65
14 Australia	9	3	..	..	..	..	105	1	..	21	59	74
15 United Kingdom	9	10	..	..	..	..	105 ^b	0	..	8	..	73
16 Switzerland	6	1	..	..	..	..	94 ^b	0	..	20	..	65
17 Ireland	10	1	..	..	..	..	105	0	..	14	37	49
18 Denmark	9	1	..	..	..	..	102 ^b	2	..	33	97	84
19 Germany	22	9	..	..	..	..	101	3	..	26	..	69
20 Greece	10	2	..	..	..	..	99	9	..	6	76	55
21 Italy	12	8	..	..	..	..	..	..	0.4	10	63	57
22 Hong Kong	7	1	..	12	298	..	106	9	..	..	77	62
23 Israel	7	2	..	..	..	..	..	..	..	8	72	65
24 Cyprus	..	0	..	..	..	..	102	3	..	5	83	62
25 Barbados	..	..	..	3	165	95	92 ^b	22 ^b	..	18	67	80
26 Singapore	10	1	..	14	331	99	..	1 ^b	..	3	77	63
27 Luxembourg	..	..	..	..	..	..	102 ^b	19 ^b	..	20	84	56
28 Bahamas	..	0	..	2	138	99	101 ^b	5	..	11	72	84
29 Antigua and Barbuda	..	..	..	..	..	100	..	..	..	11	..	..
30 Chile	65	8	1	5	110	99	110	13	..	7	42	46
31 Portugal	15	2	..	..	..	..	..	0	1.8	13	60	71
32 Korea, Rep. of	130	14	..	3	458	101	100	7	..	3	87	68
33 Costa Rica	60	2	2	5	96	102	109 ^b	8	5.4	16	34	43
34 Malta	..	..	..	..	..	..	99	0	..	6	..	35
35 Slovenia	13	0	..	..	..	..	..	0	..	8	62	81
36 Argentina	100	33	..	4	101	89	113 ^b	5 ^b	4.5	20	..	43
37 Uruguay	85	2	7	2	75	100	..	5	1.9	7	40	65
38 Brunei Darussalam	..	0	..	17	225	99	111	9	..	..	55	56
39 Czech Rep.	15	2	..	..	..	..	102	15	..	..	76	86
40 Trinidad and Tobago	90	1	7	3	247	100	119 ^b	11 ^b	..	19	54	56
41 Dominica	..	..	..	..	..	82	..	..	..	9	50	..
42 Slovakia	..	2	..	..	..	..	..	..	..	15	66	87
43 Bahrain	..	0	..	21	188	100	104	0	..	..	8	31
44 United Arab Emirates	26	1	..	20	96	99	112	17	..	0	9	27
45 Panama	55	3	7	10	113	98	110 ^b	9 ^b	3.6	10	15	52
46 Fiji	..	1	..	11	174	100	..	1 ^b	..	6	20	39
47 Venezuela	120	25	6	10	118	84	150 ^b	12 ^b	0.9	6	34	50
48 Hungary	30	3	..	..	..	..	107	7	0.2	11	82	74
49 Saint Kitts and Nevis	..	..	..	..	..	..	..	..	..	13	..	..
50 Mexico	110	153	14	13	154	100	..	0	6.7	14	11	45
51 Colombia	100	46	8	9	98	68	113	15	6.6	10	74	59
52 Seychelles	..	..	..	..	..	..	..	..	..	27	60	..
53 Kuwait	29	1	6	25	141	100	100	39	..	0	4	50
54 Grenada	..	..	..	..	..	100	..	..	..	..	..	..
55 Qatar	..	0	..	20	97	78	103	20	..	..	4	29
56 Saint Lucia	..	..	..	..	..	100	..	..	..	14	..	..
57 Saint Vincent	..	..	..	..	..	100	..	..	..	10	42	..
58 Poland	19	13	..	..	..	..	109	3	..	13	76	81
59 Thailand	200	62	26	8	212	70	..	..	16.2	7	64	87
60 Malaysia	80	13	23	22	200	83	..	..	3.2	10	64	59
61 Mauritius	120	1	16	21	164	..	..	5	2.9	8	48	46
62 Belarus	37	3	..	..	..	..	..	14	..	..	..	84
63 Belize	..	0	..	..	..	99	138 ^b	1	3.7	11	..	30
64 Libyan Arab Jamahiriya	220	28	5	37	307	97	75 ^b	3 ^b	0.3	..	..	28

HUMAN POVERTY OF WOMEN AND CHILDREN

HDI rank	SURVIVAL			EDUCATION				POLITICAL PARTICIPATION		INCOME		
	Maternal mortality rate (per 100,000 live births) 1990	Children dying before age 1 (thousands) 1995	Under-weight children under age five (%) 1990-96	Illiteracy		Female primary enrolment ratio (as % of male) 1995	Female secondary enrolment (as % of male) 1993-95	Children not in primary school (%) 1993-95	Child economic activity rate (% age 10-14) 1995	Parliamentary seats held by women (as % of total) ^a 1996	Female unpaid family workers (as % of total) 1990	Female economic activity rate (as % of male) 1995
				Female rate (%) 1995	Female rate as % of male rate 1995							
Medium human development	193	2,294T	18	27	166	93	..	4	10.5	15	..	75
65 Lebanon	300	5	..	10	183	94	..	..	..	2	..	37
66 Suriname	..	1	..	9	185	96	..	..	..	16	42	46
67 Russian Federation	75	62	..	..	..	..	..	7	..	8	..	83
68 Brazil	220	293	7	17	101	102	123 ^b	10	16.1	7	46	53
69 Bulgaria	27	3	..	..	..	..	102	10	..	13	..	89
70 Iran, Islamic Rep. of	120	200	16	41	182	93	..	3 ^b	4.7	4	43	33
71 Estonia	41	0	..	..	..	..	108 ^b	76	..	13	..	85
72 Ecuador	150	29	17	12	148	91	..	..	5.4	..	27	36
73 Saudi Arabia	130	33	..	50	175	89	83	38	..	..	..	19
74 Turkey	180	132	10	28	333	..	70	6	11.9	3	69	57
75 Korea, Dem. People's Rep. of	70	22	..	..	..	..	..	..	..	20	69	78
76 Lithuania	36	1	..	..	..	..	..	..	..	18	..	83
77 Croatia	..	1	..	..	..	..	108	18	..	7	74	72
78 Syrian Arab Rep.	180	33	12	44	308	91	90	9	5.8	10	5	36
79 Romania	130	12	..	..	..	..	103	8	0.2	6	67	78
80 Macedonia, FYR	..	209	..	..	..	..	102	15	..	3	..	..
81 Tunisia	170	18	9	45	213	96	85 ^b	3	..	7	49	45
82 Algeria	160	84	13	51	195	92	90	5	1.6	7	6	33
83 Jamaica	120	1	10	11	57	96	111 ^b	0 ^b	..	12	..	86
84 Jordan	150	13	9	21	312	101	106 ^b	11 ^b	0.6	3	4	28
85 Turkmenistan	55	14	..	..	..	..	..	..	..	18	..	81
86 Cuba	95	3	..	5	123	101	115	4	..	23	5	61
87 Dominican Rep.	110	15	10	18	99	105	144	19	16.0	10	43	42
88 Oman	190	5	12	..	..	96	95	29	0.4	..	..	19
89 Peru	280	62	11	17	312	91	..	13	2.5	11	..	41
90 South Africa	230	127	9	18	101	..	121	4	..	24	..	59
91 Sri Lanka	140	11	38	13	194	100	..	..	2.4	5	56	54
92 Latvia	40	1	..	..	..	..	101	16	..	9	..	85
93 Kazakstan	80	22	..	..	..	..	..	..	..	11	91	82
94 Paraguay	160	13	4	9	144	101	106	11	7.9	6	..	41
95 Ukraine	50	19	..	..	..	..	..	..	..	4	..	81
96 Samoa (Western)	..	1	..	..	..	81	..	..	..	4	8	..
97 Botswana	250	6	15	40	206	..	114	4	16.9	9	35	81
98 Philippines	280	152	30	6	113	98	102 ^b	0	8.0	12	53	60
99 Indonesia	650	500	35	22	212	93	87	3	9.6	13	66	65
100 Uzbekistan	55	58	..	..	..	..	..	..	..	6	..	84
101 Mongolia	65	8	12	23	200	107	138	25	1.7	8	..	88
102 Albania	65	5	..	..	..	..	..	4	0.9	12	..	72
103 Armenia	50	3	..	..	..	..	..	..	..	6	..	87
104 Guyana	..	2	..	3	185	100	..	..	..	20	..	48
105 Georgia	33	4	..	..	..	..	99	18	..	7	..	79
106 Azerbaijan	22	11	..	..	..	..	..	..	..	12	..	75
107 Kyrgyzstan	110	10	..	..	..	..	..	0	..	5	..	84
108 China	95	1,722	16	27	269	98	..	1	11.6	21	..	87
109 Egypt	170	206	9	61	168	99	86	11	11.2	2	62	41
110 Moldova, Rep. of	60	3	..	..	..	..	..	..	..	5	..	86
111 Maldives	..	1	..	7	104	..	..	..	5.9	6	29	77
112 El Salvador	300	14	11	30	114	66	116	21	15.2	11	58	50
113 Bolivia	650	36	16	24	253	96	84	9	14.3	6	79	59
114 Swaziland	..	5	..	24	111	..	118	5	13.9	8	59	55
115 Tajikistan	130	2	..	..	..	..	..	..	..	3	..	76
116 Honduras	220	16	18	27	100	101	..	10	8.5	8	..	43
117 Guatemala	200	35	27	51	137	50	..	42 ^b	16.3	13	21	36
118 Namibia	370	7	26	..	..	..	138 ^b	8	22.0	..	69	68
119 Morocco	610	81	9	69	159	75	64 ^b	28	..	1	31	..
120 Gabon	500	7	..	47	178	..	..	..	17.9	6	..	78
121 Viet Nam	160	157	45	9	251	80	..	..	9.1	19	..	94
122 Solomon Islands	..	1	..	..	..	..	..	..	29.2	2	..	93
123 Cape Verde	..	1	..	36	195	99	100	0	14.3	11	54	57
124 Vanuatu	..	0	..	..	..	..	79 ^b	26 ^b	..	..	..	..

HUMAN POVERTY OF WOMEN AND CHILDREN

HDI rank	SURVIVAL					EDUCATION				POLITICAL PARTICIPATION	INCOME		
	Maternal mortality rate (per 100,000 live births) 1990	Children dying before age 1 (thousands) 1995	Under-weight children under age five (%) 1990-96	Illiteracy		Female primary enrolment ratio (as % of male) 1995	Female secondary enrolment (as % of male) 1993-95	Children not in primary school (%) 1993-95	Child economic activity rate (% age 10-14) 1995	Parliamentary seats held by women (as % of total) ^a 1996	Female unpaid family workers (as % of total) 1990	Female economic activity rate (as % of male) 1995	
				Female rate (%) 1995	Female rate as % of male rate 1995								
125	São Tomé and Príncipe	..	..	..	..	..	..	..	..	7	54	..	
126	Iraq	310	169	12	55	188	89	68 ^b	21	3.0	..	50	23
127	Nicaragua	160	14	12	33	94	104	114	14	14.1	11	..	54
128	Papua New Guinea	930	18	35	37	196	87	..	..	19.2	0	..	76
129	Zimbabwe	570	60	16	20	209	..	..	0 ^b	29.4	15	..	79
130	Congo	890	20	24	33	194	..	..	..	26.2	2	65	73
Low human development		753	5,037T	45	62	156	74	..	..	22.3	7	43	58
131	Myanmar	580	212	43	22	198	87	..	..	24.5	..	..	76
132	Ghana	740	105	27	46	193	..	..	..	13.2	..	63	101
133	Cameroon	550	65	14	48	192	..	..	24	25.2	12	70	59
134	Kenya	650	137	23	30	219	..	..	9 ^b	41.3	3	..	86
135	Equatorial Guinea	..	4	..	32	306	96	..	..	..	9	74	..
136	Lao People's Dem. Rep.	650	40	44	56	182	87	71	32	27.1	9	..	86
137	Lesotho	610	11	21	38	199	118	183	35	21.9	11	39	56
138	India	570	3,671	53	62	181	78	..	..	14.4	7	..	50
139	Pakistan	340	819	38	76	151	68	..	..	17.7	3	33	38
140	Comoros	..	4	..	50	138	66	..	47	39.3	0	..	76
141	Nigeria	1,000	790	36	53	161	78	..	..	25.8	..	46	55
142	Zaire	870	386	34	32	241	90	62	39	29.6	5	..	76
143	Zambia	940	75	28	29	200	97	74	25	16.3	10	54	79
144	Bangladesh	850	537	67	74	146	88	54 ^b	38 ^b	30.1	9	6	76
145	Côte d'Ivoire	810	91	24	70	140	..	..	48	20.5	8	62	51
146	Benin	990	41	..	74	145	60	..	48 ^b	27.6	7	40	89
147	Togo	640	31	24	63	191	72	38 ^b	22	28.6	1	54	65
148	Yemen	1,400	123	39	..	..	49	..	..	20.1	1	69	39
149	Tanzania, U. Rep. of	770	21	29	43	210	..	..	52	39.5	17	88	95
150	Mauritania	930	17	23	74	146	51	..	44	24.0	1	38	77
151	Central Africa Rep.	700	25	27	48	151	56	..	42	31.1	4	55	83
152	Madagascar	490	108	34	..	..	113	..	..	35.8	4	..	81
153	Cambodia	900	78	40	..	..	44	..	..	24.7	6	..	104
154	Nepal	1,500	145	49	86	146	58	..	..	45.2	5	55	68
155	Bhutan	1,600	16	38	72	164	25	..	..	55.3	2	..	66
156	Haiti	1,000	43	28	58	111	39	..	74 ^b	25.4	3	37	73
157	Angola	1,500	133	..	..	..	..	..	..	27.1	10	..	84
158	Sudan	660	144	34	65	155	85	..	..	29.4	5	..	40
159	Uganda	1,200	235	23	50	190	91	..	..	45.3	18	74	90
160	Senegal	1,200	46	20	77	135	..	..	46	31.4	12	..	74
161	Malawi	560	142	30	58	208	102	100	0	35.2	6	58	94
162	Djibouti	..	5	..	67	169	78	..	68	..	0	22	..
163	Guinea-Bissau	910	12	23	58	180	82	25 ^b	44 ^b	37.9	10	4	65
164	Chad	1,500	65	..	65	172	54	..	..	38.3	17	..	78
165	Gambia	1,100	12	..	75	159	72	54	45	37.2	..	64	79
166	Mozambique	1,500	171	27	77	181	77	63	61	33.8	25	82	92
167	Guinea	1,600	90	26	78	156	49	38 ^b	63 ^b	34.1	7	60	91
168	Eritrea	1,400	27	41	..	..	89	88	69	39.6	21	..	89
169	Burundi	1,300	63	37	78	153	69	67 ^b	48 ^b	49.1	..	60	91
170	Ethiopia	1,400	625	48	75	137	29	..	..	42.3	..	67	70
171	Mali	1,200	163	31	77	127	68	50 ^b	75	54.5	2	53	84
172	Burkina Faso	930	98	30	91	129	67	56	71	51.1	9	66	86
173	Niger	1,200	113	36	93	118	36	38 ^b	77 ^b	45.2	..	24	77
174	Rwanda	1,300	71	29	48	160	106	78 ^b	24 ^b	41.7	17	70	93
175	Sierra Leone	1,800	75	29	82	150	100	..	..	15.5	6	74	54

ANNEX TABLE A2.2 (CONTINUED)

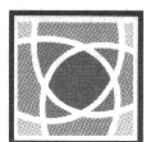
HUMAN POVERTY OF WOMEN AND CHILDREN

	SURVIVAL			EDUCATION					POLITICAL PARTICIPATION		INCOME	
	Maternal mortality rate (per 100,000 live births) 1990	Children dying before age 1 (thousands) 1995	Under-weight children under age five (%) 1990-96	Illiteracy		Female primary enrolment ratio (as % of male) 1995	Female secondary enrolment (as % of male) 1993-95	Children not in primary school (%) 1993-95	Child economic activity rate (% age 10-14) 1995	Parliamentary seats held by women (as % of total) ^a 1996	Female unpaid family workers (as % of total) 1990	Female economic activity rate (as % of male) 1995
				Female rate (%) 1995	Female rate as % of male rate 1995							
All developing countries	471	7,404T	31	38	159	88	..	9	16.0	13	48	67
Industrial countries	31	206T	..	..	..	..	..	5	..	14	75	75
World	416	7,610T	..	..	..	..	..	8	15.8	13	57	68
Arab States	380	475T	16	56	176	91	92	15	10.4	4	40	37
East Asia	95	883T	16	26	249	102	..	1	11.5	20	80	86
East Asia (excl. China)	99	22T	..	5	235	..	..	8	..	9	80	71
Latin America & the Caribbean	190	424T	11	15	119	93	..	13	10.9	10	38	50
Latin America & the Caribbean (excl. Mexico & Brazil)	204	202T	12	14	119	92	..	15	8.4	12	47	49
South Asia	554	2,700T	50	63	157	77	..	..	16.2	7	29	51
South Asia (excl. India)	520	865T	43	65	154	77	..	..	20.4	6	29	54
South-East Asia & the Pacific	447	618T	36	16	198	86	..	..	11.3	12	63	73
Sub-Saharan Africa	971	2,259T	31	51	158	79	..	37	32.7	12	57	74
Least developed countries	1,030	2,177T	42	61	155	75	..	45	32.6	9	43	76
North America	12	33T	..	..	..	..	101	4	..	12	76	80
Eastern Europe & the CIS	63	137T	..	..	..	..	..	8	..	8	..	82
Western and Southern Europe	14	23T	..	..	..	..	102	3	..	18	71	66
OECD	46	213T	..	..	..	..	102	4	..	13	68	69
European Union	13	27T	..	..	..	..	103	3	..	16	71	67
Nordic countries	8	2T	..	..	..	..	101	1	..	37	67	86

a. Data are as of January 1997.

b. Data refer to latest available years.

Source: Columns 1 and 3: UNICEF 1997; column 2: UN 1996b; columns 4 and 5: UNESCO 1996b; column 6: UNESCO 1996c; columns 7 and 8: UNESCO 1995b and 1997; columns 9 and 12: ILO 1996b; column 10: IPU 1997; column 11: UN 1995d.



Resisting new forces of poverty in a changing world

A dynamic process, poverty is a constant struggle. Individuals, households and communities have to cope with the deprivations limiting their lives—seizing any opportunity for escape. But as they struggle, the world around them changes, presenting both new opportunities and new threats.

Some people lift themselves from poverty. Others stay poor. And still others become newly poor. Poverty is thus constantly being created and re-created. It disappears in some places but reappears elsewhere, at other times.

How do individuals, households and communities resist, escape and recover from poverty? What new conditions jeopardize past gains and threaten to produce more poverty? This chapter explores how poor people are fighting poverty in the rapidly changing world at the end of the 20th century.

Vulnerability, assets and coping strategies

Poor people cope with a wide range of adversities—cholera epidemics, rising prices, failed rains—against which they are defenceless, and this vulnerability to deepening poverty defines their lives. The poorest stay in poverty throughout the year, over the years, for a lifetime and pass poverty to the next generations—the chronically poor (box 3.1). The defining challenge of poverty eradication is to strengthen people's ability to cope with these adversities—to build resistance and resilience, to seize opportunities for escape.

Most individuals, households and communities develop complex and innovative strategies to survive poverty and adversity, tapping assets that help them cope. A family

that loses a job may rent out a room to make up for the lost income. A woman facing crop failure might mortgage her wedding jewelry. Coping with the illness of a parent, children as young as 10 might go out to work.

People's assets reduce vulnerability and build resilience against poverty. The more

Socially disadvantaged means chronically poor

BOX 3.1

Chronic poverty—sustained over many years and sometimes carried from one generation to the next—has a more serious effect on people than transient poverty.

Studies of poverty that follow the progress of the same people over time show that long-term poverty is more likely for certain social groups—such as immigrants in Germany and African Americans in the United States (box table 3.1.1). Of all the reasons for falling into poverty, the most common are linked to employment or marital status.

Evidence from a village in a drought-prone region in India between 1975 and 1993 showed that while 40% of households stayed in poverty for six or more years, about 10% suffered poverty for only one or two years (box table 3.1.2).

Another approach is to estimate the differences in *exit time* from income poverty (with a given rate of GNP growth) according to the depth of poverty. Data in three Indian states show that scheduled castes and tribes suffer deeper poverty and that their exit time would be much longer.

BOX TABLE 3.1.1

The ins and outs of poverty for families with children in the 1980s

	Average poverty rate (%) ^a	Those who escaped (%) ^a	Poor for three years or more (%) ^b
Germany			
Nationals	7	27	1
Foreigners	18	20	4
United States			
White	15	17	10
African American	49	8	42

a. The proportion of those in poverty whose income rose to 60% of the median at some later date. b. The proportion of the population that has an income less than 50% of the median each year of a three-year period.

Source: Duncan and others 1995.

BOX TABLE 3.1.2

Exit times from income poverty for rural households in India

	Household expenditures (as % of national poverty line) 1960–90	Exit time (years)
Bihar		
Scheduled caste	64	30
Scheduled tribe	66	23
Other	94	10
Orissa		
Scheduled caste	76	10
Scheduled tribe	64	17
Other	94	2
West Bengal		
Scheduled caste	75	12
Scheduled tribe	70	14
Other	88	5

Source: Shiva Kumar 1996.

The assets to resist poverty encompass a broad range of resources, tangible and non-tangible

assets they have, the less their vulnerability and the greater their ability to cope with poverty, to resist it and to escape it. But any erosion of these assets increases their vulnerability and insecurity.

Building people's assets, empowering them to fight poverty, should be the centre-piece of poverty eradication. The state has a responsibility to address structural inequalities in the distribution of assets, especially land, credit, housing and social services. But public policy and development efforts too often ignore:

- The potential to build on people's assets.
- The threat of those assets being eroded.
- The need to supply missing assets critical for survival and for equal participation in society.

In economic terms an *asset* usually refers to capital, whether physical or financial, from which people may derive a future stream of income. But the assets used to resist poverty encompass a broader range of

tangible and non-tangible resources—classified broadly as economic, social, environmental and personal. Time might be considered one of these assets (box 3.2).

Economic assets

Economic assets include land, livestock, housing, labour and financial capital, which provide a basis for generating income and production. Except for labour, these assets are often missing or scarcely accessible for poor people.

Land is critical for rural people—and for the three-quarters of the world's income-poor who depend on agriculture for their livelihood. About a quarter of the rural poor in developing countries are landless or do not have adequate security of tenure or title. And even those who have land often have holdings too small or unproductive to provide a secure livelihood.

Housing—and a secure right to it—are as critical an asset for the urban household as land is for the farmer. The home is commonly where the microentrepreneur starts a business. But housing rights are rarely protected, and the threat of eviction is a reality for many urban dwellers.

Capital, derived from credit and savings, is another key asset that allows poor people to seize market opportunities—such as investing in a small business or using farm inputs. Credit and savings also help families through crises—drought, recession, illness—without having to resort to measures such as selling off other assets or taking children out of school. Only 2–5% of the 500 million poorest households in the world have access to institutional credit.

Social and political assets

People's ability to draw on relationships with other people, especially on the basis of trust and reciprocity, is an asset—social capital.

In times of stress the first resort for help is usually family or other members of the community. Faced with an illness, women in poor neighbourhoods may share cooking and child care. And people borrow from one another—to meet immediate needs for

BOX 3.2

Is time an asset?

Lack of time is an important factor in the vulnerability of poor people and in their access to opportunities.

There are only 24 hours in a day, but does everyone need the same number of hours for survival? Does everyone have the same amount of disposable time—and the same ability to determine how to use time?

No. Much depends on whether a person is a woman or a man and on the size of the household and the conditions in which the person lives.

Women especially suffer from a shortage of time because of the triple load they carry: child-bearing and -rearing, family and household management and production or income-earning activities. Time-use studies find that in almost every country women spend more hours than men in work—paid and unpaid. *Human Development Report 1995* showed that of the total time spent in work, women on average account for 53% and men for 47%. As demands on women's time increase, they share their work with their daughters and with other children, but very

rarely are household responsibilities transferred to men.

Some circumstances—such as having a water supply close to home and transport to the workplace—increase the time available. Others—such as deforestation and pollution—reduce the time available and increase the vulnerability of women.

The importance of time for poor people has policy implications. For example, in setting a poverty line based on the income required for survival, policymakers need to recognize that survival income will vary depending on how much time is spent caring for children and the sick and how much is available for income-earning work.

Policies that impose a financial burden on families, such as a reduction in health care benefits, may also impose a time burden—with further repercussions for the ability to escape poverty. And policies that reduce the time burden of poor people, such as by improving the water supply, can remove a critical constraint on their ability to escape poverty.

food, water, electricity or health care. Sometimes combining family units to create larger households can also strengthen resilience against poverty.

Such relationships of trust and reciprocity are also the basis of community organizations, which might negotiate with government agencies for better services, such as schools, dispensaries or water. Groups can also form to take collective political action, often building alliances beyond the community (chapter 5).

Social assets can be eroded by stresses in social relations, however, especially from violence, alcoholism and other destructive behaviour—and a lack of time to invest in social relations.

Encouraging and nurturing social and political assets are an important part of providing an enabling environment for helping the poor resist poverty.

Environmental and infrastructure assets

People rely on both natural resources and infrastructure to secure health and livelihoods.

Roads and transport provide access to markets and jobs and reduce isolation. Social infrastructure enhances health and knowledge. Water and electricity can be tapped in setting up microenterprises. So cuts in public spending on infrastructure dig deeply into the assets of people.

Access to these assets is very unevenly distributed, and poorer communities often lack basic social services that are more plentifully available in richer communities. On average in developing countries, the proportion of people without access to safe water is only 13% in urban areas but 40% in rural areas. And female illiteracy is 38% in urban areas, compared with 66% in rural areas. But even in urban areas households with less income pay more for services. Water is piped into the rich suburbs but trucked into the slums—where the poor pay more, sometimes in cash, almost always on time.

In times of stress, people draw even more on the natural environment, as a reserve and as an important part of their coping strategy. In times of crop failure,

farmers who normally cultivate maize or rice might gather fruit or other food from the forest. The depletion and pollution of natural reserves erode an important asset. Those affected might become ecological refugees, moving to other rural areas or to cities.

Personal strengths

The greatest personal asset is good health—not just physical well-being but also the toughness to cope with adversity.

Personal strengths also include skills and talents. So people's resilience against poverty can be strengthened by education and training that open a wider range of opportunities. But people without formal education have many skills—traditional knowledge and other physical and intellectual skills—that can be tapped to fight poverty.

Upward and downward spirals

All these assets, though listed separately, are linked and often mutually reinforcing. Mobilizing social assets can improve the management of environmental assets. People working together can help maintain such common property as ponds, woodlots, pastures and drinking water supplies—and ensure their sustainability. Social assets can also reinforce economic assets. The community solidarity that leads to collective political action to negotiate for better schools can bolster economic assets by increasing the chances of employment.

But the loss of any one of these assets can lead to the loss of many others, inducing a downward spiral. Lost income puts stress on human relationships and can lead to the loss of social and political assets—and to conflict and violence. In poor urban communities in Hungary, Mexico, the Philippines and Zambia, women linked rising domestic violence directly to declining male earnings, often combined with alcohol abuse.

Economic pressure can also pit parents against children, often because of greater reliance on children's labour. Children may

Social and political assets are important for helping the poor resist poverty

rebel against the added responsibilities—parents may lack time and energy to supervise their children. And children may not study or help in the home, or they might take up drinking, petty crime and other destructive behaviour.

Escalating crime and violence and growing drug and alcohol abuse threaten personal safety. Women especially become reluctant to go out at night, and become isolated as a result. All this reduces people's ability to participate in community activities, eroding their social assets and increasing their vulnerability.

Economic crises push households beyond the point at which they can sustain reciprocity—so community credit systems

break down. There may also be less co-operation generally—women who have to spend more time at work have less time for community activities.

Downward spirals of poverty frequently mean environmental degradation, and environmental shocks can heighten poverty. Droughts that lead to crop failure, for example, cause poor people to scavenge more intensively for wood or edible plants or wildlife. They also cause herders to keep their livestock close to water holes. All this can cause greater deforestation and soil erosion.

Environmental crises can then erode social assets, as people facing diminishing resources are forced to compete with one another. In the Niger delta and surrounding drylands, many groups survive on livestock, farming and fishing. But successive droughts have broken down reciprocal relationships.

The result of these downward spirals: poverty deepens, and people become less able to pull themselves out of poverty as families sell their land and animals or curtail their children's education. The loss of assets transforms transient poverty into chronic poverty that can extend to the next generation.

A strategy for poverty eradication must take into account all these interlocking factors, including the different ways that women and men mobilize assets to escape poverty (box 3.3). Building on and reinforcing the assets of poor people helps them fight poverty themselves.

Grass-roots development programmes that have done this have been among the most effective. One has encouraged a Ugandan community stricken by HIV/AIDS to develop a community adoption programme for orphans, helped by a UN volunteer. Another has encouraged forest management through community negotiations with logging companies, helped by a bilateral aid programme.

And institutional and policy reforms are needed to give better access and secure rights to all the critical assets that are unevenly distributed. These include land, housing, credit, physical infrastructure, education, health and other social services (box 3.4).

BOX 3.3

What does the feminization of poverty mean?

Women are poorer than men because more households headed by women fall below the income poverty line than households headed by men. True? Yes and no.

Surveys of household consumption and expenditure in many countries of North and South America, Europe and the CIS show the incidence of income poverty to be high among female-headed households. But elsewhere there is no difference between male- and female-headed households—in Indonesia, Morocco, Viet Nam and Zimbabwe, for example.

Women and men experience poverty in different ways. And the feminization of poverty may be a question less of whether more women than men are poor than of the severity of poverty and the greater hardship women face in lifting themselves and their children out of the trap. The wide range of biases in society—unequal opportunities in education, employment and asset ownership among them—mean that women have fewer opportunities. Poverty accentuates gender gaps, and when adversity strikes, it is women who often are the most vulnerable.

In Zimbabwe gender equality was achieved in primary school enrolment by 1990. But when user fees were introduced as part of a structural adjustment programme, gender bias began to re-emerge in rural areas.

Source: Moghadam 1996.

In Pakistan the gender gap in education is pronounced, with 77% illiteracy among women in 1995 but 51% among men—and with primary school enrolment among girls at 68% of that for boys. Women have fewer employment opportunities than men in rural areas: they rarely find work outside agriculture, so their lack of access to land is particularly crippling.

China has made enormous progress in gender equality, but it is still the girls who are more deprived in poor families. More than 80% of the children who dropped out of school in 1990 were girls, mostly in rural and remote mountainous areas and among minority groups. There are twice as many illiterate women as men.

In Mexico poverty is mainly rural, especially among large families. Many poor women start work in childhood as domestic servants, and with working days of up to 12 hours they cannot attend school. They tend to marry young and have children while still adolescents. In the shifts in the economic environment during the structural adjustment of the 1980s, women's wages fell from 80% of men's in 1980 to 57% in 1992.

In Russia, despite high levels of education, women are concentrated in low-wage occupations, and they were the first to be let go during the transition.

New global pressures, creating and re-creating poverty

The dramatic changes that mark the last decades of the 20th century present many opportunities. But they also pose threats that could undermine much of the success in reducing poverty. The HDI, rising since first reported in 1990, has for the first time fallen for as many as 30 countries.

The world is rapidly changing, with the globalization and liberalization of the world economy, with the rise of new conflicts, with the spread of HIV/AIDS, with the steady deterioration of environmental resources, with demographic changes, with the failures of economic growth in Sub-Saharan Africa, Latin America and the Caribbean and the Arab States and with the transition to free market economic systems and democratic government. All this change puts added stress on the lives of people. And the people who already suffer deprivation in many aspects of their lives suffer most.

These are among the factors driving the poverty trends described in chapter 2—and shifting the poverty profile around the world (see box 2.7). Of the 30 countries with declining HDIs, 10 are in Eastern Europe and the CIS, 12 are in Sub-Saharan Africa, and the rest are spread among other regions. The main reasons for these declines: falling GDP in Sub-Saharan Africa, Latin America and the Caribbean and the transition economies and falling life expectancy due to armed conflict and HIV/AIDS.

Conflicts and displaced persons

The casualties of conflict still represent only a small proportion of the world's poor people. But 9 of the 30 countries whose HDI values declined are among those with a deadly, population-displacing conflict.

The end of the cold war settled several long-standing disputes. But there has been a steady rise in the number of conflicts within national borders. Of the 30 armed struggles in 1995, none was a war between states. Instead, they were civil wars, guerrilla wars, separatist movements and ethnic violence over territory or government. In

the past five years at least 1 million people have died from conflicts.

Wars strike poor households and communities because they strike civilian populations at large. Past battles were often between standing armies, but wars today affect primarily civilians. During the First World War few casualties were civilians—in Cambodia and Rwanda more than 90% were.

Many of the casualties are women and children. Around 2 million children died as a result of armed conflict in the past decade—partly because of the proliferation of light weapons and the indiscriminate use of land-mines. In 68 countries 110 million land-mines lie undetonated.

The poor are also exposed because modern wars are fought mainly in poorer countries—all of today's conflicts are in developing countries or in Eastern Europe and the CIS. Even when people flee the fighting, they take refuge in neighbouring, equally poor countries.

In 1995 there were 46 million displaced people—one in every 120 people in the

BOX 3.4

Gender, poverty and property rights in South Asia

In most of South Asia the majority of poor women depend on agriculture for their livelihood—even more than men, who have broader opportunities. In rural India in 1993–94, 86% of women workers were in agriculture, compared with 74% of men.

But few women own or control land—and this handicaps them in warding off poverty for themselves and their families. Lack of access to land is especially critical for the 20% or so of rural households in Bangladesh and India that are headed by women as a result of widowhood, desertion or male migration.

Many factors obstruct women's access to land. Legal: inheritance laws for agricultural land favour men in many communities. Social: son preferences, patrilocal marriages and in some regions female-seclusion practices restrict women's ability to claim and manage land. And administrative: under land reform and settlement schemes land is

typically distributed to male heads of household.

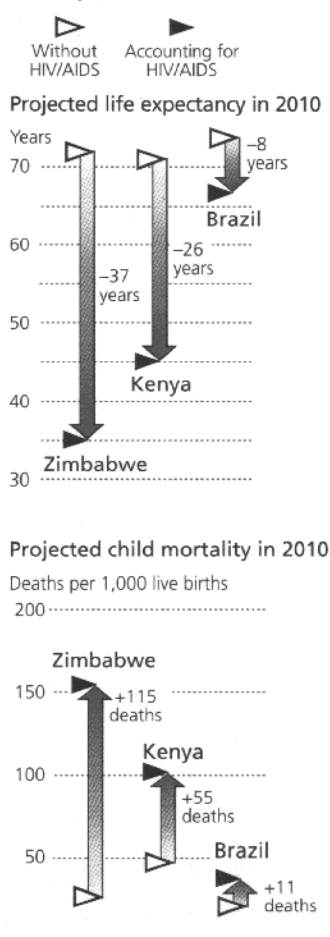
Land titles secure production opportunities for women, increase their bargaining power with employers and provide mortgageable or saleable assets for times of crisis. In most regions landless households tend to be more prone to poverty than those with even small plots.

Property rights for women would reduce the risk of poverty for themselves and for their families. Many studies show an antifemale bias in resource allocation within households.

Unequal access to land and property rights is widespread not just in South Asia but in all regions. In Zimbabwe the 1980 constitution did not guarantee women legal rights of joint ownership. And the land reform scheme considered only widowed women with dependents eligible, excluding women on their own—single, deserted, divorced. Land reform elsewhere, such as in China and Cuba, also left most women out.

Source: Agarwal 1996 and Folbre 1996.

FIGURE 3.1
Projected reversals in human development due to HIV/AIDS



Source: Stanecki and Way 1996.

BOX 3.5

Eradicating poverty—essential for consolidating peace

Despite much progress on the political front, Palestinians have yet to collect the elusive peace dividend. Indeed, per capita income has dropped as much as 25% since 1992. Closure of the Occupied Territories means that Palestinians cannot take jobs in the Israeli economy, and merchandise traffic in and out of the territories has been cut substantially—60% for Gaza and 40% for the West Bank. Two-thirds of the population live below the locally defined income poverty line.

With the institutions of the Palestinian Authority in place by mid-1996, tackling poverty took on renewed urgency. Poverty eradication was viewed as essential both for its development benefits and for continuation of the peace process.

Source: UNDP 1997.

With the support of the international community, the Palestinians have accomplished two urgent tasks. They launched an emergency programme to mitigate the effects of unemployment (and poverty) caused by the closure of the territories. And they set up the basic institutions of open, participatory governance.

A broader and longer-term human development strategy also is being formulated, aimed at building capacity for governance in the Palestinian Authority and at employment generation, private sector growth, gender-sensitive policy-making, rural development and the provision of health, education and housing services. These policies aim to instil hope for the future and confidence in the long-term benefits of peace.

world—who had been forced to flee from home. Of them, 26 million were displaced in their own country, 16 million were refugees in other countries, and 4 million were considered “refugee-like”. Of the total, 40 million were in developing countries, 6 million in industrial or transition countries. At the end of 1994, 23 countries with low human development had 50,000 refugees or more. Consider Sudan, with 4 million internally displaced people and 730,000 refugees from other countries.

The number of refugees alone has increased dramatically—from 2.5 million in 1960 to 16 million in 1995. The numbers for Asia and Eastern Europe and the CIS countries peaked in 1992–93, but the numbers continue to rise in Sub-Saharan Africa.

Conflicts in poor countries block or handicap poverty eradication efforts. Quite apart from the direct impact of widespread destruction, conflicts divert important resources from development.

In addition to those affected by warfare, many poor people fall victim to the supposedly “peaceful” alternative—economic sanctions. Although sanctions are aimed primarily at those in power in renegade regimes, the politically connected and wealthy are able to avoid much of the

impact—leaving poor people to suffer most.

In Haiti during sanctions drinking water supplies were cut by half. Garbage collection ceased, and sewage treatment plants were not maintained. One study found that the price of staple foods increased fivefold and that the proportion of malnourished children increased from 5% to 23%.

In Iraq under sanctions life expectancy fell from 65 years in 1990 to 57 years in 1994. Today an estimated 30% of the population lives in human poverty.

Economic sanctions are a blunt instrument. They need to be re-evaluated as a policy choice. Sanctions can be far better targeted to the political elite by freezing bank accounts, denying travel visas and air connections, imposing arms embargoes and taking other actions that lessen the damage inflicted on the general population.

Before sanctions are imposed, their likely effect on people, especially the poor and most vulnerable groups in society, should be assessed. Ways must be found to allow imports of drugs and medical supplies and to process applications for exemptions for imports for humanitarian activities.

Poverty cannot be eliminated without progress in conflict prevention—and without addressing the special needs of the casualties. One of the main problems for poor households and communities caught up in conflict is the inadequacy of today’s system of global governance—it simply was not designed for dealing with internal conflicts. Stronger and more effective international instruments and mechanisms are needed to address:

- The internally displaced who are outside the scope of the Geneva Convention.
- Rapid conflict resolution.
- Reconstruction programmes after conflict, especially demilitarization and mine removal.
- Control of arms sales, especially of arms that maim or kill civilians.

Finally, without human development, peace will continue to be threatened by poverty (box 3.5). Poverty and conflict feed each other. Economic stagnation and competition over livelihoods, resources and

opportunities contribute to social conflicts of all kinds—between farmers and pastoralists, between ethnic groups, between people of different religions. These conflicts feed or give rise to confrontations, civil wars, even genocide.

HIV/AIDS

The HIV/AIDS pandemic is creating a new wave of impoverishment—and reversing earlier gains. Among the 30 countries with declines in HDI values, several suffered these setbacks in part because of HIV/AIDS—Botswana, Burundi, Cameroon, Congo, Kenya, Rwanda, Togo and Zimbabwe. Botswana and Zimbabwe made huge strides during the 1970s and 1980s but have lost 5–10 years in life expectancy, bringing them back to the 1960s.

Projections to 2010 put life expectancy in Botswana at 33 years (it would have been 61 without AIDS) and in Burkina Faso at 35 years (rather than 61). Child mortality is likely to increase to 148 per 1,000 live births in Botswana (not decline to 38). In 18 of the 22 mostly Sub-Saharan African countries studied, HIV/AIDS would reduce life expectancy by at least 10 years, and in 14 it would push child mortality up by at least 50 deaths per 1,000 live births (figure 3.1). These are consequences not only of HIV/AIDS-related deaths, but also of the impact of the pandemic on development. Other diseases blight the lives of many more. Every year, malaria affects at least 500 million and kills 2 million and diarrhoea kills nearly 3 million children. But HIV/AIDS has had the most devastating impact in the decade since it hit. If unchecked, it will reverse poverty gains quickly and dramatically.

The impact of HIV/AIDS on poverty shows the two-way relationship between poverty and illness. The common perception of AIDS in the 1980s was as a disease of promiscuity and drugs in the industrial countries—there is no doubt now that AIDS is closely linked to poverty. Poverty offers a fertile breeding ground for the epidemic's spread, and infection sets off a cascade of economic and social disintegration and impoverishment.

Of the 23 million people with HIV/AIDS, 94% are in the developing world, with most in Sub-Saharan Africa (14 million) and South and South-East Asia (5.2 million) (figure 3.2). The incidence of HIV infection in poorer countries (750 per 100,000 people) is more than 10 times that in industrial countries. And the spread is faster—especially in South and South-East Asia and in Eastern Europe. Of the 3.1 million new infections among adults in 1996, 1.3 million were in Sub-Saharan Africa and 1.5 million in South and South-East Asia. The spread of HIV/AIDS has slowed in North America and Western Europe, and there is some evidence of falling rates of infection in two of the high-incidence developing countries, Thailand and Uganda.

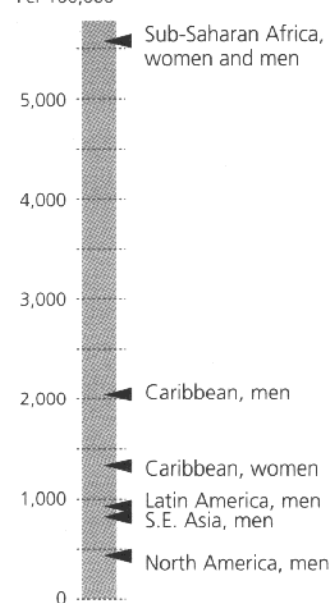
High-income earners and elites are not spared infection. But often, as in Brazil, Thailand and Uganda, the victims are predominantly the very poorest—particularly exposed since they often lack education, information and access to social and health services. They are also most exposed to the social dislocation from rapid urbanization, civil unrest and armed conflict.

The pandemic in Latin America and the Caribbean is concentrated among the urban poor in the shanty towns of Mexico City, São Paulo and Rio de Janeiro. In the United States the rate of increase between 1989 and 1994 was 14% for white men but 61% for Hispanics and 79% for African Americans. Particularly hard hit in the United States are African American women: they make up two-thirds of all HIV-infected women, and more African American children are infected than children of all other races combined.

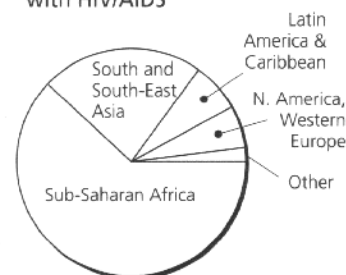
Women in poor communities are especially vulnerable. In most cultures they have little power to refuse sex, and if they insist on using a condom they may risk physical or economic retaliation. In societies tolerant of men's extramarital sex, women are exposed to the promiscuity of their partners.

When HIV/AIDS strikes, the effect can be catastrophic for the family. Besides the loss of income, the expense of caring for the stricken rapidly eats up the family's financial

FIGURE 3.2
HIV infection by region, 1996
Per 100,000



Regional shares of people living with HIV/AIDS



Source: UNAIDS 1996b.

reserves. One study in rural Thailand showed that more than half of a household's income could be spent on caring for the sick. Families may have to sell such economic assets as land or cattle, deepening their poverty, or go into debt borrowing at high interest rates. They may also prejudice any escape from poverty by taking their children out of school. One of the most tragic consequences: the rising number of orphans. One study of 15 countries in Sub-Saharan Africa projects a doubling in the number of orphans by 2005—to 4.2 million.

The projected increase in child mortality is not only a result of high rates of mother to child infection at birth. The reduced capacity of a household to secure a livelihood when its productive members are sick or have died also affects the health and mortality of children. And the epidemic puts a tremendous burden on already overstretched health services, reducing the quality of care.

Stemming the spread of HIV/AIDS requires changing behaviour and strengthening the assets of people and communities to cope as well as possible. Concerted

national efforts aimed at changing behaviour are beginning to show results. The involvement in policy and programmes of people living with HIV/AIDS and of the communities most affected is proving essential for effective response to the epidemic. In Thailand, which has had one of the most comprehensive campaigns to change high-risk behaviour, infection among military conscripts dropped from 3.6% to 2.5% between 1993 and 1995. Uganda has also led in prevention strategies, reducing the rate of infection among some pregnant women from 21% in the early 1990s to 15% in the mid-1990s (box 3.6).

Yet the epidemic continues to spread. In many countries it has yet to be acknowledged as a developmental problem. And tackling it means dealing with ingrained cultural values and prejudices—particularly those about women—and adopting a multisectoral strategy. The legal, ethical and human rights issues are complex. Few countries have really taken them on—with most failing even to offer voluntary and confidential HIV testing.

Most of the international effort so far has been scientific research, producing knowledge and drugs to prolong survival. But treatments at \$25,000 per person a year are unimaginable for the poor. There has been little progress in bringing prevention and relief to the millions of poor individuals, households and communities most affected.

Environmental degradation on marginal lands

Almost half the world's poorest people—more than 500 million by the most conservative estimate—live on marginal lands in the Sahel and in the upper watersheds of the Andes and Himalayas. Under current policies and conditions, that number will rise to 800 million by 2020. The livelihoods of all these people are directly and acutely affected by natural resource degradation.

Marginal lands include drylands, swamps, saline lands and steep slopes (but sometimes the definition is broadened to cover all degraded or fragile areas or all areas lacking favourable natural resources and socio-economic conditions). By defini-

BOX 3.6

Successes in the response to HIV—Thailand and Uganda

Two of the countries most affected by HIV/AIDS—Thailand and Uganda—have also demonstrated some of the best ways to tackle the problem. Both quickly recognized that the issues are not just medical but developmental—and that the response needed to be broad and multisectoral. Surveys show that this approach is bringing results. More people are avoiding high-risk behaviour, and rates of infection are coming down for some groups. The experience in both countries demonstrates the importance of:

- *Providing political leadership*—The problem was accepted as a special responsibility of the prime minister in Thailand and of the president in Uganda. There were also appropriate budgets. Thailand spent \$47 million per year—\$0.80 per capita, well above India's \$0.01 per capita. In addition, the subject was debated freely and openly.

- *Empowering communities*—The campaign actively involved communities and NGOs. They helped shape national policies and strategies, not just fill in gaps in government services.

- *Mobilizing employers*—A national dialogue involving government, NGOs and employers led to a consensus on the need to protect a healthy and productive workforce. Rather than discriminating against workers living with HIV, employers agreed to help deal with the economic and social consequences of the epidemic.

- *Addressing socio-economic issues*—The programmes addressed key issues affecting vulnerability, including urbanization, migration, poverty and gender disparity—as well as cross-border factors. They also focused on human rights, such as the right to confidential testing and access to basic treatment. And they addressed the special needs of children—particularly orphans.

Source: Lavolay 1996.

tion, the ecosystems of these areas are fragile. Soils are susceptible to erosion. Rainfall is highly unstable. The areas are often isolated, unreachable by well-developed socioeconomic infrastructure. And the recent environmental stresses of deforestation, prolonged droughts, erosion and dwindling surface and ground water all increase the risks for the poor and vulnerable.

These areas are by no means "marginal" for the world population. Drylands alone are home to some 1.5 billion people, 35% of the developing world's population—about 37% of the people in Asia (1.1 billion), 34% in Sub-Saharan Africa (180 million), 59% in the Arab States (140 million) and 26% in Latin America and the Caribbean (120 million).

In China almost all of the 65 million officially recognized income-poor live in remote and mountainous rural areas. In many of these villages at least half the boys and nearly all the girls do not attend school. Overall, the highest incidence of poverty occurs in arid zones. A recent study of 10 Sahelian countries showed human poverty worsening from wetter to drier zones; the HPI is only 26% in humid zones but soars to 61% in arid zones (figure 3.3).

The links between environmental degradation and poverty—in all its dimensions—are thus strong and complex. Progress in eradicating poverty needs actions to reverse two trends.

First, the growing claims on common property resources are making the poor even less secure, and population pressure is adding to the demands. Such resources—not just water, fuel and grazing areas but also nuts, berries and medicinal herbs—are particularly important in the most arid zones, providing livelihoods for many of the very poorest in a community. A study in seven states in India showed that the poorest families derived 15–25% of their income from these resources.

With traditional social structures weakened by social change, traditional rights are not always upheld and protected. Conflicts between farmers and herders are proliferating in Africa, Asia and elsewhere. Market forces also put pressure on common property resources, and policies protect neither

the environment nor the poor. In Brazil a tax exemption for agricultural land made it attractive for rich groups to buy and cut forests, adding to the impoverishment of those depending on the forests.

Second, low levels of agricultural productivity combine with population growth and marginal lands to create a downward spiral, particularly in Sub-Saharan Africa. There, population growth has outstripped growth in agricultural production, which averaged about 2% a year in 1965–80, then 1.8% in the 1980s. Food imports rose by 185% between 1974 and 1990, food aid by 295%.

Growing populations have led to such environmentally damaging adaptations as overgrazing, shortened fallow periods and the extension of cultivation onto rangelands and slopes. People fleeing drought, armed conflict and economic downturns in cities also add to the pressure. And environmental degradation creates incentives to have larger families.

What is needed to reverse these trends? One key is much higher priority for technological progress in agricultural systems that can intensify production and lessen stresses on the environment. In the Machakos District in Kenya, the population has been growing fast, but poverty has nevertheless declined and pressure on the environment has eased. Intensive action and investment in development overall—especially to improve productivity and the sustainability of the environment—are the reason. Paradoxically, the increases in population—and thus in the labour force—permitted the adoption of labour-intensive conservation measures. Elsewhere in Kenya and in Burkina Faso, Burundi and Nigeria, people also have found environmentally sustainable solutions.

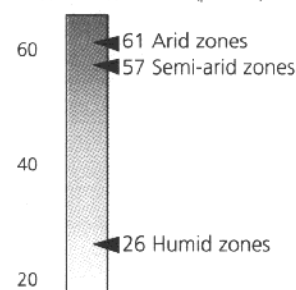
Such experiences show that marginal areas need not be marginal for development. They can support large populations, and investing in these areas is not an economic loss.

Poverty in marginal ecological zones needs greater policy attention. Investment in sustainable technology should rise to the top of the international and national research agendas, which have so far favoured production in resource-rich areas.

More than 500 million of the world's poorest people live on marginal lands

FIGURE 3.3
Poverty increases as rainfall decreases

HPI for 10 countries in the West African Sahel (percent)



Source: WRI 1996a.

It is time to shift attention from resource-rich to resource-poor people's livelihoods, from rice and wheat to millet and sorghum, from irrigated systems to low-rainfall, integrated-livelihood systems (box 3.7)

BOX 3.7

The second green revolution—technology for sustainable development on marginal lands

The technological force behind the reduction of rural poverty has been the development of high-yielding varieties now widely used in developing countries—on 74% of areas growing rice, 70% wheat and 57% maize. The varieties are especially widespread in China, India, South-East Asia and the Pacific and many parts of Latin America and the Caribbean where advances have been made in reducing rural poverty.

But the same technological breakthroughs have not occurred for crops like sorghum, millet and cassava—the staple crops grown by poor farmers, consumed by poor people and grown on less productive marginal lands. Investments are needed to develop the technology for the poor farmer's green revolution.

Yields for these crops have grown only slowly in contrast to the dramatic rise for wheat, rice and maize (box figure 3.7). This is part of the story of lagging agricultural production and rural poverty in Africa, where increases in production and yields have been slowing and falling behind population growth.

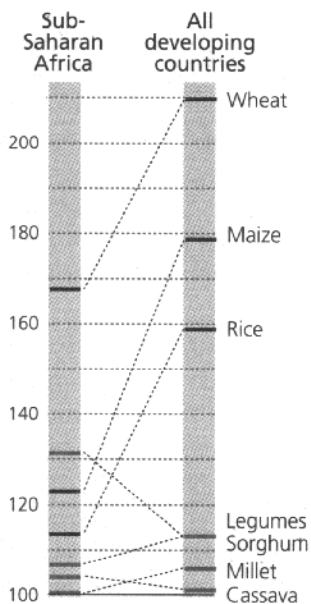
The second green revolution—for poor farmers on marginal lands—should not be a copy of the first. It should aim at environmental sustainability, low-cost inputs and higher returns for small-scale holdings—and at minimizing risk for poor farmers. It should focus less on crops and more on systems, on finding ways to diversify production and use the range of natural resources available. It should focus on tree crops, agroforestry and mixed livestock, pasture and crops. The revolution must learn from indigenous systems developed over centuries that have enabled people to survive in the most hostile and fragile environments. It must also consolidate the community's capacity for collective action and bolster social capital.

Source: Broca and Ohram 1991 and Lipton 1996a.

BOX FIGURE 3.7

Poor people's food crops have benefited little from advances in technology

Yields in 1990–94 indexed to 1970–74
1970–74=100



Source: CGIAR 1996.

A serious obstacle to poverty reduction is the inadequate effort made so far to develop technologies for marginal lands—only a quarter of international agricultural research resources have been devoted to marginal lands. Researchers are attracted to more profitable activities, especially biotechnology for industrial countries. Higher priority is also required at the national level. All countries that had technological breakthroughs had well-functioning national research systems that emphasized major food staples. Sri Lanka in 1966–83 successfully directed research to small farmers and lagging zones. In Africa the parlous state of agricultural research is a serious obstacle to poverty-reducing growth.

Changing demographic structures

One of the most dramatic changes of the 20th century in developing countries, the demographic transition—from high birth and death rates to low birth and death rates—brings rapid increases in population size and density. It also changes the age structure of the population and of families. And in the process it can either help or handicap the escape from poverty.

Early in the transition—with many more children than adults and rapid population growth—the demographic structure handicaps poverty reduction. It weakens the potential for savings. It reduces the resources for improving health and education. And it puts pressure on natural resources. It also weakens women's health, equality and autonomy—because women end up with reduced options for education and income-earning work.

The situation reverses later in the transition, when the age structure is less heavily weighted towards the very young. Adults with fewer or older children can save more, pay more taxes and have more time for productive activities—and improve their health and skills.

A large and dense population can also contribute to poverty reduction. Some areas in Sub-Saharan Africa suffer from low population densities that make it very expensive per capita to provide infrastructure and services. A larger and more concentrated population can increase demand and generate trade. More important, it stimulates creativity and innovation—and speeds improvements in access to basic services.

Countries in the later stages of the transition have succeeded most in bringing down mass poverty—the greatest number of them in East Asia and South-East Asia and the Pacific, and in South Asia and Latin America and the Caribbean. Fertility rates remain high in Sub-Saharan Africa, the Arab States and South Asia (figure 3.4). Differences between rich and poor groups are similar across countries. Brazil's average annual population growth rate was 2.6% during 1955–95—though 1.6% for the half initially richer and 3.2% for the half initially poorer.

Why do poor parents see large families as advantageous or even necessary for survival? The need for children to support parents in old age and the security that comes from having many children when many die in childhood are well known. Less well understood is the need for more children in households that face demands on time just for survival.

Children in the poorest families are often out of school and working from a very young age, as young as five. They do the work that their mothers lack the time to perform. In rural areas where environmental degradation adds to the time needed to fetch water and fuel, a solution for already overworked women is to have more children. In dry seasons women spend up to five hours a day on these tasks in Africa and India. Women are already time-poor, and having more children, especially girls, can ease the load.

Under these circumstances, having many children builds assets and reduces vulnerability. Thus it is a rational coping strategy in the face of acute time shortage. It secures survival even if it means reducing opportunities for education and savings—two key means for households to work their way out of poverty. High fertility is thus a brake on escape from poverty in the long term and a coping strategy for building assets for the poor family in the short term.

Accelerating the demographic transition will help speed poverty reduction, especially in much of Sub-Saharan Africa, South Asia and the Arab States, where fertility rates among younger women continue to be high.

Accelerating the transition means creating conditions that encourage parents to have fewer children. Better health conditions mean more children survive. Expanding employment opportunities encourage parents to invest in the education of each child.

Even more important is to relieve the constraints on women's time and promote a greater role for them in household decision-making—and to educate girls, the single most important factor associated with lower fertility.

Failures of economic growth

Economic growth can be a powerful means to eradicate poverty. It can raise the productivity and incomes of poor people, expanding opportunities and choices in a variety of ways. Sustained national GDP growth, combined with rising wages and productivity, was an important part of the historic ascent from poverty, in the industrial countries—and in the past 30 years in such countries as China, Indonesia and Malaysia, which have dramatically reduced poverty in income and other critical dimensions.

But these successes contrast with present realities. In too many countries growth has failed to reduce poverty, either because growth has been too slow or stagnant or because its quality and structure have been insufficiently pro-poor.

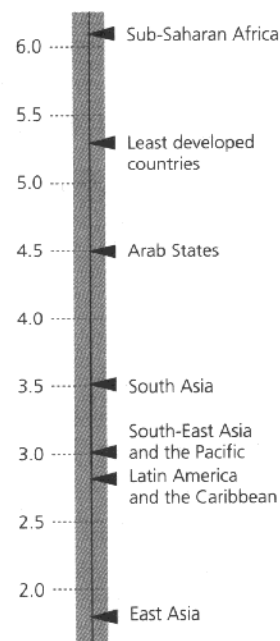
And there is controversy about the importance of economic growth to poverty reduction. Growth optimists point out that poverty usually declines more quickly in faster-growing countries and that most of the poor gain almost everywhere during periods of rapid growth. Growth pessimists point to the damage that adjustments that facilitate growth can cause, particularly to the disruptions that harm the poor—including shifts in employment patterns, changing prices and environmental pollution.

In fact, both optimists and pessimists have a case. Economic growth does contribute to poverty reduction, but there are still losers from the adjustments that growth requires. And economic growth explains only about half of poverty reduction. The rest depends on good policy to harness the growth for poverty reduction.

Having no economic growth is almost entirely bad for poor people. Without economic growth, it is almost never possible to reduce income poverty, and even advances against other aspects of human poverty, such as illiteracy or child mortality, cannot be sustained without economic growth (box 3.8).

The war between growth optimists and pessimists is both phony and counterproductive. It detracts attention from the much more important issues for poverty reduction:

FIGURE 3.4
Fertility rate by region, 1994
Total fertility rate



Source: UN 1996b.

The phony war between growth optimists and growth pessimists

Isn't economic growth, as many ask, bad for poor people? Growth pessimists emphasize how particular groups have become poor because of changes accompanying growth—shifts in employment patterns, environmental pollution, social dislocation and cultural destruction. Growth optimists emphasize how economic growth has boosted the incomes of poor families.

Both are right.

Growth typically helps poor families increase their incomes. Careful review of evidence on income distribution and poverty available for the first time in many countries shows that in most places and times, faster growth is associated with proportionate gains in income for all income groups, including the poorest. Correspondingly, during periods of economic decline, everyone loses. Moreover, as *Human Development Report 1996* showed, economic growth does not have to increase income inequalities.

But there is wide variation in how well growth reduces poverty—and some exceptions. A recent review of 95 time periods around the world shows that the income of the poor generally improved during periods of growth. But in some cases it worsened. And in two cases the income of the poor improved during periods of economic decline (box table 3.8.1).

Another analysis, looking at 59 nationwide household surveys, shows wide variation in the incidence of income poverty for countries with similar levels of income (box table 3.8.2). International variation in average private consumption is associated with 50% of the variation in the incidence of poverty. With average income of \$114–\$130 a month, the predicted incidence of poverty would be 6–7%. But six countries with this level of income

had an incidence of poverty ranging from 2% to 26%.

Even if growth helps the vast majority of poor people, some become worse off. Growth inevitably induces changes and adjustments that harm the poor—reductions in government employment, social services and expenditures. In some countries even efficient market-led growth—such as technical progress or trade expansion—reduces demand for unskilled workers. In South Asia people with little education but specific skills in craft production are sidelined by technical progress. In these dislocations it is often the less educated, adaptable and mobile who lose—but also those who have less political and social clout, especially women.

Even less automatic are the links between economic growth and reduction in other aspects of human poverty—such as illiteracy, a short life span, ill health, lack of personal security.

Distribution, government policies and public provision hugely affect the translation of a given level of consumption—and probably its growth—into poverty reduction.

BOX TABLE 3.8.2
Growth explains only part of poverty reduction

Countries with average private consumption of \$114–\$130 a month

Country	Population below the \$1-a-day poverty line (%)
	1989–93
Panama	26
South Africa	24
Mexico	15
Bolivia	7
Turkmenistan	5
Lithuania	2

Source: Lipton 1996d and UNDP 1997.

BOX TABLE 3.8.1

Economic growth normally helps people escape from consumption poverty but neither worsens nor helps equality

Indicator	Periods of growth (88)		Periods of decline (7)	
	Improved	Worsened	Improved	Worsened
Inequality	45	43	2	5
Income of the poor	77	11	2	5

Source: Deininger and Squire 1996.

- How to accelerate growth.
- How to forge a pattern of growth that promotes poverty reduction—pro-poor growth.

The need to accelerate growth

A serious obstacle to reducing mass absolute poverty in recent decades has been economic stagnation and decline. While Asia achieved poverty reduction with high growth, in other regions both growth and poverty reduction have been slow or negative. In 97 of 166 countries, per capita incomes in 1994 were lower than the peaks before 1990—in 37 of them before 1970.

How much does growth need to be raised to make substantial inroads into income poverty? A recent study estimates that a 20% drop in the proportion of people living on less than \$1 a day requires about a 10% increase in mean income. This implies that per capita GDP growth of 3% a year would be needed to halve the incidence of poverty in a decade.

The 3% rate is far higher than the growth rates in countries with mass poverty, except in East Asia, where per capita growth was 12.4% in 1990–94, and South-East Asia and the Pacific, where it was 5.1%. Per capita growth was negative in Sub-Saharan Africa (–2.4%) and the Arab States (–4.5%) and very low in Latin America and the Caribbean (1.3%).

After the “lost decade” of the 1980s, the 1990s are thought to be a decade of recovery. But the recovery has been slow, reaching too few countries. Thirty countries had a growth rate averaging 3% per capita or more over 1990–94. And projections to 1997 show the number falling to 24 countries, 14 of them in Asia (table 3.1).

To halve poverty in even 20 years would still require a dramatic acceleration in economic growth beyond current rates. In Sub-Saharan Africa, for example, annual per capita growth would have to be 1.4%, compared with the –2.4% in 1990–94.

Promoting pro-poor growth

Economic growth, though essential for poverty reduction, is not enough. Growth

must be pro-poor, expanding the opportunities and life choices of poor people. Economic growth contributes most to poverty reduction when it expands the employment, productivity and wages of poor people—and when public resources are spent to promote human development. *Human Development Report 1996* showed how a virtuous cycle of economic growth and human development takes over when the pattern of growth is labour-using and employment-generating—and when there are rapid improvements in human skills and health. In fact, reducing poverty can be good for growth (box 3.9).

Another important condition is initial equality. Income poverty is reduced more quickly where equality is greater. Recent studies have estimated that annual per capita GDP growth of 10% would reduce the incidence of income poverty by 30% in relatively egalitarian societies, with a Gini coefficient of 0.25, and by only 10% in less equal societies, with a Gini coefficient of 0.50.

Growth does not help poverty reduction when big chunks of GDP go out of the country in public spending that neither advances human development nor benefits the poor—such as to pay international debt or purchase weapons.

How effectively economic growth is channelled to improving the incomes of the poorest can be seen by comparing the growth of average per capita income with

the growth of the incomes of the poorest 20%. In Brazil in 1971–89, real GNP per capita grew by 3.1% annually, but the income of the poorest 20% grew by only 0.8%. In 1968–88 in the United Kingdom, GNP per capita grew by 2.2%—the income of the poorest 20% by only 0.3%. Sweden also had 2.2% growth in that period, but the income of the poorest 20% grew by 6.3% (figure 3.5). No wonder income poverty in the United Kingdom rose from 9% to 15% during the 1980s.

Comparisons of per capita GDP with the incidence of poverty—as measured both by the headcount index of income poverty and by the HPI—also show how well countries have translated economic growth into poverty eradication. At similar GDP per capita levels, Honduras has almost three times the proportion of people in income poverty (below the \$1-a-day PPP cut-off line) as Indonesia, Ecuador four times as much as Colombia, and South Africa five times as much as Malaysia.

Some countries have used GDP growth much more effectively than others to reduce human poverty. In Namibia human poverty affects four times the proportion of people (45%) as in Jordan (11%), though GDP per capita in the two countries is

Growth does not help poverty reduction when big chunks of GDP go out of the country

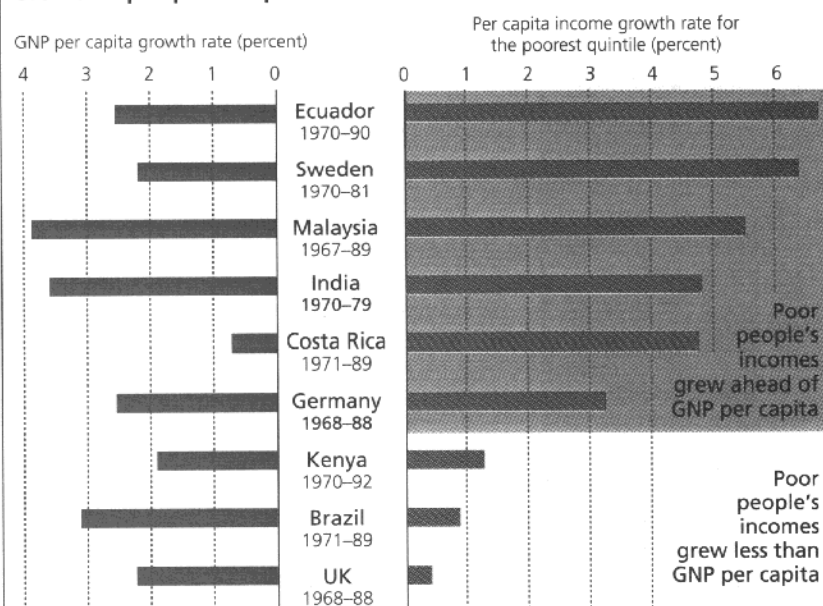
TABLE 3.1
Countries with per capita GDP growth of 3% or more

Region	Number of countries		Regional per capita growth (%)
	1990–94	1995–97	
East Asia	3	3	12.4
South-East Asia and the Pacific	8	7	5.1
South Asia	4	4	2.1
Latin America and the Caribbean	7	2	1.3
Sub-Saharan Africa	5	5	–2.4
Arab States	2	2	–4.5
Developing countries	30	24	4.5
Eastern Europe and the CIS	0	5	–9.1

Source: Human Development Report Office.

FIGURE 3.5

Growth—pro-poor or pro-rich?



Source: Human Development Report Office.

about the same. Similar contrasts abound. Cambodia and Sierra Leone have human poverty twice as widespread as that in Viet Nam, though all three countries have per capita incomes that are among the lowest in the world (figure 3.6).

Similarly, among countries with incomes of around \$2,500–\$3,000, Bolivia, China and the Philippines reduced human poverty to less than 20%, while in the Lao People's Democratic Republic and Papua New Guinea the HPI is more than 30%.

These comparisons need to be viewed in historical perspective. The HPI need not be read as a reflection of poor government commitment today. Namibia's high HPI, indicating more widespread poverty than in countries with similar levels of human development, reflects the legacies of its pre-independence past.

Another way of seeing how growth affects poverty is to consider the growth elasticity of poverty reduction. The higher the elasticity, the better—the more each percentage point of growth will reduce poverty. Countries in Sub-Saharan Africa and Latin America and the Caribbean have some of the lowest elasticities—0.2 in Zambia, 0.8 in Senegal and elsewhere, 0.7

in Guatemala and Honduras and 0.9 in Brazil and Panama. At the other end of the scale is East Asia, where the elasticities tend to be well above 2—for Indonesia 2.8, for Malaysia 3.4 and for rural China 3.0. Poverty reduction in East Asia benefited from fast growth and from pro-poor growth. Of 11 countries in Asia with data, 9 had elasticities of 2 or higher. Of 15 countries in Sub-Saharan Africa, only one had an elasticity above 1. Among countries of Latin America and the Caribbean the record is mixed, with elasticities ranging from less than 1 to 5.

Economic growth has brought big gains in poverty reduction in Indonesia, the Republic of Korea and Malaysia since the 1970s. Their growth strategies expanded economic opportunities for poor people, with relatively equitable distribution of financial and physical capital, including land. And the resources generated by economic growth were heavily channelled into human development, especially into improving health, education and skills.

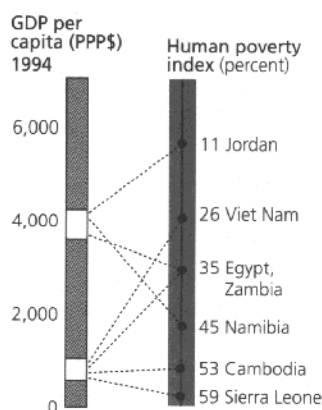
In China policy shifts in 1978 favouring small-scale agriculture drove the acceleration of both growth and poverty reduction. But in the late 1980s policies shifted to favour industry, and poverty reduction began to lag and inequality to increase. To redress this situation China introduced an aggressive antipoverty programme, again emphasizing rural development (see pages 49–50).

The key elements of a pro-poor growth strategy naturally depend on the situation in a country. But everywhere, an essential precondition is to make poverty eradication a priority objective of the national development strategy. Malaysia demonstrates the success that can be achieved by integrating poverty as a major consideration in sectoral and national development strategies—and by setting targets for reducing the number of people living below a nationally defined poverty line (box 3.10). Other important priorities for most developing countries include:

- Raising the productivity of small-scale agriculture.
- Promoting microenterprises and the informal sector.
- Emphasizing labour-intensive industrialization to expand opportunities.

FIGURE 3.6

Similar incomes, different progress in reducing human poverty



Source: Lipton 1996d.

BOX 3.9

Growth and poverty—which way round?

Increases in GDP seem to be connected to reductions in poverty. Growth in real consumption, or GDP per person, is statistically associated with about 33–50% of the variance in the incidence and intensity of poverty. And in more than 85% of cases where there are data for changes in both growth and poverty over a period, one goes up while the other goes down.

This is usually taken to mean that growth is good for poverty reduction, but it explains only about half of it. Correlation is not causation, however, and there is no indication about which way the causation might work.

Might it be that poverty reduction causes growth? There are certainly reasons for it to do so:

- *Poverty makes people risk-averse.* Poverty reduction makes them more prepared to take the entrepreneurial risks necessary for growth.

Source: Lipton 1996c.

- *Poverty makes people immobile.* Poverty reduction gives them more resources to move, look for jobs or wait for more appropriate jobs.

- *Poverty is an obstacle to improving the health and education of children.* Poverty reduction improves human productivity overall, but it also means that future investments in health and education are more evenly spread among those who can make best use of them—rather than being concentrated in the small group that can afford to pay for them.

Any evidence? Recent work certainly suggests the value of greater equality for growth. A number of studies show that the equality-growth pathway works partly through better schooling and more equal distribution of assets, particularly land. Equality is not the same as low poverty, but the evidence is highly suggestive.

- Accelerating the expansion of human capabilities.
- Establishing a pro-poor economic policy framework.

Raising the productivity of small-scale agriculture. The majority of poor people—about three-quarters in most developing countries—depend on agriculture for their livelihoods, either as smallholders or as labourers. Growth in smallholder agricultural productivity was a major factor in poverty reduction in China in 1978–85, in Indonesia and Malaysia in 1970–80 and in Japan, the Republic of Korea and Taiwan (province of China) in the 1950s and 1960s.

Improving the productivity of small-scale agriculture does more than benefit the farmers. It also creates employment on the farm and off—and reduces food prices. The poor benefit most because around 70% of their consumption is food, mostly staples—and regular supplies and stable prices create food security.

Growth that has neglected agriculture has done little for the poor. In Brazil the rapid growth of the 1950s and early 1960s emphasized capital-intensive industrialization, bringing few benefits to the poor. During the same period in India, states with fast industrial growth saw little change in either rural or urban poverty—those with fast services growth did better, and those with fast agricultural growth did best of all.

Some critical policy conditions for this small-farmer strategy: technological progress, good price policies and access to land.

The green revolution helped millions of small farmers and urban food buyers escape poverty. But these breakthroughs were for wheat, rice and maize grown in fairly good farming conditions. Much less progress has been made for “poor farmer crops”, such as millet, sorghum and cassava, and “poor farmer conditions”, where rainfall is low and uncertain, the soil salty or poorly drained (see box 3.7).

Prices are too often biased against agriculture. The most common problem is an overvalued exchange rate, which reduces the cost of capital imports and biases agriculture towards capital-intensive technologies that use little labour. Another problem for agriculture is export taxes. The solution

is not to subsidize agriculture, since the subsidies would be pocketed by richer farmers. Better to free markets and remove their biases against the poor.

BOX 3.10

Malaysia mainstreams poverty reduction

In 1970 about 60% of the Malaysian population was reckoned to be living below the income poverty line. This fell to 21% by 1985 and to 14% in 1993, and the target is 7% for 2000. Malaysia has mainstreamed poverty reduction as an explicit objective of its national development strategy.

The initial stimulus for this strategy came from tragic but fortunately short-lived ethnic riots in 1969 combined with election results that dramatically reduced the strength of the ruling coalition. These events made clear the inadequacy of the *laissez faire*, trickle-down development strategy that had been followed since independence and that had widened income differences even while achieving 6% growth in the 1960s.

In 1971 the government introduced a new economic policy combining clear goals for growth with equity, active government participation in the economy and “consistent pragmatism” in macro-economic policy. Although viewed at the time with apprehension by some pro-market economists (including the Harvard advisory team), the new strategy both accelerated economic growth and reduced inequality. Growth reached an average rate of 6.7% in 1971–90, while the Gini coefficient fell from 0.513 to 0.445. The income share of the poorest 40% of the population rose from 11.5% to 13.8%. Key parts of the strategy:

Industrialization and export diversification. Between 1970 and 1994 the share of manufactures in exports grew from 12% to 77%, and industrial production rose from 14% to 32% of total production while agriculture fell from 29% to 15%.

Rural development. Special efforts were made to increase rural productivity through innovative programmes, including resettlement of the landless, rehabilitation and consolidation of land, downstream processing of farm goods and industrial and vocational training for rural manpower and

Source: Malaysia Economic Planning Unit 1994.

youths to enable and encourage them to become employed in non-farm occupations.

Employment-led urban development. The urban strategy focused on expanding opportunities for self-employment in the informal sector. It also supported labour-intensive public works to alleviate high youth unemployment. And it provided tax exemptions for foreign and domestic companies employing more than 50 workers. Employment more than doubled, and the unemployment rate fell from 8% in 1970 to less than 3% in 1994.

Partnership between the private sector and the state. The 1980s brought some policy shifts assigning the private sector the role of engine of growth. Malaysia patterned its policy on the Japanese model, building and sustaining a close working relationship between the public and private sectors to attract foreign direct investment.

In 1988 attention turned to the needs of the poorest of the poor, with the Development Programme for the Hard-Core Poor. The hard-core poor include many Malaysians in rural areas, the Orang Asli in peninsular Malaysia and some of the indigenous people in Sabah and Sarawak.

The programme focuses on increasing employability and incomes, improving housing, ensuring food supplements for children, and providing educational assistance and interest-free loans to purchase shares in a unit trust. Hard-core poverty (less than half the official poverty line) fell to 7% in 1983 and to 3% in 1993 and is set to be virtually eradicated by 2000.

Vision 2020, a long-term perspective adopted in 1990, sees Malaysia becoming a caring society, economically just, dynamic and robust. The eradication of poverty is thus underlined with an important and explicit focus on values (religious, spiritual, moral, ethical and democratic) in the Malaysian concept of development.

It may also be necessary to manage food stocks and prices in favour of the poor, particularly when harvests are bad. India responded to the drought of 1987–88 with relief works offering employment and food. But it failed to respond similarly in 1992–93, and food prices rose significantly—hurting the urban poor and the rural poor who were net buyers of food.

One of the keys to well-distributed growth is well-distributed land. Asian economies have shown this, though they have achieved equitable distribution in different ways. Indonesia started with relatively equal land distribution, though it has also relocated people from crowded Java to relieve population pressure. Malaysia too has settled hundreds of thousands of poor farmers on new plantations—at great cost. Japan, the Republic of Korea and Taiwan (province of China) all based their development on more formal programmes of land reform. And China first created large communes and later, in 1978–84, converted the commune land to family farms.

For India land reform has been less of a priority—perhaps because most of the rural poor have access to some land. Nevertheless, distribution is very unequal, and only a couple of states have made progress in redistributing land.

Promoting microenterprises and the informal sector. If not on agriculture, most poor people in developing countries depend for their incomes on the informal sector—typically microenterprises in services, manufacturing and trading, in both rural and urban areas. People all over the world have shown their creativity and energy in exploiting market opportunities in the informal sector. But rarely do governments create an environment favourable to microenterprises. Rarely do they provide access to financial credit and savings mechanisms. Rarely, security of housing rights. And rarely, improved infrastructure, especially for water, energy and roads. All are ingredients critical to successful microenterprise.

Microenterprises are the incubators for industrialization. East Asian economies reduced poverty through agricultural intensification first, then through labour-intensive industrial development.

These countries followed Japan in having poverty reduction follow employment-creating growth. Even in this highly industrialized country, by far the majority of the workers outside agriculture—80% in the 1950s and 50% today—are either self-employed or work in small and medium-size industries employing fewer than 100 people. Deliberate government policies to improve the productivity of these small firms had a big part in the pro-poor economic growth of the 1970s. A critical factor is equitable access to low-cost institutional credit (box 3.11).

Emphasizing labour-intensive industrialization. How much economic growth expands the employment opportunities of people depends on its pattern and structure. As *Human Development Report 1996* showed, economic growth can expand opportunities rapidly but can also be “jobless”. Focusing growth strategies on labour-intensive activities—textiles, clothing, electronics—and intensifying small-scale agriculture were important to the success of East Asian economies in achieving high growth, full employment and rising wages.

Elsewhere, industrialization has brought fewer benefits for the poor. Brazil, India and Mexico have industrialized without substantially reducing poverty—mainly because

BOX 3.11

Beyond microcredit to credit reform and a pro-poor financial sector

Providing credit through specialized microcredit institutions targeting poor families is one way to achieve more equitable access to financial services.

A well-known example of such institutions is the Grameen Bank in Bangladesh, now providing credit to more than 2 million people, mostly women, with a default rate of only 2–3%.

Japan established specialized credit schemes and institutions in the 1950s and 1960s, such as the People's Finance Corporation, the Small Business Finance Corporation and the credit guarantee scheme. Since the mid-1970s a financial market organized by private banks has gradually developed for small and medium-size enterprises. They now

account for about 70% of the lending of city banks in Japan.

A second way is to facilitate savings. The introduction of the postal savings system in Japan, and then in the Republic of Korea, Malaysia and Singapore, gave many poor people the access to finance and services they needed to seize market opportunities.

A third way is to free up financial markets. Excessive regulation can result in an antipoor bias by increasing transaction costs and reinforcing the tendency towards a few large loans rather than many small loans.

A fourth solution is to link commercial financial markets and microfinance institutions.

Source: Genda 1997 and von Pischke 1996.

they distorted prices, interest rates and exchange rates to favour capital-intensive investment. Reinforcing this tendency were labour laws and policies favouring workers fortunate enough to have jobs in the formal sector. These workers have enjoyed considerable job security and above-market wage rates. Unwilling to extend these expensive privileges to others, employers have avoided taking on more staff, investing instead in labour-saving technology.

Accelerating the expansion of human capabilities. Not only ends for reducing human poverty, rapid improvements in human capabilities and economic growth can be mutually reinforcing. When a good share of the resources generated by economic growth are channeled to human development, and when the pattern of economic growth generates demand for increasing skills, a virtuous spiral of growth and human development, of reduction in income poverty and human poverty, results. As *Human Development Report 1996* showed, Indonesia, the Republic of Korea and Malaysia all followed this model. Countries that invested less in human development, such as Egypt and Pakistan, are left with a large backlog of human poverty.

Establishing a pro-poor economic policy framework. Rather than tack antipoverty measures on as a palliative afterthought, countries need to make poverty eradication an explicit objective of economic policy. All countries share a desire to maintain a stable macroeconomic environment—low inflation, low deficits in national budgets and the balance of payments—and to ensure an economic structure that keeps them competitive in the world economy. And most countries have been facing the need to adjust—by changing their patterns of public spending, investment and output—to achieve these objectives in a changing global environment.

Is structural adjustment with growth and poverty reduction possible? In the 1980s many developing countries tackled macroeconomic imbalances. A handful of countries did manage to adjust, improve macroeconomic balances, become more competitive in world markets and also achieve growth and poverty reduction—

including Chile, Colombia, Indonesia and to some extent Ghana. But many more did not manage to recover and grow for a protracted period—and are still struggling to restore steady economic growth.

Stabilization policies can contribute to the contraction of economic activity and can work against growth. In countries where the public sector is dominant, reducing public expenditures has a ripple effect. Many small contractors and suppliers for anything from road construction to paper go into debt as business dries up and as the government fails to pay. (The internal debt in many African countries is also significant.)

Freeing markets should expand the opportunities for entrepreneurs—but for many, especially the poorest, the market does not ensure equal access to the opportunities that the new policies should bring—or to the infrastructure needed to take advantage of the opportunities. In both Sub-Saharan Africa and the transition economies the responses to market incentives have been uneven.

New forms of adjustment are needed that promote both growth and poverty reduction. Adjustment through reallocation and growth rather than adjustment through contraction is one option to explore. This means maintaining investments in human, physical and natural resources but reallocating them to activities that respond to market opportunities.

The positive experiences of the past two decades show the potential for maintaining expansionary rather than recessionary policies, and the important role of high expenditures for human priority concerns—primary education and health, low-cost water supply and sanitation. Market-oriented reform in China, Indonesia and Viet Nam show that adjustment, poverty reduction and growth can go together (box 3.12).

Unemployment, welfare restructuring and social exclusion in industrial countries

Although poverty is considered eradicated or reduced to a minimum in industrial countries, they have been experiencing “new poverty” in recent years. The slow-

New forms of adjustment are needed that promote both growth and poverty reduction

Pro-poor structural adjustment

Poor people living in countries undertaking stabilization and structural adjustment since the 1980s have had widely contrasting experiences. Some countries—such as Colombia, Costa Rica, Indonesia, the Republic of Korea and Malaysia—managed to achieve not only stabilization but also growth combined with improvements in income and social indicators for the poor. But in such countries as Brazil, Tanzania and Zambia the number of poor people grew, inequalities between rich and poor groups were exacerbated, and poor people suffered a decline in access to critical social services—schools, water supplies and health centres. The policy lessons:

Adjustment with growth through expansionary macroeconomic policies. Likely to involve a more gradual process of reducing fiscal imbalances, this approach emphasizes promoting exports rather than cutting imports, and switching or restructuring investments. Ghana and Indonesia are positive examples of this approach, Mexico and Sierra Leone negative ones. External finance helps, including aid flows, private flows and debt concessions.

Pro-poor structural changes. Many countries that reduced poverty while adjusting promoted structural changes to increase the access of poor people to the opportunities of growth and development. Colombia, Costa Rica, Indonesia, Malaysia and Paraguay increased equality. But Chile, Côte d'Ivoire, Uruguay and

rural Thailand reduced income poverty but not inequality.

Pro-poor meso policies to protect expenditures on social services and physical infrastructure. Social services for the poor can improve rather than deteriorate during adjustment if budgets are balanced by raising revenue rather than cutting spending and allocations focus on priorities. In Ghana improved tax collection more than doubled revenues—from 5% of GDP in 1983 to 12% by 1990. Social spending could then be increased, and real per capita expenditure on education rose by 51% and that on health by 66%.

Avoid user charges except for the better off. User charges often deny access to basic services for the poor. While Colombia, Costa Rica, Indonesia and Malaysia did not resort to user charges, others did—and found that the poor suffered and revenue rose little. In Zimbabwe attendance at rural clinics fell by a quarter.

Emergency support policies. During economic decline and stabilization, emergency support can enable people to secure minimum living standards, prevent malnutrition and keep children in school, avoiding a downward spiral into chronic poverty. Successful policies include employment schemes such as AGETIP in Senegal, pensions for the incapacitated and the aged, nutrition interventions such as the targeted food subsidy scheme in Chile and drought relief as in Zimbabwe.

Source: Stewart 1995a.

down in economic growth in the 1980s is often blamed for this new poverty. But how economic growth affects poverty depends on the pattern of growth as much in these countries as it does in China or Mali. Mainstreaming poverty eradication as a priority goal of national economic policies is as relevant in industrial as in developing countries.

Many of the forces of globalization—the information revolution, the new pattern and scale of trade, financial deregulation—are transforming industrial economies, to the detriment of many of the poor. These forces are reshaping the labour market,

de-emphasizing unskilled, rigid and production-line employment and boosting growth in jobs that put a premium on education, skills, mobility and flexibility.

A key priority for pro-poor economic policy is to secure employment for all people. Unemployment is at a postwar high in many countries—in early 1997 even Germany had 12% unemployment—and growing in most OECD countries. In 1995 it ranged from 3% in Japan to 23% in Spain, affecting 36 million people. Most affected are women, ethnic minorities and the youth. Many young people have never held a job.

Unemployment contributes to social exclusion. Jobs and incomes are not just an economic necessity—they are a way of participating in community life. As the significance of family and community has faded, work has become the primary space for interacting with others and for establishing an identity.

A related problem is the growing poverty of many in work. With the labour market fragmented, jobs for the relatively unskilled have been available only at falling real wages. Real wages have been cut by making jobs part time, temporary, insecure—or just low paid. At the bottom of the labour market, low-paid jobs have grown—offering a wage income so far below the median that people with such jobs qualify for supplements. In all countries women are particularly affected (figure 3.7).

Among OECD countries the issues and responses vary in intensity and character. In the United States unemployment remains relatively low, and the problem is more one of low wages and the “working poor”. Social welfare programmes have been under attack, hitting children and the elderly particularly hard. Today a quarter of US children are in households below the poverty line. Indeed, in most industrial countries children are poor in disproportionate numbers. About half or more of the children in single-parent households are below the poverty line in Australia, Canada, the United Kingdom and the United States—but only 5% in Finland and 8% in Sweden.

Most of the policy responses to poverty in the industrial countries have focused on

upgrading labour, through better education or retraining, or offering employers subsidies to take on the long-term unemployed. Little is being done to increase the demand for labour through pro-poor growth policies.

Budgets in all countries are under immense pressure. Partly this is the price of failure: most countries are burdened by the high costs of unemployment payments. But it is also deliberate policy: governments, particularly those in the European Union aiming to meet the Maastricht criteria, have concentrated on keeping inflation low, reducing public debt and stabilizing exchange rates. The race to fulfil the criteria for a single currency has meant separate and damaging deflationary policy in each EU country. These policies all contribute to further impoverishment and are matters of public choice.

What needs to be done? Welfare provisions need to be rethought. But poverty reduction also needs to be mainstreamed into economic policies, as in poor countries. Four actions should be considered:

1. *Reaffirm the commitment to full employment.* Inflation is low everywhere—partly because of increased competition and globalization. In Europe the Maastricht Treaty should add to its convergence conditions full employment and growth. Low inflation, by itself, does not generate growth or full employment.

2. *Renew the commitment to a redistributive strategy to eliminate poverty in the rich countries.* The pressures of globalization make this even more imperative. To compete globally, the rich countries need a healthier, better-educated, more productive citizenry. Part of the strategy to reduce poverty should be a restructuring of taxation, to raise thresholds and free the low paid from income tax liability while raising the basic rate for the better paid, who have been receiving a disproportionately large share of recent income gains. A fairer tax system would command greater public support.

3. *Change the structure of taxes and benefits to encourage the unemployed to take a job.* This requires making some benefits depend not on the status of being unem-

ployed but on some other need-based criterion. Earned-income tax credits or other tax concessions for the working poor are a start. But the problem often lies with other benefits—rent subsidies, food stamps and the like, which depend on being unemployed or economically inactive.

4. *Upgrade the entitlements of the elderly, the single mother with small children, the long-term unemployed, the chronically sick—to take them out of poverty.* In the post-cold war era there can be a much greater reduction in defence and arms spending than has so far been achieved—permitting reallocations to eradicate poverty.

Integrating antipoverty measures in the policies of the transition economies

The dramatic fall in GDP in the transition economies of Eastern Europe and the CIS brought an equally dramatic rise in income poverty—from 4% in 1988 to 32% in 1994, from 14 million people to 119 million. The impact of economic decline has been much more widespread, disruptive and costly in people's lives than was expected. In these countries the search for pro-poor growth strategies is as relevant as in Brazil, Mozambique or the United Kingdom.

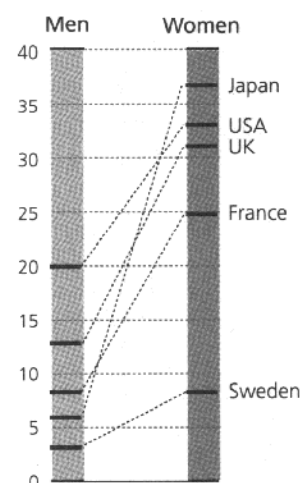
Just as pro-poor structural adjustment policies are needed, so are pro-poor transition policies. The main policies exacerbating poverty have been cuts in public spending on social services, reductions in welfare provision and removal of consumer subsidies.

The increasing poverty has affected all social classes. One important factor is unemployment, now in double digits in all countries. But falling wages are an even more important cause of poor incomes—in Russia 66% of people below the poverty line have jobs (figure 3.8). And even those low wages may be far in arrears. In Russia in 1993 and 1994, only 40% of workers were paid in full and on time.

Shrinking public budgets have hurt children, a result of cutbacks in family benefits, including maternity benefits, child care and preschool education. In Russia since 1992, the proportion of children under six who are below the poverty line has increased

FIGURE 3.7
Women are more likely to work in low-paid employment

Percentage of workers who are low paid, 1993–95



Source: OECD 1996d.

FIGURE 3.8
**Wages have declined drastically
in transition economies**



Source: Milanovic 1996.

from 40% to 62%, the incidence of chronic malnutrition from 9% to 14%. Even primary school enrolment is falling—by 3% in Estonia since 1989, 4% in Bulgaria and 12% in Georgia. In Russia life expectancy for men has fallen by 5 years to 58 years—the same as that in Bolivia and Lesotho, and lower than that in India.

But the transition has been especially costly for women. In employment priority is given to men, still seen as the primary bread winners. And the decline in family income and public services means that women have to take on the added burden of doing more work unpaid, leaving less time for their own needs and development. This change has been particularly difficult for single mothers, whose numbers are on the rise with more divorces, more deaths of middle-aged men and more births to unmarried mothers. In Poland in 1992, 67% of single mothers lived below the subsistence minimum.

Life has become more stressful as people are forced to adopt ever more desperate survival strategies. Kyrgyz women who previously gave food to neighbours and relatives in need now find it stressful to sell that food to survive. Such feelings are intensified by cultural values that see poverty as the result of personal failure—even in today's changed circumstances.

The transition to market economies was expected to cause disruption but not such disaster. The focus so far has been overwhelmingly on radical reform to stimulate economic growth, with little effort to construct new systems of welfare provision. The dismantled social welfare policies have not been replaced by the social safety nets needed in market economies.

Economic growth is beginning to revive in a few—but not all—transition economies. But economic growth alone will not solve their problems. The policies for transition need to be recentred on human development goals, and antipoverty measures that enable people to build up their assets must be incorporated from the outset.

A new strategy is required that strengthens the role of the state in the division of responsibilities among the state, the market and civil society. The state must take the lead in addressing labour market aspects of

poverty—creating jobs through retraining and public works, supporting small business, increasing labour mobility and changing housing policies. It also must focus more on social policies—reversing the erosion in access to basic social services, health and education and providing an effective safety net for those left behind. The state should address distributive aspects of the transition—the growing disparities among regions and between winners and losers, poor and non-poor.

The welfare system has to be adjusted to market rules, with targeted improvements. But the key issue is downsizing the universal system of social benefits and redistributing entitlements. So far, governments have proceeded on a piecemeal basis and under pressure from the losers—sectors and social groups. There has been little discussion of the concept of such changes or of the model to follow. Maintaining a basic level of universal benefits should be an important part of efforts to prevent the erosion of gains already achieved in human development in the region.

Socialism failed to eradicate poverty. And despite ideological claims to the contrary, it did not create the conditions for sustainable human development. The command economy restricted people's political and economic freedom. And inefficiency prevented the economy from generating enough resources to meet people's needs. But the fall of socialism eliminated the positive pressure to provide a safety net for those left behind. Now the poor need to organize politically to ensure that their interests are reflected in the new economic policy framework.

Towards an agenda for poverty eradication

With poverty constantly being created and re-created, its eradication requires vigilance. The priorities for developing countries:

- Restoring and accelerating economic growth, especially in Sub-Saharan Africa, the low-income countries in Latin America and the Caribbean and among the Arab States that are experiencing stagnation or decline, and the transition economies of Eastern Europe and the CIS.

- Promoting pro-poor growth to improve incomes and productivity in smallholder agriculture, especially in resource-poor areas, and in microenterprises in urban and rural areas.

- Reversing environmental degradation, especially on the marginal lands where more than 500 million poor people live.

- Stemming the spread of HIV/AIDS among poor people through multisectoral, people-centred programmes.

- Accelerating the demographic transition in countries where fertility rates are still high, especially in Sub-Saharan Africa, South Asia and the Arab States.

- Developing instruments to improve the processes for peace-building, conflict resolution and conflict prevention—as well as to help displaced persons.

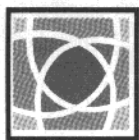
Strengthening the abilities of the poor to fight poverty—and build their assets—should underpin the strategy for poverty eradication. Besides the efforts of the poor themselves, this will require policy and institutional changes to:

- Ensure access of the poor to the critical economic assets of land, credit and housing.

- Ensure access of the poor to health services and education opportunities that can build their capabilities.

- Create a policy environment that promotes pro-poor growth.

Such a strategy requires a favourable global environment as well as political commitments and power shifts in every country—subjects explored in the next two chapters.



Globalization—poor nations, poor people

Poor countries and poor people too often find their interests neglected

A dominant economic theme of the 1990s, globalization encapsulates both a description and a prescription. The description is the widening and deepening of international flows of trade, finance and information in a single, integrated global market (box 4.1). The prescription is to liberalize national and global markets in the belief that free flows of trade, finance and information will produce the best outcome for growth and human welfare. All is presented with an air of inevitability and overwhelming conviction. Not since the heyday of free trade in the 19th century has economic theory elicited such widespread certainty.

The principles of free global markets are nevertheless applied selectively. If this were not so, the global market for unskilled labour would be as free as the market for industrial country exports or capital. Global negotiations are moving rapidly towards a free world market in foreign investment and services. But intervention in agriculture and textiles, an obstacle to developing countries, remains high. Lacking power, poor countries and poor people too often find their interests neglected and undermined.

Globalization has its winners and its losers. With the expansion of trade and foreign investment, developing countries have seen the gaps among themselves widen. Meanwhile, in many industrial countries unemployment has soared to levels not seen since the 1930s, and income inequality to levels not recorded since the last century.

A rising tide of wealth is supposed to lift all boats. But some are more seaworthy than others. The yachts and ocean liners are indeed rising in response to new opportunities, but the rafts and rowboats are taking on water—and some are sinking fast.

Inequality is not inherent in globalization. Because liberalization exposes domestic producers to volatile global markets and to capital flows that are large relative to the economy, it increases risks—but it also increases potential rewards. For poverty eradication the challenge is to identify policies that enable poor people to participate in markets on more equitable terms, nationally and globally.

Globalization has many aspects. This chapter focuses on its economic impact on poor nations and poor people.

Globalization and poor countries

For the world the benefits of liberalization should exceed the costs. During 1995–2001 the results of the Uruguay Round of the GATT (General Agreement on Tariffs and Trade) are expected to increase global income by an estimated \$212–\$510 billion—gains from greater efficiency and higher rates of return on capital, as well as from the expansion of trade.

The overall gains obscure a more complex balance sheet of winners and losers. Projected losses are heavily outweighed by the gains, but those losses will be concentrated in a group of countries that can least afford them—and for some the costs will be significant. The least developed countries stand to lose up to \$600 million a year, and Sub-Saharan Africa \$1.2 billion.

This scenario has disturbing implications for poverty and human welfare. Foreign exchange losses will translate into pressure on incomes, a diminishing ability to sustain imports and increased dependence on aid at a time when aid itself is under severe pressure. Revenue from trade will be lost, undermining the capacity of

governments to develop the economic and social infrastructure on which sustained reduction in human poverty depends.

Many poorer countries have seen little of the expansion in world trade. Although

developing countries' share of world population grew during 1970–91, their share of world trade scarcely changed. But among them, Asian countries saw their share of trade grow from 4.6% to 12.5%, while other

BOX 4.1

The shrinking world

Contacts between the world's people are widening and deepening as natural and artificial barriers fall. Huge declines in transport and communication costs have reduced natural barriers. Shipping is much cheaper: between 1920 and 1990 maritime transport costs fell by more than two-thirds. Between 1960 and 1990 operating costs per mile for the world's airlines fell by 60%.

Communication is also much easier and cheaper. Between 1940 and 1970 the cost of an international telephone call fell by more than 80%, and between 1970 and 1990 by 90%. In the 1980s telecommunication traffic was expanding by 20% a year. The Internet, the take-off point for the information superhighway, is now used by 50 million people, with the number of subscribers tapping into it doubling every year.

Toppling trade barriers

Artificial barriers have been eased with the reduction in trade barriers (tariffs, quotas and so on) and exchange controls. In 1947 the average tariff on manufactured imports was 47%; by 1980 it was only 6%, and with full implementation of the Uruguay Round, it should fall to 3%.

Other artificial barriers were removed with the resolution of political conflicts that have divided the world for decades, such as the cold war and the apartheid system in South Africa.

Spurred by the fall of barriers, global trade grew 12-fold in the postwar period. Now more than \$4 trillion a year, it is expected to grow 6% annually for the next 10 years.

The rising tide of finance

The expansion of capital flows has been even more dramatic. Flows of foreign direct investment in 1995 reached \$315 billion, nearly a sixfold increase over the level for 1981–85. Over the same period world trade increased by little more than half.

Less visible, but infinitely more powerful, are the world's financial markets. Between the mid-1970s and 1996 the daily

turnover in the world's foreign exchange markets increased from around \$1 billion to \$1.2 trillion. Most private capital flows went to industrial countries, but a growing share is going to developing countries. Between 1987 and 1994 the flows to developing countries rose from \$25 billion to \$172 billion, and in 1995 they received a third of the global foreign direct investment flows.

These changes are significant, but need to be placed in historical context. Much of this has happened before. For 17 industrial countries for which there are data, exports as a share of GDP in 1913 were 12.9%, not much below the 1993 level of 14.5%. And capital transfers as a share of industrial country GDP are still smaller than in the 1890s. Earlier eras of globalization also saw far greater movement of people around the world. Today immigration is more restricted.

The modern era of globalization is distinguished less by the scale of the flows than by their character. In trade, for example, a much smaller share by value consists of commodities (partly a reflection of lower prices relative to manufactures) and a larger share is services and intracompany trade. Finance too is different: net flows may be similar, but gross flows are larger—and the flows come from a wider variety of sources. And multinational corporations are leaders in mobilizing capital and generating technology.

Global technology . . .

Some of the changes in international trade and finance reflect advances in technology. The lightning speed of transactions means that countries and companies now must respond rapidly if they are not to be left behind.

Technological change is also affecting the nature of investment. Previously, high-technology production had been limited to rich countries with high wages. Today technology is more easily transferred to developing countries, where sophisticated production can be combined with relatively low wages.

The increasing ease with which technology can accompany capital across borders threatens to break the links between high productivity, high technology and high wages. For example, Mexico's worker productivity rose from a fifth to a third of the US level between 1989 and 1993, in part as a consequence of increased foreign investment and sophisticated technology geared towards production for the US market. But the average wage gap has narrowed far more slowly, with the Mexican wage still only a sixth of the US wage. The availability of higher levels of technology all over the world is putting pressure on the wages and employment of low-skilled workers.

. . . and a global culture

Normally, globalization refers to the international flow of trade and capital. But the international spread of cultures has been at least as important as the spread of economic processes. Today a global culture is emerging. Through many media—from music to movies to books—international ideas and values are being mixed with, and superimposed on, national identities. The spread of ideas through television and video has seen revolutionary developments. There now are more than 1.2 billion TV sets around the world. The United States exports more than 120,000 hours of television programming a year to Europe alone, and the global trade in programming is growing by more than 15% a year.

Popular culture exerts more powerful pressure than ever before. From Manila to Managua, Beirut to Beijing, in the East, West, North and South, styles in dress (jeans, hair-dos, t-shirts), sports, music, eating habits and social and cultural attitudes have become global trends. Even crimes—whether relating to drugs, abuse of women, embezzlement or corruption—transcend frontiers and have become similar everywhere. In so many ways, the world has shrunk.

Source: Berry Horton and Mazumdar 1997, *The Economist* 1996, Watkins 1995, World Commission on Culture and Development 1995, UNRISD 1995a, Watkins 1997 and World Bank 1995a and 1996b.

regions' shares declined. The least developed countries, with 10% of the world's people, have 0.3% of world trade—half their share two decades ago.

The imbalance is also evident in the ratio of trade to GDP (figure 4.1). For the world this ratio has been rising over the past decade, but for 44 developing countries with more than a billion people, it has been falling.

Many countries have also been bypassed by finance, with most foreign direct investment (FDI) going to the industrial "triad" of North America, Europe and Japan. Together with the eight Chinese coastal provinces and Beijing, these economies receive more than 90% of global FDI. The rest of the world, with more than 70% of the population, gets less than 10%, and for a third of developing countries the ratio of FDI to GDP has fallen over the past decade. Since investment flows are often tied up with transfers of technology, this means that huge regions of the world are being left out of technological advance.

Why are these flows so skewed? For several reasons—some the result of national policy failures, others the result of external forces.

Bad policy

Poor macroeconomic policy, particularly large fiscal deficits, creates instability that discourages investors. And when deficits are financed by external borrowing, this can overvalue the currency, again deterring foreign investors and exporters.

Governments also impede trade and investment more directly. Tariffs that over-protect local producers for long periods also keep out imports of capital and intermediate goods that could be used to increase productivity. And if producers are not exposed to international competition, they have less incentive to adopt the international standards of quality control and process efficiency vital for export competitiveness. Protection also discourages investment by multinationals, through the bureaucratic delays associated with it: complex systems of manufacturing demand the integration of output from different coun-

tries, and this requires prompt, reliable schedules. Governments can also impede incoming investment with policies that lack transparency or consistency, depriving investors of predictable and productive environments.

Neglecting investments in people also makes it difficult to expand exports and attract investors. Lacking basic skills, people cannot adapt to changing market conditions or shift to more sophisticated exports. And neglecting infrastructure, particularly transport and communications, reduces access to global opportunities. In Tanzania, as in many African countries, small-scale farmers have been constrained in responding to the higher prices resulting from liberalization by the lack of roads linking them to markets.

Bad terms

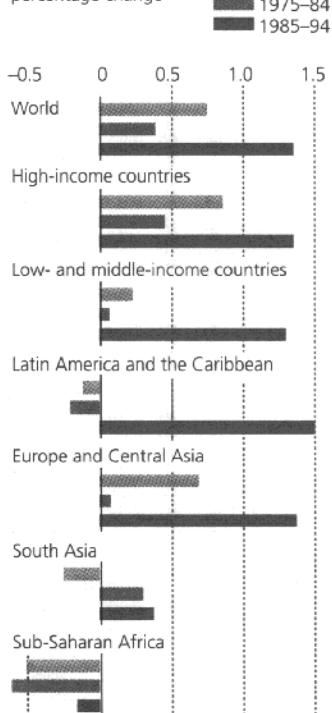
But not all the blame for limited benefits from globalization can be laid at the door of governments. Even when globalization reaches poor countries, it often arrives on very unfavourable terms. Since the early 1970s the least developed countries have suffered a cumulative decline of 50% in their terms of trade (figure 4.2). For developing countries as a group the cumulative terms-of-trade losses amounted to \$290 billion between 1980 and 1991. Much of this catastrophic fall was due to the decline in real commodity prices—in 1990 they were 45% lower than in 1980 and 10% lower than the lowest prices during the Great Depression, in 1932. But poor prices were not confined to commodities. Developing countries' terms of trade for manufactured goods also fell—by 35% during 1970–91.

Poor countries also suffer unfavourable terms in finance. With inferior credit ratings and the expectation of national currency depreciations, they paid interest rates that were in effect four times as high as those charged rich countries during the 1980s. In part as a result of these high interest rates, debt remains a millstone for many poor countries: Sub-Saharan African governments transfer to Northern creditors four times what they spend on the health of their people.

FIGURE 4.1

Changes in real trade-GDP ratios

Average annual percentage change



Source: World Bank 1996b.

Beyond the human cost, debt creates economic obstacles. For the poorest countries debt repayments typically soak up about a fifth of export earnings, seriously depleting their limited stock of foreign exchange and undermining their ability to engage in international trade on more equitable terms.

A positive development was the introduction in 1996 of the Highly Indebted Poor Countries Initiative, which aims at reducing the debt stock and sets a ceiling on debt service payments. Welcome as it is, it requires compliance with at least two International Monetary Fund (IMF) stabilization programmes, which may postpone debt relief for some of the poorest countries for up to six years—at considerable human and economic cost.

Besides unfavourable terms in trade and finance, the poor countries also suffer unfavourable terms in the flow of people. Even countries founded on immigration, such as Australia, Canada and the United States, are becoming much choosier about whom they will let in. They give preference to those who are highly skilled—a flow that continues to cause a brain drain from developing countries. And while increasingly restrictive in admitting refugees, they welcome those who arrive with large amounts of capital.

Bad rules

Poor countries often lose out because the rules of the game are biased against them—particularly those relating to international trade. The Uruguay Round hardly changed the picture. Developing countries, with three-quarters of the world's people, will get only a quarter to a third of the income gains generated—hardly an equitable distribution—and most of that will go to a few powerful exporters in Asia and Latin America.

The Uruguay Round left intact most of the protection for industry and agriculture in industrial countries, while ignoring issues of vital concern to poor countries—notably the problem of debt and the management of primary commodity markets.

- **Tariffs**—Goods from the industrial countries enjoyed much greater tariff

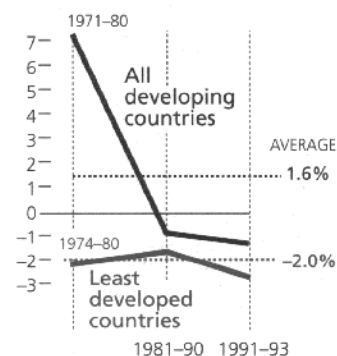
reductions in the Uruguay Round than those from developing countries—45% compared with 20–25%. While developing countries as a group now face tariffs 10% higher than the global average, the least developed countries face tariffs 30% higher—because tariffs remain high on the goods with greatest potential for the poorest countries, such as textiles, leather and agricultural commodities.

Another problem is tariff escalation—the practice of setting higher tariffs on processed goods than on raw materials. This locks developing countries into volatile primary commodity markets, where real prices are declining, and obstructs an obvious way for them to add value to their exports. For some commodities of special significance to developing countries—such as leather, oilseeds, textile fibres and beverages—tariffs will continue to be 8–26% higher on the final product than on the underlying raw materials.

- **Non-tariff barriers**—As successive GATT agreements reduced tariff barriers, industrial countries increasingly switched to non-tariff barriers—quotas, antidumping measures and “voluntary” export restraints. Before the Uruguay Round non-tariff barriers affected 18% of developing country exports, but this share should now fall to 5.5%. That said, the scope for evading the spirit, if not the letter, of the Uruguay Round agreements remains considerable.

Antidumping measures are aimed at exporters that sell below cost to drive competitors in the importing country out of business and then exploit their larger market shares, charging higher prices. Antidumping actions, and their accompanying penalties, are one of the most popular forms of protection. They more than doubled in number between 1989 and 1994, affecting a large share of exports to industrial countries. Antidumping cases brought by the European Union during the 1980s covered imports roughly equal in value to all its agricultural imports. The United States and the European Union have applied antidumping measures against a wide range of developing country exports—everything from steel to colour televisions to toys.

FIGURE 4.2
Declining terms of trade
Average annual rate of change



Source: Berry, Horton and Mazumdar 1997.

Rules about what justifies antidumping actions are vague. An OECD study found that in more than 90% of US and EU antidumping actions, the goods being imported posed little or no threat to national industries. The Uruguay Round has made the rules more uniform, but they retain some highly arbitrary criteria.

BOX 4.2

Level playing field?

Contrary to the post-Uruguay Round image of the world agricultural market as a level playing field, the major exporters, notably the European Union and the United States, have continued to subsidize production and exports. In 1995 the industrial countries spent \$182 billion on subsidies. As poor countries open their economies, they expose many poor agricultural producers to overwhelming and unfair competition from subsidized imports.

The problem is acutely illustrated by the Philippines. Under the 1994 agriculture agreement of the Uruguay Round, the Philippines is liberalizing imports of a wide range of agricultural commodities. For maize, among those most immediately affected, tariffs on imports will be halved over the next eight years and minimum import quantities expanded. So, depending on world price trends, maize imported from the United States could be available at prices 30% below current market prices by the end of the decade. Domestic farm-gate prices will decline to the import price.

What does this mean for producers in the Philippines? Maize is the second most important crop produced in the country after rice, involving around 1.2 million households. The main maize-producing area is the island of Mindanao, where many of the poorest households derive more than three-quarters of their income from maize sales. More than half the population lives below the poverty line, and a third of the children under five suffer from malnutrition. Any decline in household income could have disastrous effects.

According to Oxfam, the liberalization of maize imports could mean the loss of up to half a million livelihoods on Mindanao. Claims that, in the long run,

trade liberalization will increase average incomes need to be set against these human costs. Viewed from Mindanao, Keynes's observation that "in the long run we are all dead" carries rather more resonance.

Such facts suggest that whatever sway the concept of a level playing field in world agriculture may exercise over the imagination of free traders, it is conspicuous by its absence in the real world. The full extent of the unequal competition into which producers in the Philippines are being forced is graphically illustrated by another fact. According to the OECD, the per capita transfer to US farmers amounted to \$29,000 in 1995. In the main maize-producing areas of Mindanao and the Cagayan Valley, average per capita incomes amount to less than \$300. So each US farmer receives in subsidies roughly 100 times the income of a maize farmer in the Philippines.

In the real world, as distinct from the imaginary one inhabited by free traders, survival in agricultural markets depends less on comparative advantage than on comparative access to subsidies. Liberalizing local food markets in the face of such unequal competition is not a prescription for improving efficiency, but a recipe for the destruction of livelihoods on a massive scale.

Implementation of the Uruguay Round agriculture agreement over the next five years will not materially change this picture. No effective disciplines on export subsidization were agreed to in the Uruguay Round, allowing the United States and the European Union to continue past practices, though under slightly different rules. Agriculture remains the only area of international trade in which export dumping is accepted as a legitimate trade practice.

Source: Watkins 1997 and Oxfam International 1996c.

- *Textiles*—Textiles and clothing are relatively simple industries, and countries embarking on industrialization usually begin with them. They account for 24% of exports for Sub-Saharan Africa, 14% for Asia and 8% for Latin America and the Caribbean. For Bangladesh and Sri Lanka they account for half of all export earnings.

Countries exporting textiles and clothing are limited to specific quotas, above which high tariffs are applied. This systematic management of world trade in textiles and clothing started in 1961 with the Multi-Fibre Arrangement (MFA) and continued with its four successors.

Estimates of the foreign exchange losses that developing countries suffer as a result of MFA quotas on these exports range from \$4 billion to \$15 billion a year. The Uruguay Round agreement on textiles and clothing will phase out the MFA quotas and reduce tariffs over a 10-year period, but only to an average tariff of 12%—three times the average levied on industrial country imports.

The removal of quotas will benefit the more efficient, low-wage producers in China, Indonesia and Thailand. By contrast, Bangladesh, Nepal and Sri Lanka will lose. According to one estimate, Bangladesh could lose up to a fifth of its exports—one of its main weapons against poverty. Of the million or more workers in garment factories in Bangladesh, around 90% are women—poorly paid, but often providing the family's main source of income. They have little prospect of work elsewhere.

- *Agriculture*—Agricultural commodities have always had a special status in world trade, and industrial countries have resolutely subsidized agricultural exports. The United States and the European Union, which dominate world markets, give heavy subsidies to their farmers—equal to roughly half the value of agricultural output in these economies.

This subsidization in rich countries hits developing countries hard. First, it keeps world prices low, so they can get little for their commodities. Second, it excludes them from food markets in the rich countries. Third, it exposes their domestic food producers to dumping in the form of cheap

food imports, which reduces incentives for food production and thus undermines self-reliance and livelihoods (box 4.2).

Cheap food imports have positive short-term income benefits for food-deficit poor countries. They also help poor households, which spend much of their income on food. But many of the 88 countries categorized by FAO as low-income food-deficit countries are not in a position to sustain food imports. And purchasing food imports may not be the most productive use of one of their scarcest resources, their foreign exchange. Collectively, the 88 low-income food-deficit countries spend half their foreign exchange on food imports. Yet in many of these countries smallholder farmers are more than capable of feeding the population.

One estimate suggests that if industrial countries were to reduce agricultural subsidies and protection by just 30%, developing countries would earn an extra \$45 billion a year. The Uruguay Round agreement on agriculture requires only a 21% reduction in the volume of subsidized exports—and allows income support to farmers.

- *Intellectual property rights*—The Uruguay Round extended the life and enforced the protection of patents and other intellectual property rights—increasing the cost of technology transfers to developing countries. Early on, industrial countries exploited a fairly free flow of ideas and technology. In the 19th century the United States adapted and developed European technologies with little regard for patent rights. And after the Second World War Japan did much the same with US technology. Now those same countries are enforcing policies that will impose steep licensing charges on developing countries for using foreign technology. In a knowledge-intensive global economy access to technology on reasonable terms determines whether countries can take advantage of the opportunities that globalization offers.

Globalization is thus proceeding apace, but largely for the benefit of the more dynamic and powerful countries in the North and the South. The loss to developing countries from unequal access to trade, labour and finance was estimated by *Human Development Report 1992* at \$500

billion a year, 10 times what they receive annually in foreign assistance. Arguments that the benefits will necessarily trickle down to the poorest countries seem far-fetched.

Globalization and poor people

Even less certain than globalization's benefits for poor countries are its benefits for poor people within countries.

In developing countries

Pointing to China and India, together home to more than half a billion of the world's income-poor, many would argue that globalization has reduced poverty. In China globalization and poverty reduction seem to have gone hand in hand, and government policies strengthened the link (see pages 49–50 in chapter 2). The country is now the largest recipient of FDI in the developing world, and in the past 15 years has increased its exports more than tenfold. And it has reduced the share of its people in income poverty from a third to a tenth, while also making major improvements in health and education.

In India since the start of a gradual liberalization in 1991, FDI flows have doubled every year, and exports are up by more than 50%. Poverty has been reduced not just in income but also in health and education (see pages 51–52 in chapter 2).

Similar stories could be told for Bangladesh, Indonesia and Viet Nam—all liberalized their trade and investment regimes, and all have to some extent reduced poverty.

National policies have been crucial in establishing mutually reinforcing relationships for globalization-induced growth to improve human development and reduce poverty, in turn equipping countries to take advantage of global markets.

The Uruguay Round should push up world agricultural prices and benefit agriculture in general. Where landownership is not concentrated and production is labour intensive, as in some parts of Asia and much of Sub-Saharan Africa, the poorest producers should gain from better prices. But

Globalization is proceeding largely for the benefit of the dynamic and powerful countries

where land is monopolized by a small elite and used for highly mechanized production of cash crops for export, as in Latin America, ownership could concentrate still further and intensify rural poverty (box 4.3).

BOX 4.3

Winners and losers in Mexico

Since the mid-1980s Mexico has been a world pace-setter in pursuing policies conducive to globalization. It has deregulated financial markets, exposed agriculture and manufacturing to increased competition through the reduction of trade barriers and privatized public assets on a large scale—including most of the commercial banking system. By the early 1990s almost 90% of imports fell into liberalized categories. All this marked a profound departure from the highly regulated economy that Mexico had been until 1980. Indeed, in many respects, the shift has been as revolutionary as that in the formerly communist countries.

Liberalization and deregulation have led to widely divergent sets of opportunities and threats for different regions and socio-economic groups. For owners of capital, the privatization of state industries and the 1992 land reform allowing investors to purchase smallholder land have created new sources of wealth. In the midst of one of the worst economic crises the country has ever faced, the number of billionaires increased from 10 to 15. In 1996 their combined wealth was equal to 9% of Mexico's GDP. Large-scale commercial farms and private industries geared towards the North American market have also benefited. New jobs are being created in the northern states, which span the *maquiladora* zone and the commercial farming areas along the Pacific coast and in the irrigated valley of El Bajío. But these are not the states in which the social dislocation and loss of livelihoods are occurring on the largest scale.

The share of the population living in absolute poverty increased from 19% in 1984 to 24% in 1989. In urban areas the number of people living in absolute poverty then fell slightly until 1992. But in rural areas, where more than 80% of those in absolute poverty live, the number of poor people increased throughout the period, rising from 6.7 million to 8.8

million. While evidence for the period since 1992 is sparse, poverty levels have probably worsened since the 1994 financial collapse. More than one million Mexicans lost their jobs in the wake of the crisis.

Analysis suggests that Mexico will gain in net income terms as a result of specialization facilitated by the North American Free Trade Agreement. But behind this overall projection are the losers—mostly producers of maize, the country's staple food. Maize accounts for around half of Mexico's agricultural land area—and maize production plays a key part in rural livelihoods.

Most smallholders are net-deficit households, selling maize after the harvest and then performing wage labour to buy it after household supplies run out. The vast majority of Mexico's maize farmers operate on poor land with limited access to credit, inputs and equipment. In rain-fed areas yields average around a fifth of those in the US Midwest, with which Mexico's maize farmers will have to compete as trade restrictions are withdrawn.

According to one study, between 700,000 and 800,000 livelihoods will be lost as maize prices fall as a result of competition from cheaper imports. This will affect 15% of the economically active population in agriculture, with profound implications for rural poverty and regional inequality. More than 30% of the rural population lives below the income poverty line, and the poorest rural areas have significantly less access to water, electricity and housing. With real wages in rural labour markets declining and unemployment rising, off-farm employment is unlikely to compensate for income losses from maize. As a result, households will be forced into increasingly desperate survival strategies, including migrating to commercial farm areas, to urban centres and to the United States.

Source: Watkins 1997.

In the urban areas poor people will suffer if food prices rise, but they will gain from employment in new export industries. Those likely to benefit most are young women hired by multinationals. New employment opportunities increase their incomes and often their power in households. And they encourage poor households to educate daughters as well as sons—reducing gender gaps in the next generation.

Globalization has profound implications for states. Everywhere the imperative to liberalize has demanded a shrinking of state involvement in national life, producing a wave of privatizations of public enterprises and, generally, job cuts. And everywhere the opening of financial markets has limited governments' ability to run deficits—requiring them to slash health spending and food subsidies that benefit poor people.

It is difficult to establish the effects of globalization on poverty. Basic trade theory argues that poor people gain from trade liberalization. Developing countries have a comparative advantage in abundant, low-cost, unskilled labour. If they concentrate on goods whose production is simple and labour intensive, greater integration into global markets should increase their exports and output, raising the demand for unskilled labour and raising the incomes of the poor relative to those of the non-poor.

Moreover, countries move up the trade ladder, exporting more sophisticated products, leaving space on the ladder below for later-industrializing countries. All this helps reduce poverty. The countries on the higher rungs benefit most, but even those on the lower rungs should see poverty fall. And free trade should also help poor consumers—without trade protection, local prices should fall to world prices.

There should also be benefits for employment from a liberal financial regime. Removing restrictions on capital flows should attract more FDI, creating more jobs for the poor by integrating them into international systems of production.

But things don't always turn out this way. Liberalization has in some cases been accompanied by greater inequality, with a

falling share of income for the poorest 20%, as in several Latin American countries—Argentina, Chile, the Dominican Republic, Ecuador, Mexico and Uruguay. In 16 of 18 countries in Eastern Europe and the CIS income distribution has worsened and poverty has increased during liberalization. And China, with all its growth, has seen poverty reduction in the central and western regions lag behind that in the export-intensive coastal regions.

Why should liberalization, which in theory should narrow income gaps, leave the poor worse off? One explanation is that manufacturing tends to be dominated by large companies in the formal sector, where wages in any case are usually higher than in the small-scale or informal sector. If there are weak links from the formal to the small-scale or informal sector, globalization merely accentuates the disadvantage of informal sector workers. Another explanation is that liberalization makes it easier to bring in capital goods, increasing productivity but raising the demand for skilled rather than unskilled labour.

Globalization can also shift patterns of consumption. Luxury cars and soft drinks can rapidly become a part of daily life, heightening relative deprivation. The pattern can increase absolute poverty by undermining the production of goods on which poor people rely. A flood of imported wheat can shift consumption away from sorghum or cassava, making them scarcer in local markets.

Sweeping liberalization can also expose the poor to sudden shocks. Some bounce back as the economy improves; others are left trapped in poverty.

In industrial countries

In industrial countries the era of globalization has been characterized by an increase in overall income but also a rise in unemployment and inequality. In 1995, 34 million people were out of work in the OECD countries—7.5% of the workforce—and since 1979 unemployment in the European Union has more than doubled, to 11%.

What's to blame? Some say competition from cheap labour in the developing world.

But the role of developing country trade is probably exaggerated. Analysis shows that it explains at most 10% of the rise in wage inequality and manufacturing unemployment in industrial countries. Even if the net effect of developing country trade reduced the demand for low-skill labour in manufacturing by 10%, the effect would be small, since manufacturing typically accounts for less than a fifth of the demand for low-skill labour. Fiscal retrenchment and labour-saving technological change have had a much greater impact on unemployment and inequality.

The scale of developing country exports in industrial country markets is also often exaggerated. For OECD countries imports from developing countries account for only 3% of the market for manufactured goods. And the industrial countries still have a positive trade balance in manufactures with the developing countries—equal to more than 1% of GDP on average.

Moreover, the two countries most affected by developing country manufacturing, the United States and Canada, do not have the highest unemployment. Among OECD countries Canada has enjoyed the largest increase in manufacturing employment. So, the arguments blaming unemployment on imports need careful examination.

National policy in an era of globalization

How to open more opportunities for the poorest countries? How to ensure that the benefits of global integration are more equally shared? The immediate responsibility lies with national governments, perhaps powerless to steer world markets, but able to minimize the damage and maximize the opportunities. Policies for reducing poverty and empowering the poor can become part of a strategy for empowering nations in a globalizing world. Following are some key policy options for such a strategy.

1. *Manage trade and capital flows more carefully.* National governments can exercise more discretion when adopting policies of liberalization. A selective approach to the global market would follow the example of

Empowering the poor can be part of a strategy for empowering nations

most East Asian economies—with some time-bound, performance-related protection for potentially viable industries, some industrial intervention and some management of foreign direct investment (box 4.4).

2. *Invest in poor people.* Globalization adds extra urgency to this. The diffusion of new technology increases the payoff to higher levels of human capital and to more flexible sets of skills. Those without the necessary education will be left even further behind.

3. *Foster small enterprises.* One of the most important ways for globalization to reduce poverty is through the incubators of

microenterprises and small and medium-size firms—they are more labour-intensive than large firms and will provide the bulk of new jobs for the poor for some time. Subcontractors to larger enterprises and bridges between the informal and formal sectors, these firms increase competitiveness by reducing fixed costs and providing flexibility.

Such links have been forged effectively in Japan and in some of its Asian neighbours. But these links are much less common in Africa and Latin America—the legacy of protection that gave large firms few incentives to link up with smaller companies.

Small enterprises that can export should be supported in making this leap. Otherwise, production will continue to be dominated by larger and less labour-intensive firms. And small enterprises vulnerable to imports may merit temporary protection.

4. *Manage new technology.* Labour-saving technologies that are developed elsewhere and require advanced skills may be inappropriate in developing countries.

Though vital, technological change will always be a double-edged sword—and its relationship with poverty reduction is complicated and poorly understood. The benefits of investment in technology can be maximized if it is accompanied by strong policies to create human capital and foster small enterprises.

5. *Reduce poverty and provide safety nets.* Globalization redistributes opportunities and benefits in a way that can lead to rising inequality. Policies to reduce poverty and moderate income inequality can counter the disruption from globalization. Safety nets are needed to catch those hurt by the disruption and to help them move in a new direction.

6. *Improve governance.* Globalization usually weakens the state's influence—but in many ways it demands a stronger state, to help people reap its benefits and mitigate its costs. Better governance is vital not just to ensure the rule of law and protect against international organized crime, but also to maintain and expand social and economic infrastructure.

BOX 4.4

Global prospects, analytical suspects

Many governments increasingly see their role as not to regulate markets but to facilitate their relentless expansion. Among other things, this involves removing barriers to trade and exploiting the country's comparative advantage—which for many developing countries is cheap labour.

This strategy is based on a conviction that export growth will lead to overall economic growth—a belief supported by an array of empirical studies showing that exports and economic growth tend to go together. But do exports lead to growth, or is it the other way round? Nobody is really sure.

Regardless of the answer, there are two reasons for caution. The first danger is dropping trade barriers too soon, before local industry is sufficiently robust to withstand foreign competition. A surge in imports can harm small and medium-size manufacturing—on which many of the poor depend for employment. The record of East Asia shows that the normal prelude and complement to the creation of a successful export manufacturing sector is a period of protection for infant industries. Their comparative advantages were more often created than discovered.

The second danger is that, if developing countries collectively increase the supply of certain exports, they will drive global prices down. The benefits will go to the consumers of poor countries' exports, many of whom are better off than the producers.

Source: Berry, Horton and Mazumdar 1997.

Like trade, capital flows to poor countries also raise questions about whether there should be restrictions—beyond such obvious ones as those on foreign direct investment in environmentally damaging industries. Against much evidence of the potential benefits from capital inflows, there are some concerns. A new concept, the “tequila effect”, was created when billions of dollars flowed out of Mexico in December 1994—precipitating not just a national financial crisis but also a global one. In Latin America the two countries with the most successful recent growth performance—Chile and Colombia—both apply controls on capital. The capital account needs to be managed carefully to avoid currency overvaluation and exchange rate fluctuations—both of which harm small and medium-size exporters.

There are also concerns about the relationship of foreign and local capital. More efficient foreign producers may crowd out local entrepreneurs from more profitable activities and repatriate the proceeds rather than reinvest them locally. They may also monopolize the scarce supply of skilled labour, hurting national companies.

If, in addition, national governments go out of their way to attract foreign direct investment by offering to relax labour or health standards, that will hurt the poor and set off a “race to the bottom” that will lower standards worldwide.

Group solutions and concerted action

Many policies that governments wish to adopt are possible only in concert with others, such as through regional trading groups. These groups can increase trade, facilitate financial flows and enhance transport links. By forming such groups, poor countries could thus combine increased competition with economies of scale and a better division of labour—while retaining some protection from competition from more advanced countries. Such groups traditionally have a high failure rate, but some have recently found new energy—CARICOM (for the Caribbean) and ASEAN (for South-East Asia).

Even outside regional groups, developing countries, especially the poorer ones, will carry greater weight if they coordinate their actions and bargain as groups. Some such groups could exercise producer power over supplies, as OPEC countries did. Concerted action by commodity exporters could help stabilize commodity prices at levels that do not consign people to poverty. Exporter groups could establish buffer stocks, production quotas and stockpiles—financed by a tax on importers and exporters. A link could be established between such supply management and diversification of exports, with some of the gain in export revenue being used to finance diversification.

Developing countries sharing similar external indebtedness could coordinate negotiations of international solutions to the debt problem. Ironically, the more powerful creditors have insisted on a case-by-case approach, undercutting collective negotiation by debtors.

Bargaining that capitalizes on national power endowments could be a useful supplement to multilateralism for developing countries. To a large extent this was the strategy of Japan, Europe and the United States in the Uruguay Round. The main difficulty for the poor countries: they have less power than the rich.

International policy options

Are states becoming irrelevant? At one level they are being resisted by ethnic and other

groups pressing for greater autonomy and self-determination. At another they are being bypassed by multinational corporations that care little about local jurisdictions. They seem to have become too big for the small things, and too small for the big.

The big things pose enormous challenges for international governance—challenges related to the growing interdependence of countries and people as well as to the persistent impoverishment of much of the world. While the world has shrunk, the mechanisms for managing the system in a stable, sustainable way for the benefit of all have lagged behind. The accelerating process of globalization is expanding global opportunities without distributing them equitably. The playing fields of globalization more often than not slope against the interests of people and countries.

Pro-active national efforts are essential for translating globalization into poverty reduction. International efforts must share the responsibility for providing the much-needed public good of equity and social cohesion through cooperation in its widest sense. Globalization increases both the benefits from providing this international public good and the penalties from neglecting it.

Today's global integration is wiping away national borders and weakening national policies. A system of global policies is needed to make markets work for people, not people for markets.

To seize the opportunities of globalization, the poorest developing countries need:

1. *A more supportive macroeconomic policy environment for poverty eradication.* The world clearly needs much more effective macroeconomic policy management at the global level—with more stable sources of international liquidity, better surveillance, faster crisis response mechanisms and a larger multinational lender of last resort. Existing organizations serve these purposes inadequately. Indeed, by stressing the importance of controlling inflation and focusing on the need for reform in deficit countries, they often place the burden squarely on the shoulders of the poor—with a deflationary impact on the world economy.

States have become too big for the small things, and too small for the big

2. *A fairer institutional environment for global trade.* There is an urgent need to treat the products of developing countries on a par with those of industrial countries—and to accelerate the liberalization of markets of interest to poor countries, such as textiles, and institute a comprehensive ban on dumping agricultural exports.

In addition, concrete and substantive actions are required for the least developed countries, including:

- Eliminating tariff escalation for semi-processed tropical agricultural products and natural resources.
- Deepening tariff cuts and eliminating duties under preferential schemes.
- Exempting textile imports from small exporters from restrictions, regardless of whether the exporters are members of the World Trade Organization (WTO).
- Banning product-specific restrictions against exports from the least developed countries.

These options are considered in the Comprehensive and Integrated WTO Plan of Action for the Least Developed Countries. But no detailed recommendations have been adopted or implemented.

3. *A partnership with multinational corporations to promote growth for poverty reduction.* At the international level there is nothing equivalent to national legislation ensuring fair taxation, environmental management and labour rights and protecting against monopolies. Remarkable, considering that some multinational corporations command more wealth and economic power than most states do. Indeed, of the world's 100 largest economies, 50 are megacorporations. The 350 largest corporations now account for 40% of global trade, and their turnover exceeds the GDP of many countries (table 4.1).

What's needed? An incentive system that, while avoiding excessive regulation, encourages multinational corporations to contribute to poverty reduction and be publicly accountable and socially responsible. Both industrial and developing countries have interests here. Those of the industrial include preventing tax evasion.

4. *Action to stop the race to the bottom.* In a world of cutthroat competition, countries

underbid each other in labour costs, labour standards and environmental protection—to produce as cheaply as possible for the international market. Many countries unilaterally try to restrain these races to the bottom. And some may come under external pressure if they tolerate dangerous working conditions and child labour, with human rights issues a basis for unilateral trade sanctions. A more efficient and equitable approach would be to strengthen institutions such as the International Labour Organisation—to support respect for labour rights—and to develop similar institutions for international environmental protection.

International coordination is also needed to avoid races to attract international investors by offering overly generous tax incentives that erode the tax base.

5. *Selective support for global technology priorities.* Global research and development has been biased towards the needs of rich countries—and now this bias is being accentuated with the shift from publicly financed research towards research by companies keen to appropriate the benefits. Resources are shifting away from research with public-good characteristics, such as that which led to the green revolution, and towards research focusing on more appropriate goods, such as biotechnology. Similarly, research by pharmaceutical companies is dealing more with the ailments of rich countries than with those of the developing world.

Today competitiveness in trade and in attracting capital is more knowledge-intensive than ever before. Through information superhighways, new technology is eliminating some problems of access to knowledge. But the poor are left with little access to these superhighways, lacking both the vehicles—personal computers, telephones, televisions—and the education and skills to drive them. Many countries need assistance in managing the information revolution to avoid marginalization and exploitation.

6. *Action on global debt.* The highly indebted poor countries need debt relief now—not at some indeterminate point in the future. Providing effective relief to the

TABLE 4.1
State and corporate
power, 1994
(US\$ billions)

Country or corporation	Total GDP or corporate sales
Indonesia	174.6
General Motors	168.8
Turkey	149.8
Denmark	146.1
Ford	137.1
South Africa	123.3
Toyota	111.1
Exxon	110.0
Royal Dutch/Shell	109.8
Norway	109.6
Poland	92.8
Portugal	91.6
IBM	72.0
Malaysia	68.5
Venezuela	59.0
Pakistan	57.1
Unilever	49.7
Nestlé	47.8
Sony	47.6
Egypt	43.9
Nigeria	30.4
Top five corporations	871.4
Least developed countries	76.5
South Asia	451.3
Sub-Saharan Africa	246.8

Source: Fortune Magazine 1996, World Bank 1995d and UNRISD 1995.

Unfair criticism?

The United Nations has been part of the process of globalization from the beginning. Through agreements negotiated at the United Nations, and with the technical support of UN staff and experts, it makes possible such essential elements of globalization as international mail delivery, the allocation of frequencies for international communications, the standardization of international trade laws and investment codes, customs formalities, global environmental initiatives, rules governing the disposal of industrial waste, the fight against global pandemics, the preservation of the common cultural heritage, the collection and analysis of statistics at a global level, even international air travel. The United Nations encourages globalization—but also seeks to ensure that the process is fair and efficient, that all countries and all people—especially the poorest—can benefit.

For the past five decades the United Nations has been at the forefront of international efforts to reduce poverty—defining needs, outlining policies, sharing experience and taking and supporting action. WHO helped mobilize worldwide action for the eradication of smallpox. FAO created early warning and monitoring networks for food security. UNESCO aided national literacy and education campaigns. ILO supported the World Employment Programme and pioneering work in employment, and its funding programmes have made possible many practical efforts in poverty reduction. UNICEF effectively promoted universal immunization in the 1980s and mobilized global efforts to address the needs of children and women. UNFPA contributed to family planning and to balanced population growth. UNDP helped countries build their own capacity for

poverty eradication through sustainable human development.

Many of the advances in health, education, nutrition, population, environmental sustainability and other aspects of poverty reduction had their original inspiration in a UN resolution or in a programme or country project supported by a UN body. At the World Summit for Social Development in Copenhagen, heads of state and government convened not to discuss arms control or to broker peace agreements, but to recommit the international community to the goals of poverty eradication.

The United Nations has made many contributions to the great ideas on development. Six Nobel Prize laureates in economics have worked for the United Nations. Many global policy initiatives began within the United Nations and then were implemented elsewhere, including the International Development Association at the World Bank, the Compensatory Finance Facility at the IMF and the Generalized System of Preferences at UNCTAD. And in the past decade such publications as UNICEF's *Adjustment with a Human Face* and UNDP's *Human Development Reports* have influenced the international and national debates on development.

Serving a global community of 185 states and some 6 billion people, the UN has \$4.6 billion a year to spend on economic and social development—less than the annual budget of New York's State University. This is the equivalent of 80 cents per human being, compared with the \$134 a person spent annually on arms and the military. Is the United Nations too expensive for a globalizing world?

Source: Childers 1995, Commission on Global Governance 1995, Kennedy and Russett 1995 and UNDP 1996.

20 worst-affected countries would cost between \$5.5 billion and \$7.7 billion—less than the cost of one Stealth bomber and roughly equivalent to the cost of building the Euro-Disney theme park in France. The meagre financial costs contrast with the appalling human costs of inaction. The Group of Seven and the Bretton Woods institutions should aim to end the debt crisis for the poorest countries by 2000. Such relief would require special measures to convert debt reduction into poverty reduction—reorienting national priorities towards human development objectives. Relieved of their annual debt repayments, the severely indebted countries could use the funds for investments that in Africa alone would save the lives of about 21 million children by 2000 and provide 90 million girls and women with access to basic education.

7. *Better access to finance for poor countries.* If poor countries are to participate in globalization on more advantageous terms, they need better access to finance. Private capital is bypassing areas of desperate need, especially Africa. And public finance delivered through bilateral and multilateral assistance is not filling the gap.

Bilateral aid has fallen to 0.28% of industrial country GDP on average—the lowest since aid targets were set. This trend must be reversed, and the quality of aid must be improved, with a stronger focus on poverty eradication. Considerable resources could be mobilized by restructuring aid budgets. Adopting the 20:20 initiative, which calls for earmarking 20% of aid flows and 20% of developing country budgets for basic social services, could contribute enormously to human development and the eventual eradication of poverty.

• • •

In many respects the world is sailing through the current era of globalization with neither compass nor map. Too little is known about the links between globalization and poverty, an area that demands

much more intensive study. But regardless of the future direction of globalization, we know enough about the basic measures that need to be taken to attack poverty. The speed of globalization makes them all the more urgent.



The politics of poverty eradication

*What is lacking
is political
momentum
to tackle poverty
head on*

Politics, not just economics, determines what we do—or don't do—to address human poverty. And what is lacking is not the resources or the economic solutions—but the political momentum to tackle poverty head on.

Much is known about what is needed to eradicate poverty—job-led growth, access to credit, redistribution of land, investment in basic social services, promotion of the informal sector and sound macroeconomic policies. But too little attention has gone to finding ways to ensure that such actions are taken. How can an environment be created that ensures that state policies, market forces, civil activism and community mobilization contribute to the eradication of poverty? What political reform is needed to ensure pro-poor policies and pro-poor markets?

A political strategy for poverty eradication has three essential elements:

Political empowerment of poor people. People must organize for collective action to influence the circumstances and decisions affecting their lives. To advance their interests, their voices must be heard in the corridors of power.

Partnerships for change. All agents in society—trade unions, the media, community groups, private companies, political parties, academic institutions, professional associations—need to come together in a partnership to address human poverty in all its dimensions. And that partnership must be based on common interests and brokered compromises. Society must be open enough to tolerate a complex web of interests and coalitions and to ensure stability and progress towards human development.

An enabling and responsible state. The state needs to foster peaceful expression of

people's priorities and to ensure democratic space for brokering the interests of society's many groups. Thus it needs to promote participation and encourage private-public partnerships. It also needs to be transparent and accountable—and to resist pressure from the economically powerful.

A formidable challenge

Building peaceful political momentum for poverty eradication is a formidable challenge. Poverty often serves the vested interests of the economically powerful, who may benefit from exploiting the pool of low-paid labour (box 5.1).

The realities of economic, social and political disparities and injustices are so overwhelming that few believe that things can change. And some think that only violence and confrontation can produce real change in favour of the poor. Poverty is brutal. It can provoke violent reactions. Those who profit from the status quo have often defended their position with violence. And when disappointment and frustration have risen to a crisis point, the poor have sometimes turned to armed struggle.

Progress in human development and in eradicating human poverty has often been won through uprisings and rebellions against states that have advanced the interests of the economically powerful while tolerating rigid class divisions, unbearable economic conditions and human suffering and poverty.

History is marked by uprisings and rebellions sparked by poverty. English peasants revolted against an impoverishing poll tax in 1381. German peasants rose up against their feudal overlords in opposition to serfdom in 1524.

Among developing countries, India has a long tradition of peasants' movements. As far back as the 17th and 18th centuries, when India was ruled by the British East India Company, peasants rose up against their British landlords.

In Bangladesh as recently as the 1950s, there was another large-scale peasants' movement, a response to unjust sharecropping practices. Although sharecroppers were responsible for providing all the inputs, including labour, they received only a third of the yield, with two-thirds going to the landlords. The Three-Division Movement that arose in opposition to this exploitation demanded a 50:50 split. Violence erupted, and the authorities responded with force. But ultimately the peasants' demands prevailed, and the principle of equal distribution of sharecroppers' production was enacted into law.

Full-scale revolutions have their roots in people's reactions to poverty and economic injustice. Spontaneous uprisings instigated the French Revolution in 1789, the revolutionary movements throughout Europe in 1848 and the Bolshevik Revolution in 1917. The wars of independence in Africa and Asia in the 19th and 20th centuries were not only an expression of nationalism—they were also a struggle against economic and social injustice. The civil rights movement in the United States in the 1960s too was a struggle for economic and social emancipation—at times resulting in violence despite the pacifist philosophy of its leader, Martin Luther King Jr.

Sometimes it was the violence itself that sabotaged the achievements of these struggles. Many revolutions replaced one evil with another through harsh recriminations, self-serving leadership, misguided utopianism or betrayals.

Naturally, not all progress in eradicating poverty was achieved through confrontation. Some strides in reducing poverty, especially since 1960, have been gradual and peaceful, as with the formation of welfare states in industrial countries and the reduction of infant mortality, the increase in life expectancy and other achievements in developing countries.

This chapter looks at the need for peaceful—but fundamental—reform through

collective action and democracy. The challenge facing today's leaders, activists and citizens is to learn from history and work towards non-violent change, understanding the risks of confrontation and the backlashes it can produce. Avoiding violence and chaos is in all people's interest, and the imperative of avoiding disorder must be the motivation to share power more equitably.

The need for collective action

Achievements in eradicating human poverty depend first and foremost on people's ability to articulate their demands and mobilize for collective action. Isolated and dispersed, poor people have no power and no influence over political decisions that affect their lives. But organized, they have the power to ensure that their interests are advanced. As a group they can influence state policies and push for the allocation of adequate resources to human development priorities, for markets that are more people-friendly and for economic growth that is pro-poor. It is the pressure from people to defend their rights and to remove obstacles and enhance their life opportunities that will eradicate human poverty.

Putting local initiatives and community action at the centre of poverty eradication strategies is the only way, though a difficult one, to ensure that those strategies are truly

Vested interests in perpetuating poverty

BOX 5.1

Poor people are often seen as an economic burden on society. Yet poverty often serves the vested interests of the economically powerful, who may depend on the poverty-stricken to ensure that their societies run smoothly. A mobile pool of low-paid and unorganized workers is useful for doing the "dirty, dangerous and difficult" work that others refuse to do. In industrial countries many jobs considered menial are taken by immigrants, legal and illegal. With no legal protection or opportunity for collective action, workers are often exploited, receiving wages far below the minimum.

Source: Oyen 1997.

The poor can also be politically convenient. In some countries they serve as scapegoats for the ills of society, as immigrant workers do in Europe and North America. But they can also serve as a useful pool of voters for politicians who claim to serve their interests—even if they never consult them.

In the end, poverty reduction must involve some redistribution of resources—economic, social or political—and that will sometimes be vigorously opposed. Any strategy to eradicate poverty must therefore take into account the fact that many people have a vested interest in the perpetuation of poverty.

people-centred. This has profound implications. Poor people must no longer be seen as beneficiaries of government largesse, but instead as legitimate claimants of entitlements. That is why years of action by community groups and others have focused increasingly on rights—to employment, to health, to reproductive freedom, to participation. This approach recognizes the inherent dignity of all members of the human family—a dignity that states have a duty to protect.

People's mobilization for collective action to eradicate poverty may take many forms.

Community mobilization

Poor people must mobilize themselves and build solidarity to improve their life opportunities. Individual empowerment is the starting point of community action. As the women's movement has so successfully demonstrated, the personal is political (box 5.2).

At the core of collective action against poverty is self-help. Under normal circumstances most communities already have sys-

tems of mutual support. As chapter 3 shows, one of the main assets people have to defend themselves against poverty is the network of family and community to which they can turn to cope with sudden crises.

At times, however, these networks are stretched beyond breaking point. Historical processes such as wars or colonization have sometimes weakened the social capital of communities. This has happened, for example, in large areas of Indochina—Cambodia, the Lao People's Democratic Republic and Viet Nam—as a result of the Viet Nam War and its aftermath.

Much the same could be said of the impact of colonialism in Africa. The belittling of African culture and identity and imposition of Western values sabotaged social cohesion and solidarity in many communities. Strengthening cultural traditions can be an important part of building the capacity for taking collective action.

There are striking examples of communities coming together to fight poverty. In Senegal villagers have set up development associations for village improvement, water management, road construction, cooperative marketing, mosque building and a range of other activities.

The emergence of "local corporatism" in recent years in China is another example of small-scale economic solidarity. Township and village enterprises are spreading fast in rural areas of Guangdong, Hebei and Jiangsu Provinces. Part of the profits are put into community funds to help support adult education and finance informal insurance schemes for protection in case of illness.

In many other countries cooperative associations based on traditional forms of solidarity manage small irrigation systems, ensuring that the poorest households get the water they need. In the Philippines these self-managed schemes are called *zanjeros*, in Thailand *muang-fai* and in Bali *subaks*.

Community organizations, whatever the terms used to describe them, are multiplying the world over. Kenya has 23,000 registered women's groups, and the Philippines about 12,000 people's organizations. In India the state of Tamil Nadu

BOX 5.2

Alagamma gains control of her life

Empowerment is about change in favour of those who previously exercised little control over their lives. This has two sides. The first is control over resources (financial, physical and human). The second is control over ideology (beliefs, values and attitudes).

Alagamma is an illiterate Indian woman of scheduled caste. She used to earn a pittance from Ganesan, a quarrying contractor, by breaking granite blocks into smaller stones. Her entire family was bonded to Ganesan because her father once borrowed money from him secured on their quarter acre of land.

Then the government gave quarrying rights to groups of women workers like Alagamma, breaking the hold of contractors and the Indian mafia.

Alagamma and her father took Rs 1,000 (\$40) to the shop where Ganesan was sitting. They told him that they had come to repay the money they

had borrowed eight years ago and reclaim their quarter acre. Ganesan was not inclined to take the money and told them to come back in two or three years. But Alagamma and her father were adamant: they told Ganesan they would plough their land the next day. And they did.

Empowerment starts with changes in consciousness and in self-perception. This can be the most explosively creative, energy-releasing transformation, one from which there is no looking back. Empowerment taps powerful reservoirs of hope and enthusiasm among people used to viewing themselves negatively.

Governments, NGOs and other institutions do not empower people; people empower themselves. But through policies and actions governments can either create a supportive environment or put up barriers to empowerment.

Source: G. Sen 1997.

alone has more than 25,000 community organizations. Counting non-registered groups would push the figures even higher.

Non-governmental organizations

A vibrant civil society working towards the eradication of poverty also depends on the mobilization of people in more formal organizations. Strong communities of NGOs are particularly active in some countries—such as Bangladesh, Brazil, India, Indonesia, Kenya, the Philippines, Thailand and Zimbabwe—playing a vital role in poverty eradication and in advocating people-friendly development strategies. In Thailand, for example, government-NGO consultations and partnerships are frequent and dynamic in many important policy areas—from environmental protection to housing rights for slum dwellers to HIV/AIDS prevention. NGOs must have the space and freedom to play this essential role.

NGOs can be an important force for poverty eradication—pressing for land reform, for example, or protecting slum dwellers from property developers (box 5.3). They can also represent people's views and priorities in contacts with governments.

In addition, NGOs can reinforce and complement government activities—tending to be more flexible, more responsive and more effective than official agencies in reaching some communities. This role should not be seen as “filling gaps” because it does not relieve governments of their responsibilities, a result that might be repugnant to some proponents of NGOs. But there are many productive partnerships achieving things that governments alone could not. In India, for example, government resources combined with NGO energy and creativity reaped spectacular results in the Total Literacy Campaign.

Trade unions

Throughout the 20th century and before, trade unions have played a vital part in promoting better living and working conditions. In the industrial countries years of trade union activism were part of the strug-

gle for higher wages, better benefits, shorter working hours and stronger safety precautions in the workplace. But trade unions have also had a much broader social and political impact. In many countries trade unions were influential in the development of welfare states and people-friendly markets (box 5.4).

But their power has been waning, and membership is down almost everywhere. In the United States union membership declined from 23% of the labor force in 1970 to 16% in 1990. In France it has fallen from 22% to 10%, and in Spain from 26% to 10%. Only in the Nordic countries has union membership increased since 1970.

In developing countries the shares tend to be smaller, because there are fewer workers in the formal sector. In Sub-Saharan Africa only 1–2% of workers are

Empowering the urban poor in Mumbai, India

BOX 5.3

In developing countries NGOs play an indispensable role in helping to reduce and eliminate poverty. Their activities vary widely, but their aims are the same.

Yuva—Youth for Unity and Voluntary Action—is one of many NGOs working in Mumbai (Bombay) for the rights of the urban poor. It organizes youth and women for social action in housing, health, education and the judicial system and offers counseling. Yuva is also active in policy advocacy—and made its voice heard at the Habitat II conference in Istanbul in 1996.

One of its main activities is providing support to pavement dwellers, who are under constant threat of being evicted and of having their makeshift homes bulldozed by the municipal authorities. Often when people are evicted, the authorities offer to relocate them to the outskirts of the city, far from their work and from their children's schools. Most soon trickle back to their old locations, and the cycle starts again.

These people can find themselves powerless in the vice between politicians and large urban developers—a situation that also offers considerable scope for petty corruption by local officials.

Yuva educates people about their rights—with respect to housing,

employment and schooling for their children. Recognizing that, as elsewhere, most responsibility for household survival falls on women, Yuva also supports such activities as women's savings funds.

One of the pavement dwellers, Lalitabai, explains their concerns: “We have lived here for many years, most of us for more than 15 years. We have ration cards, and our names are on the voting lists. We have a right to this ground. We are saying that we will not move from here until we have been given land and a house. And not housing miles away in the jungle outside Mumbai. No, what use would that be to us? We need housing here so we can continue to work in our jobs.”

The success of organizations such as Yuva will always depend on the determination and courage of the poor people with whom they work. These qualities are clearly demonstrated by another pavement dweller, Shantabai, who says: “If we were not alert, they would simply come and take away our belongings. But we will fight them. We know this is a just fight. They claim they are enforcing the law, but we have been told and we know that these laws are wrong. It is right to resist them.”

Source: G. Sen 1997.

unionized—and they tend to be the ones with better-paying, stable jobs. In Latin America and the Caribbean the share is about 20%.

As developing countries industrialize, unions become more important. In the Republic of Korea they have been the impetus for democratization. But in Asia generally, they are under pressure from governments and from multinational corporations, which often make their absence a condition of investment.

Trade unions have had trouble adapting to the changing times. They have lost influence as the workforce has shifted away from the ranks of production-line workers and towards the more dispersed workers in the services sector. The rapid increase in unemployment has further

weakened the economic clout of trade unions. Many critics of trade unions now accuse them of contributing to unemployment and poverty by pushing the price of labour too high. If trade unions are to remain relevant, they clearly need to reinvent themselves—to represent a new generation of workers in a context of reduced demand for labour and to build broader alliances.

People's movements

Another essential form of collective action is the self-mobilization of people into large movements. Although these movements are often equated with unrest and violence, it is often the resistance to them by repressive regimes and corporate interests that causes the violence—not the movements themselves. To be effective, people's movements must emerge spontaneously from grass-roots initiatives, not be controlled or manipulated from above. This is not to downplay the importance of leadership in harnessing the energies of people towards common goals.

The most spectacular example of a people's movement: the enormously strong women's movement. Global in reach, empowering half the world's people, the women's movement has driven the progress towards gender equality. The recognition of equality as a human right, the near-universal right to vote and the increasing equality in educational enrolment in most countries—these are just some of the revolutionary achievements of this century-old movement.

Another notable example: the struggle against British rule in India, led by Mahatma Gandhi. His policies of *ahimsa* (non-violence) and *satyagraha* (passive resistance) have been the inspiration for many popular movements since—notably the civil rights movement in the United States. Gandhi's legacy includes the aspiration to eradicate the unjust social and economic aspects of the caste system.

Some movements—such as the anti-apartheid movement in South Africa and the movement for democracy in the Philippines that brought Corazon Aquino

BOX 5.4

Trade unions led poverty reduction in Germany

Trade unions work solely for the benefit of their members. True? Not always. Many have had a much broader social and political impact—such as those in Germany.

Since the late 19th century the work week in German industry has been virtually halved. The union movement has also succeeded in ensuring the steady extension of financial safeguards against the kind of economic downturns that led to rampant poverty and misery in the 1870s and 1930s.

Many things now taken for granted are social rights that were fought for and won with much struggle by the trade unions: freedom of association, the right to strike and to bargain collectively, industrial health and safety standards, industrial law, universal suffrage, co-determination and worker participation in the workplace and the company and representation on public bodies responsible for everything from social insurance to radio.

Trade unions proved to be the biggest organized force working not only for social reform but also for democracy. Alongside other associations and political parties and often against strong opposition, they struggled for a more people-friendly market and a "social state", basic political rights

and democratization. Trade unions became "schools" and guarantors of democracy. With the creation of the Federal Republic, they strongly supported the strengthening of democratic traditions and the creation of a "social market economy".

In the postwar era the German economy has been a powerful exporter. Social progress did not inhibit international competitiveness—contrary to what some critics of the social welfare state and strong unions still contend.

Although in Germany labour does not have the same influence over national politics as it does in Austria or Sweden, workers councils and co-determination at local levels have been decisive in guaranteeing social progress, even in times of slow growth. Both unions and management are prohibited from taking actions that could endanger the welfare of the company. The outcome is referred to as "socially oriented business policy".

The German labour union movement stands in stark contrast to the antagonistic labour relations in the United Kingdom and the United States. The underlying difference is that the German model is based on negotiation and compromise, the Anglo-American model on exclusion and polarization.

Source: Schneider 1991 and Block 1995.

to power—have profoundly affected national human development.

Smaller movements focused on specific issues or reacting to a specific threat are also important collective action. Many local groups have mobilized against development projects or private company activities that threaten the natural environment and the livelihoods that depend on it. Others have focused on more general environmental concerns—for example, the Green Belt movement in Kenya (box 5.5). And still others have focused on health and nutrition issues—such as the Hunger Campaign in Brazil (box 5.6).

The need for partnerships

The success of political mobilization against poverty hinges on winning broad and diverse support. Poor people alone, however well organized, cannot force the policy shifts for poverty eradication. All groups in society must be involved—not just those representing the poor. Alliances, partnerships and compromises are the only viable vehicles for peaceful, sustained reform.

What does it take to mobilize those alliances and partnerships? A clear, shared vision of the future that provides an unshakable focus for action. And not just for the poor. Visionary ideals can rally groups normally seen as elite—politicians, academics and other leading members of society—to form alliances with the poor.

When enough people rally to a cause, many ideals can become realistic. Consider the abolition of slavery in the 19th century. And consider many of the welfare reforms of the 20th century, which would have seemed unthinkable a few decades before. Idealists should thus continue to think the unthinkable, but with clear commitment, presenting their proposals with the same detail and elaboration typically devoted to a meticulous defence of the status quo.

Reformers need to work out the best strategy for negotiating their way through the power structure. Each strategy must of course take local circumstances into account, but experience shows the value of

some general approaches, such as finding common interests and exploiting differences among elite groups.

BOX 5.5

Environmental protection brings status to Kenyan women

People's movements have been hugely successful in protecting the environment and blocking the most destructive activities of multinational corporations.

In Kenya some 100,000 women have planted more than 20 million trees as part of the Green Belt movement. Begun 20 years ago, the movement arose in response to the alarming rate of soil erosion, which was threatening rural livelihoods.

Its success has been not only in planting trees and combating soil erosion, but also in empowering women—giving them self-esteem and status in their communities and enabling them to earn extra income by selling seedlings. The movement has also made people more aware of the importance of the environment to their survival.

Source: Maathai 1997.

Although the central government has in the past been suspicious of such powerful grass-roots movements, local forestry officials are now closely involved in the Green Belt movement, providing extension services to the women.

The movement is a good example of how a narrowly focused initiative gradually expands into a broad-based, politicized movement. The members are benefiting from civic education, debating a wide range of political issues—corruption, human rights and security of tenure for slum dwellers.

The movement now has an advocacy role beyond protecting the environment. With wide popular support, it has an impact on policies and is helping to build a solid base for more equitable development and democratic governance.

BOX 5.6

How one campaign helped shape public policy in Brazil

Brazilians' struggle against dictatorship taught them the value of solidarity and collective action. Organized through informal committees, church initiatives and trade unions, women and men have challenged prevailing social inequities and human poverty. Under the umbrella of the Citizen Action Group against Hunger and Misery (the Hunger Campaign, for short), an innovative form of collective action emerged, mobilizing both non-poor and poor people in a popular alliance to fight poverty.

The Hunger Campaign is a network of committees supporting food campaigns, income-generating projects, maternal and child health initiatives, support services for the elderly and care for people living with AIDS. The campaign has advocated greater political commitment to eradicating poverty, a sense of public responsibility and people-centred solutions.

The campaign has had a marked impact on attitudes and behaviour, par-

ticularly of government officials. And it has made people less fatalistic about the scourge of poverty and more hopeful about the future.

The campaign has also helped shape government policy, persuading national and local governments to adopt social equality as a priority. It successfully pushed for a social agenda as part of Rio de Janeiro's bid for the Summer Olympics in 2004.

The campaign's main aim is to eradicate absolute poverty, by meeting five targets: quality education for all children and teenagers, homes for the homeless, adequate nutrition for all children, upgrading of slum areas and investment in sports activities for youth.

The success of the campaign in mobilizing private and public support, forming partnerships and influencing public policy is proof that solidarity and collective action can achieve much in fighting human poverty and social inequality.

Source: Correa 1997.

*Finding and creating areas
of common interest*

No child should die of hunger. On this the whole community can probably agree. The community may also agree that all citizens, regardless of their ability to pay, should have basic health and education services. Common interests may also reinforce these common concerns. Reducing levels of infectious disease by spraying or immunization makes everyone safer. Similarly, a more literate population benefits all of society through the associated productivity gains.

Common interests also abound between employers and employees. Enlightened employers want their workers to be well fed and energetic, and so are likely to support low food prices. But they also want workers to be literate and skilled,

and so will support investment in education and training.

Alliances may also be possible between groups that seem to have little in common. In Norway urban and rural poor found a common interest in promoting rural development that discouraged migration to the towns and kept industrial labour in short supply (box 5.7).

Common interests can also emerge between beneficiaries and providers of social services. Nurses, social workers, extension workers, paramedical personnel, primary school teachers—all stand to benefit from an expansion of services. And since they are often better organized and more vocal than the poor, they can be powerful allies.

In Kenya and Sri Lanka in the 1980s, for example, resources devoted to primary education increased partly as a result of pressure from powerful teachers unions. And in Peru in the 1980s, primary education expanded largely because of efforts by political parties to win the votes of teachers.

Just last year in Zimbabwe, nurses went on strike to demand not only higher wages but also more public investment in health care. The government assumed that this was mere pleading on behalf of a certain group of employees. In fact, despite the disruption to health services, the strike enjoyed widespread popular support.

Exploiting differences among elites

Most ruling elites are coalitions of different groups, and the poor can sometimes take advantage of this.

In 19th-century Britain factory workers allied themselves first with the industrialists—to support the repeal of the Corn Laws, which kept the price of food high. But they also allied themselves with the landowners against the industrialists when it came to supporting laws that protected the workforce. Both landowners and industrialists protested that they would be ruined—but both agriculture and industry flourished for a quarter of a century. As has been shown many times, promoting the interests of the poor does not run counter to the long-term interests of the rich.

BOX 5.7

A rural-urban alliance for poverty reduction in Norway

Almost everybody in society benefits from the reduction and eradication of poverty, and disparate groups can be brought together to work towards that goal once a common interest has been identified. Let's take a simple example.

In Norway poverty was virtually eliminated in the first half of the 20th century—largely thanks to an alliance between rural smallholders and urban industrial workers.

In 1900 Norway was a poor country. Although natural resources, especially fish, were plentiful and the country was sparsely populated, rural people (70% of the population) lived in hunger and poverty.

Like many developing countries today, Norway could have remained a rich country with poor people. Why didn't it? Three reasons:

- *Education.* Early investment in education ensured that by 1900 illiteracy was virtually zero.
- *Secure land tenure.* Land was of little commercial value, so even poor people had secure tenure and thus access to natural resources.
- *Democratic institutions.* By 1913 universal adult suffrage meant that the rural poor were strongly represented in parliament.

Source: Brox 1996.

This last point is particularly important. Unlike in many other European countries, in Norway democracy came first and industrialization second. A modern economy developed under a government representing the people, resulting in more equitable and people-centred policies to alleviate poverty.

Also distinguishing the Norwegian experience is the solid alliance that emerged between rural smallholders and urban workers. Both groups had a strong interest in accelerating rural development. For the rural poor this was a matter of direct self-interest. For urban workers it meant preventing large-scale migration to the cities, which would lead to a labour surplus and weaken the trade unions.

The strength of the rural poor lay in their voting numbers, while that of urban workers lay in their ability to disrupt production. Their coalition was so successful in ensuring heavy investment in rural areas that as late as 1960 half the population still lived there.

Only recently has this equilibrium been disturbed, with unemployment rising in both rural and urban areas.

Another example is the expansion of food stamps in the United States in the 1960s. In this case the interests of poor people coincided with those of people in the food-producing rural districts, whose representatives in Congress allied themselves with welfare-minded liberals.

The need for an activist state

Individuals and groups can do a great deal on their own to combat poverty. But much will depend on the environment created by government action. The state has a central role—not just through its activities but through its influence on many other elements of society. And the call for people's mobilization must not be a justification for the state to abdicate its responsibilities.

In the era of structural adjustment many states have slashed expenditures on social services, often with the argument that the gap can be filled by community self-help. At times the pressure on spending has motivated the introduction of user fees for health services—in countries where there is no capacity for effective means-testing and where people cannot afford even the lowest fees. This is a perversion of the ideals of self-help.

A poverty eradication strategy requires not a retreating, weak state but an active, strong one, and that strength should be used to enable the poor rather than disable them.

The disabling state

Some states use much of their power for actions that run counter to the interests of poor people. Politicians use government resources to strengthen their hold on power. Public officials demand bribes before they allow access to government benefits (box 5.8). And well-connected citizens use political influence to gain preferential access to public resources. The result: not just inefficient and inequitable allocation of resources, but also less freedom and more human deprivation.

In the worst cases politicians have used their offices ruthlessly to amass personal wealth and power and benefit those on

whose support they depend—with no regard for efficiency or the public interest. The most extreme examples include Trujillo in the Dominican Republic, Somoza in Nicaragua, Amin in Uganda, Marcos in the Philippines and the Duvaliers in Haiti.

But it is not necessary to point to a handful of dictatorships to find ways in which governments are dominated by vested interests. Health and education services are fre-

Poverty and corruption

BOX 5.8

Like blackmail, corruption makes you pay to end the nuisance it creates: it puts sand in the gears of the administrative machinery and charges you for its removal.

Corruption in government increases poverty in many ways. Most directly, it diverts resources to the rich people, who can afford to pay bribes, and away from the poor people, who cannot. But it also skews decisions in favour of capital-intensive enterprise (where the pickings are greater) and away from labour-intensive activities more likely to benefit the poor.

Corruption also weakens governments and lessens their ability to fight poverty. It reduces tax revenues and thus the resources available for public services. And if administrations are assumed to be corrupt, honest people tend to avoid public service, so the quality of personnel suffers. More generally, corruption eats away at the fabric of public life—leading to increased lawlessness and undermining social and political stability.

To focus attention on this issue, a recently established NGO, Transparency International, publishes an annual Corruption Perception Index based on a survey of international businesspeople's perception of corruption in the countries in which they operate. In 1996, according to this index, the most corrupt country was judged to be Nigeria, followed by Pakistan, Kenya, Bangladesh and China; the least corrupt was New Zealand.

Many countries are now making greater efforts to root out corruption. They are introducing systems to improve transparency and accountability in public administration, including regular independent auditing and incentives and protection for whistle-blowers.

Source: Transparency International 1996 and Frisch 1996.

In Botswana the parliament passed the Corruption and Economic Crime Act in August 1994. This act establishes a directorate, reporting to the president, with a mandate to prevent, investigate and report on corruption. The act also provides a comprehensive legal framework for the government's anticorruption drive, which is already showing results.

Other countries are addressing what is often considered the root cause of corruption—inadequate government salaries. Uganda has tripled the salaries of teachers in the hope that this will reduce the widespread practice of selling grades and test results. And Philippine tax authorities have reduced corruption through employee bonuses and merit-based promotions.

Corruption also requires an international response, and corporations from industrial countries must bear some of the responsibility. They often consider paying bribes a reasonable way to do business—and it is frequently tax-deductible. The US government has made corruption by US citizens of officials in other countries a criminal offence, something that other countries are now also considering.

Discussions about corruption have intensified at the United Nations, and in 1996 the Economic and Social Council adopted the United Nations Declaration against Corruption and Bribery in International Commercial Transactions. In addition, the Crime Prevention and Criminal Justice Branch of the UN Secretariat continues to provide guidelines and recommendations to governments on rooting out corruption.

Government that acts in the interest of poor people is easier to achieve in democratic systems

quently biased towards the wealthy in urban areas. Food policy too is often skewed towards the well off: prices are kept low so that urban officials and the military get subsidized supplies—at the expense of poor farmers and landless labourers.

The structure and operations of the economy may be pro-rich and antipoor, biased towards serving vested interests. Government policy can lead to underpriced capital, overpriced labour and an overvalued exchange rate—encouraging techniques that are capital and import intensive. And governments may support monopolies and cartels rather than labour-intensive microenterprises in the informal sector or small-scale agriculture. In Malawi until recently, smallholder farmers were forbidden to grow some of the more profitable cash crops, protecting the interests of a powerful consortium of estate owners.

Market competition offers an important way in which people, especially poor people, can escape economic domination by exploitative government, big landlords and big retailers. But for markets to help in this way there must be real competition, not monopolies. Worst of all are markets corrupted by biased government influence—when the market enters the government and the government sells off monopoly power to the highest bidder.

Various forces can encourage real competition, even where governments are weak or self-seeking. First, there are the profit-seeking ambitions of producers and retailers, who can be relied on to argue their own case. Second, there are influences and interests from abroad—foreign competitors eager to enter the market and donor governments and others wanting opportunities for their own exporters and investors. Third, there are the international agencies, supporting the doctrine of free trade and free competition. The result is rarely a textbook example of perfect competition, but poor people can often benefit from this diffusion of market power—and can certainly fare better than they would under a monopoly or under total government domination of the economy.

Probably the most shocking example of states' use of power contrary to the interests

of poor people is the squandering of limited budgetary resources in the continued obsession with military might. Global defence spending amounted to roughly \$800 billion in 1995 (in 1995 prices). South Asia spent \$15 billion in 1995, more than what it would cost annually to achieve basic health and nutrition for all worldwide. Sub-Saharan Africa spent \$8 billion, about the same as the estimated annual cost of achieving universal access to safe water and sanitation in all developing countries. And East Asia spent \$51 billion, nine times the annual amount needed to ensure basic education for all worldwide.

If a government is more concerned about its military establishment than its people, the imbalance shows up in the ratio of military to social spending. Some countries have corrected this imbalance; others have not (table 5.1).

States can also add to impoverishment by squandering resources on prestige projects. Abortive projects have become a graveyard of white elephants in many poor countries. Factories have been built that have failed to reach full production capacity and need big state subsidies to keep going. Railways have been built that are now impassable because of lack of maintenance. Large sums have been spent on presidential palaces and other showpieces. And other infrastructure projects that are built might have some benefit, but not for poor people. A political decision to build a new international airport—one that will replace an old but fully functional airport—might run into strong opposition from local organizations demanding that the millions of dollars be invested instead in human development.

The enabling state

Fortunately, this bleak view of the state is only a partial one. The interaction among people, markets and states is generally more subtle. Many states can and do act in the common interest or in the interest of poor people—taking measures to, say, protect children, redistribute wealth or reduce poverty.

South Africa stands out as an example of a country with a political commitment to

poverty eradication and a strategy based on public-private partnerships and a people-driven process of development. The political momentum of the struggle against apartheid is now driving the struggle against human poverty (box 5.9).

Government that acts in the interest of poor people is easier to achieve in democratic systems where the poor represent a significant electoral bloc. In Malaysia the government has promoted the interests of the Malays, who, although the majority of the population, are generally poorer than other groups. In Zimbabwe after independence, the government took many measures to benefit the poor majority, including a big shift in education priorities—between 1980 and 1984 it doubled the expenditure per primary student. And in Malawi after the 1994 shift to democracy, the government introduced free primary education, which increased net enrolment from 53% to 76%.

But free elections are not sufficient to motivate states to become more enabling and responsible. Studies on the link between development and type of government have established no clear correlation between electoral democracy and successful eradication of poverty. One important reason is low voter turnout. It is especially low in some industrial countries, implying

that many poor people do not use their vote to influence policies (table 5.2).

BOX 5.9

South Africa—the struggle continues

"My government's commitment to creating a people-centred society of liberty binds us to the pursuit of the goals of freedom from want, freedom from hunger, freedom from deprivation, freedom from ignorance, freedom from suppression and freedom from fear. These freedoms are fundamental to the guarantee of human dignity." In these words at the opening of the first democratically elected parliament in South Africa, President Nelson Mandela captured the hopes, aspirations and needs of the population, particularly of the black majority.

For many the situation has not yet changed much—the landless; the homeless; the black African majority, more than 40% of whom live in absolute poverty; women and children, who are the majority of those living in deprivation, especially in rural areas; and the growing numbers of those who are unemployed, underemployed or living on less than \$1 a day.

South Africa must operate in an increasingly competitive global environment with a limited pool of skills and an economic system that needs major restructuring to promote growth. The level of inequality is among the highest in the world, and crime and violence of all sorts, particularly against women and children, are on the rise. Government spending must be redirected towards those in greatest need. But cuts in social expenditures make sustainable development based on progressive redistribution difficult to achieve.

South Africa is in search of ways to eradicate poverty through a people-driven process—one that has people and government working in a new partnership to identify common priorities. This partnership would work towards processes for restoring and redistributing land; a legal framework to ensure more equitable access to loans, housing, education, health care and paid work; and the effective promotion of racial and gender equity.

A participatory study, conducted in more than 150 communities nation-

wide, surveyed people's perceptions of the problems affecting them and of the most effective ways to transform their situation. People expressed a desire to be informed and to participate in new ways of governance. An essential need voiced by the people is for channels of communication that are accessible, appropriate and timely. "We cannot draw up collective plans and strategies with government if the bureaucracy is antipeople and the language inaccessible," said one person.

Another need is for solutions to the violence—institutional, political, criminal and domestic—that people face in their daily lives. As another person said: "We are at war in our townships, we live in fear for our lives every day, and nothing is being done to safeguard us or our children. How much more must we take before something is done? We will no longer wait for others to do anything for us, because whether we live or die does not matter to those who have the resources. We will empower ourselves through mass action and education to solve our problems ourselves."

The new constitution has created an environment in which partnerships, coalitions and alliances can be forged, based on past common struggles against apartheid. This will unleash a process driven by people at the grass roots that could mobilize both human and material resources to address widening and deepening poverty.

The political success that has been achieved provides the space for critical action, based on a shared history of struggle. A range of people's organizations are emerging, born out of political resistance and unique strategies of local mobilization. These organizations can work with the new government to plan joint strategies to energize reconstruction and development. And they can push for government support of a people-driven, sustainable process of development—a process that generates work, ensures sustainable livelihoods, builds a sense of pride and reclaims the community as a dynamic force for social transformation.

Source: Taylor 1996 and 1997.

TABLE 5.1
Big military spenders

Country	Military expenditure as % of GDP 1995	Military expenditure as % of combined education and health expenditure 1991
Korea, Dem. People's Rep. of	25.2	..
Oman	15.1	283
Iraq	14.8	271
Croatia	12.6	..
Kuwait	11.8	88
Saudi Arabia	10.6	151
Israel	9.2	106
Russian Federation	7.4	132
Tajikistan	6.9	..
Pakistan	6.5	125
Myanmar	6.2	222
Brunei Darussalam	6.0	125
China	5.7	114

Source: IISS 1993 and 1996.

During the cold war era the threat of communism was an important force in motivating non-communist regimes—whether or not they were democratic—to improve the conditions of poor people. Just as Bismarck introduced social policies to stem the tide of socialism in Germany, the governments of such countries as Indonesia, the Republic of Korea, Malaysia and Thailand advanced the interests of the poor to avoid social unrest and political upheaval. With this motivating force removed, it has now become even more critical to find ways to build political commitment to poverty eradication. The fall of communism has left only one prevailing

economic ideology in the political marketplace. Does the lack of competition mean that the concerns of poor people are forgotten?

Most states are neither wholly harmful nor wholly beneficial. They are not monoliths, but collections of institutions and structures. This complexity offers the potential for checks and balances that can restrain corrupt officials and predatory government. It also offers openings for reform and alliances within state structures.

States committed to building the political momentum and policy environment for the eradication of poverty can take steps in several important areas. More important, even states that are not fully committed can be encouraged to take such steps, through lobbying, democratic pressure and international influence. These actions put poor people on the political map and support a society-wide mobilization and partnership for pro-poor action.

- *Promote political participation by all.* The government must enable people's active participation at many levels of debate, dialogue and decision-making. This requires tolerant government institutions and free discussions of policy, development and change. Such an open atmosphere is greatly assisted by freedom of speech, democratic institutions, free elections and respect for human rights. And ensuring the full partic-

BOX 5.10

The power of participation

The great value of participatory rural appraisals (which are not exclusively rural) is in the way they empower communities and build their capacity for self-help, solidarity and collective action. Such appraisals can be best described as a family of approaches, methods and behaviours that enable people to express and analyse the realities of their lives and conditions, plan what action to take and monitor and evaluate results. They provide ways to give poor people a voice, enabling them to express and analyse their problems and priorities. Used well, they can generate important (and often surprising) insights that can contribute to policies better fitted to serving the needs of poor people. More fundamentally, they can challenge the perceptions of those in authority and begin to change attitudes and agendas.

The methods used enable people to share information, and stimulate discussion and analysis. Many appraisals use visual tools. Maps show where people live and where water, forests, farmland, schools and health facilities are located. Flow diagrams help to analyse problems and find solutions. Seasonal calendars aid in planning agricultural activities, and matrices in comparing the merits of different crop varieties.

Participatory rural appraisals have also proved to be of direct value to policy-makers. By obtaining information from communities, the appraisals

can build a detailed picture of the complexity and diversity of local people's realities—and do it far better than such conventional survey techniques as questionnaires. They provide an opportunity to meet people face to face and a means of gaining quick and accurate assessments of the implications and impact of policies.

In Jamaica an appraisal showed that the stigma of living in an area with a reputation for violence makes it difficult to find a job. In Zambia an appraisal identified the wide gap between policy and practice on exemptions from health care charges for the destitute, showing that the poorest often lose out. In Honduras and Panama appraisals showed that the areas where indigenous people's land rights were threatened also had the greatest biological diversity in the country, strengthening the people's claim to the land and the right to manage and conserve its resources. In Scotland an appraisal identified villagers' interest in purchasing and managing forests to generate jobs.

Participatory rural appraisals have evolved and spread with astonishing speed since the early 1990s. Originating mainly among NGOs in East Africa and South Asia, they have since been adopted by government departments, training institutes, aid agencies and universities around the globe. They are now used in at least 100 countries.

Source: IDS 1996b and Attwood 1996.

TABLE 5.2
Political participation
in industrial countries

Country	Eligible voters voting (%) 1991–94
Lowest turnout	
USA	39
Switzerland	46
Russian Federation	50
Poland	53
Finland	68
France	69
Highest turnout	
Malta	96
Belgium	93
Latvia	90
Iceland	88
Slovenia	86
Denmark	84

Source: UNECE 1995b.

ipation of women and minorities is likely to require affirmative action.

- *Encourage public-private partnerships.* Ideally, the relationship between governments and NGOs should be one of partnership, resulting, as in many countries, in a constructive division of labour in which the standard service delivery by provincial and district authorities is complemented by the more flexible, responsive activities of NGOs. To support such partnership, governments should create an adequate space for NGOs and engage them in policy dialogue. Partnerships with private sector firms also hold promise.

- *Facilitate bottom-up planning.* Governments have to offer adequate means for communities to feed in views, information and policy recommendations through every tier of administration. A useful tool for participatory planning and one that is proving highly appropriate is participatory rural appraisal (box 5.10).

- *Ensure accountability and transparency.* All organizations, public and private, should be accountable not just to their shareholders or members but to society as a whole. This also means that NGOs should be held accountable not just to their donors but also to the communities they serve.

- *Prevent the criminalization of politics.* State action for human development and poverty eradication requires a clear separation of economic and political power. In the complex web of power relations and self-serving economic interests, weak governments cannot find a counterweight to economically powerful groups and individuals, leaving corruption a major obstacle to poverty eradication. Legal mechanisms, institutional arrangements and political commitments are needed to fight corruption at every level.

- *Protect the freedom of the press.* A free press is essential for providing people with the information they need to make rational choices about political action. It helps

establish the right political incentives for policy-makers.

- *Promote judicial activism.* NGOs, community groups and people's movements are using legal action to achieve their goals. Many countries already have a legal framework recognizing economic, social and political rights, with constitutions that commit the government to human development—laws often underused. In other countries activism is needed to amend laws, do away with biases and anachronisms and contribute to a pro-poor legal framework for just settlements.

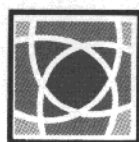
- *Promote civic education.* People need to understand how their own political system work—or could work. Governments should make greater efforts to ensure that people are aware of their history, their constitution and their rights. If they lack the resources for this work, they should encourage NGOs to do it.

The need for democratic space

Ending human poverty requires an activist state to create the political conditions for fundamental reform. Above all, this requires a democratic space in which people can articulate demands, act collectively and fight for a more equitable distribution of power. Only then will adequate resources be invested in human development priorities, and access to productive assets become more equitable. Only then will macroeconomic management be more pro-poor, and markets provide ample opportunities for the poor to improve their standard of living.

Since 1986 the proportion of governments that are democratically elected has risen from 40% to 60%. Although an important start, a democratically elected government is not enough, however. The challenge now is to ensure that democratic practices and principles permeate every level and dimension of society. When it comes to eradicating poverty, political reform is not an option—it is an imperative.

Ending human poverty requires a democratic space in which people can articulate demands, act collectively and fight for a more equitable distribution of power



Eradicating human poverty worldwide —an agenda for the 21st century

The success of many countries in rapidly reducing many aspects of poverty makes inaction immoral

Eradicating poverty everywhere is more than a moral imperative and a commitment to human solidarity. It is a practical possibility—and in the long run an economic imperative for global prosperity. And because poverty is no longer inevitable, it should no longer be tolerated. The time has come to eradicate the worst aspects of human poverty in a decade or two—to create a world that is more humane, more stable, more just.

Reaching this goal early in the 21st century is more feasible than most people real-

ize. True, there are the obstacles of vested interests and opposition. But scepticism and disbelief are just as disabling.

Freedom from poverty has long been an international commitment and a human right. The 1948 Universal Declaration of Human Rights stated the principle: "Everyone has the right to a standard of living adequate for the health and well-being of himself and his family, including food, clothing, housing and medical care and necessary social services" (box 6.1).

During the 1990s this commitment has been made more specific—and linked to time-bound targets—in the declarations and plans of action adopted in major global conferences on children (1990), environment and sustainable development (1992), human rights (1993), population and development (1994), social development (1995), women (1995), human settlements (1996) and food security (1996).

At the World Summit for Social Development in Copenhagen—the largest summit ever, with 117 heads of state present and 185 governments represented—countries for the first time made clear commitments to eradicate poverty, not merely alleviate it: "We commit ourselves to the goal of eradicating poverty in the world, through decisive national actions and international cooperation, as an ethical, social, political and economic imperative of humankind." They also committed themselves to follow-up action and implementation in partnership with all actors of civil society:

- To set national goals.
- To prepare strategies geared to reducing overall poverty substantially in the shortest time possible.
- To reduce inequalities.

BOX 6.1

Human poverty is a denial of human rights

Human poverty constitutes a denial of fundamental human rights. To promote social progress and raise the standard of living within the wider concept of freedom, international human rights law—as enshrined in the UN Charter, the Universal Declaration of Human Rights and other treaties and declarations—recognizes economic and social rights, with the aim of attacking poverty and its consequences. Among these rights are an adequate standard of living, food, housing, education, health, work, social security and a share in the benefits of social progress.

International law recognizes that many countries do not have the resources to achieve some of these rights

immediately; nevertheless, states are obliged to take steps, to the extent that their resources allow, to progressively realize economic, social and cultural rights. International law also obliges the international community to assist poorer countries in addressing their resource problems, and commitments have been made at UN conferences to increase development assistance, focusing on human development priorities and the eradication of poverty.

All countries except Somalia and the United States have ratified the Convention on the Rights of the Child. Well over two-thirds of all countries have ratified other conventions related to poverty and human rights.

BOX TABLE 6.1

Ratification status of major human rights conventions, 1 March 1997

Convention	Countries that have ratified or acceded	Countries that have not ratified or acceded
Economic, social and cultural rights, 1966	135	57
Civil and political rights, 1966	136	56
Elimination of discrimination against women, 1979	153	39
Rights of the child, 1989	190	2

Source: United Nations Centre for Human Rights 1997.

- To eradicate absolute poverty by a target date to be specified in each country in its national context (box 6.2).

These commitments and the success of many countries in rapidly reducing many aspects of poverty make inaction immoral. But accelerated action will be spurred only if all countries, including the industrial, develop a new vision of the possibility of eradicating poverty and a stronger sense of how they will gain from it—through greater security, greater stability and greater prosperity.

The potential benefits of reducing poverty are often doubted—but once they appear, they are taken for granted. In country after country, incorporating the deprived into the market and the power structure has brought broader benefits. The same has happened when poor countries have been brought into the global economy, ending the marginalization of people and economies and achieving greater balance.

The scale of the challenge

What will it take to eradicate severe and absolute poverty the world over?

The numbers in human poverty are huge, whether counting those in conflict, children out of school, households without secure sources of food or access to safe water and sanitation, or the 1.3 billion people estimated to be struggling to survive on less than the equivalent of \$1 a day. Notwithstanding the scale, the long-run

trends have been positive (figure 6.1). The numbers escaping from poverty have dramatically increased in the past few decades. The challenge ahead is to regain momentum, and when the rate of advance is insufficient, to accelerate it—and when there have been setbacks, to reverse them.

In a few countries, including at least one or two in most regions, poverty is rapidly decreasing, and many of the goals for the year 2000 or even beyond have already been achieved (table 6.1). These countries are the fortunate exceptions.

For most countries a major acceleration is still required if severe and absolute poverty is to be eradicated in a decade or two. Advances in life expectancy, child mortality and basic health and education, including the enrolment of girls, are continuing, but not fast enough.

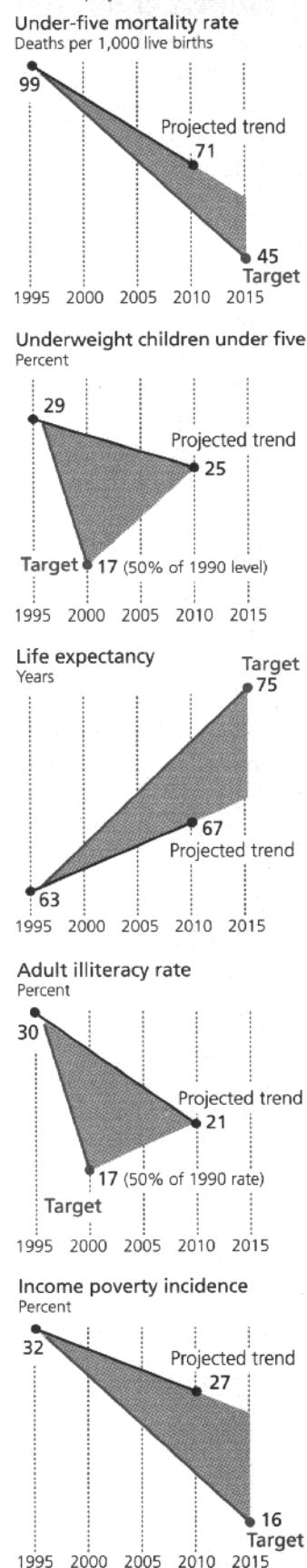
The weakness of pro-poor policies and the slowness of growth are most serious for about 100 developing and transition countries. But the failures of pro-poor growth are most serious in Sub-Saharan and other least developed countries.

For the better-off countries, including most of the industrial countries, the challenge is not to achieve faster growth but to find new ways to reduce poverty and hold the line against new poverty and unemployment with the more or less steady growth already being achieved.

Moderating inequality is the first step in ending poverty. Since 1960 global inequality has increased beyond anything ever

FIGURE 6.1

If trends of the past continue...
1980–95 trends for all developing countries projected into the future



Source: Human Development Report Office.

TABLE 6.1

A few countries have already reached some of the goals for 2000 and beyond

Goal	Sub-Saharan Africa	Arab States	South Asia	East Asia	South-East Asia and the Pacific	Latin America and the Caribbean	Eastern Europe and CIS	Total
Life expectancy above 70 years	1	6	1	3	6	23	13	53
Under-five mortality rate below 70 per 1,000 live births	4	13	2	4	10	31	23	87
Net primary enrolment ratio of 100%	0	2	1	0	0	1	..	4
Girls' primary enrolment equal to or greater than boys'	5	3	1	2	1	16	..	28
Countries in region	44	18	8	5	15	33	25	148

Note: The life expectancy goal is for 2005 (ICPD 1994), the under-five mortality goal for 2000 (WSSD 1995), the enrolment goal for 2000 (UNESCO 1996c) and the girls' primary enrolment goal for 2005 (WSSD 1995).

Source: For life expectancy, UN 1996b; for under-five mortality rate, UNICEF 1997; and for net enrolment, UNESCO 1996b.

Progress and challenges in key areas of poverty eradication

Clear agreements to reduce poverty were made in all the global conferences of the 1990s—but a giant step forward was taken in 1995 with the new political commitment to eradicate poverty. Some of the specific goals:

- By 2000, reach a life expectancy at birth of not less than 60 years in every country, by 2005, a life expectancy greater than 70 years and by 2015, life expectancy greater than 75 years.
- By 2000, reduce under-five child mortality by a third from the 1990 level or to 70 per 1,000 live births, whichever is less, and by 2015, to less than 45 per 1,000 live births.
- By 2000, reduce maternal mortality by half from the 1990 level, and by 2015, by another half.
- By 2000, reduce severe and moderate malnutrition among children under age five by half from the 1990 level, giving special attention to the gender gap in nutrition.
- By 2000, achieve universal access to high-quality and affordable primary health care, removing all programme-related barriers to use of family planning by 2005. Eliminate polio, guinea worm disease, iodine deficiency disorders and vitamin A deficiency.
- By 2000, achieve universal access to basic education and the completion of primary education by at least 80% of primary-school-age children, and by 2015, universal primary education in all countries.
- By 2000, reduce adult illiteracy by at least half from its 1990 level; by 2005, close the gender gap in primary and secondary school education; and by 2020, reduce female illiteracy by at least half from its 1990 level.

More—and better—schooling

School enrolment at all levels has expanded by leaps and bounds in developing countries in the past 40 years. But many children receive little or no education or drop out at an early stage.

The World Conference on Education for All in 1990 resulted in agreement on a stepped-up programme to increase the coverage and quality of primary schooling and to expand adult education. The target: basic education and literacy for all by early in the 21st century.

By 1995 more than 100 countries had developed plans and strategies to achieve education for all, and about half had increased budgetary resources to support the plan. Total primary enrolment has risen by about 50 million since 1990, with the number of school-age children out of school falling from 130 million to 110 million.

Three priorities:

- Most countries need to raise the quality of primary schooling, with more resources

needed for books and other learning materials and for improving the quality and pay of primary school teachers.

- Gender inequalities must be rapidly ended and policies adopted to offset the pressures hindering the enrolment and performance of girls.
- The international community needs to give stronger support to the poorest and least developed countries truly committed to the goal of education for all.

Reproductive health and family planning

Firmly anchored in a human rights framework, the programme of action of the International Conference on Population and Development in 1994 made the empowerment of women, gender equality and equity and reproductive rights and reproductive health, including family planning, the focus for follow-up action.

- Several countries have reoriented their policies and family planning programmes

to adopt the broader reproductive health approach advocated. Prominent among them are India, Indonesia, Kenya, Lesotho, the Marshall Islands, Mexico, Mongolia, Peru and Zambia.

- Institutions to safeguard women's rights and to promote women's empowerment have been established in many countries, including the Directorate for Gender Equity in Colombia, the Women's Rights Commission in Peru and the Ministry for Women's Affairs and Women's Rights in Haiti.
- Increasing the role and responsibility of men in family planning, parenting and reproductive health is being emphasized in the Dominican Republic, Mauritius, Myanmar, Papua New Guinea and the Philippines.
- India has replaced its target approach to family planning with an approach integrating family planning with other aspects of reproductive health, emphasizing quality of care and meeting the needs of women and men.

To sustain the momentum generated at the 1994 conference, the international community must strengthen collaboration and cooperation in:

- Integrating population issues into sustainable development strategies.
- Vigorously advocating the empowerment of women and reproductive rights and reproductive health for all.
- Giving special attention to the reproductive health information and service needs of youth and adolescents and other vulnerable and marginalized groups.
- Preventing and controlling HIV/AIDS.
- Developing new partnerships with NGOs, the private sector and civil society.
- Mobilizing resources for expanded and accelerated programme implementation.

Advances in access to water

Improving access to water has been one of the fastest areas of advance since 1980, with rapid improvements in all regions and even in countries in economic decline.

Access to safe water and adequate sanitation for all is a basic need, important not only for health but for household cleanliness and for saving time and back-breaking treks to water-holes, especially for women. It is the basic input for change in the quality of life.

Since 1980 the share of people with access to water has more than doubled in rural areas and increased somewhat in urban areas, despite big increases in population.

In most countries advances have accelerated but progress is still too slow. The key problem has been lack of political commitment and lack of priority for the sector in national planning. While some attention was given to towns and cities, rural areas remained neglected, and operations and maintenance were virtually ignored. Sanitation was most neglected, and in 1995 coverage was about 63% in urban areas and 18% in rural.

Projections show that access to safe water for all can be achieved in urban areas with only a modest increase in coverage. In rural areas a major acceleration in the provision of water supplies is needed in all regions (except South-East Asia and the Pacific) to achieve safe water for all by 2010.

Nutrition's worrying slowdown

In developing countries about 160 million preschool children (half the total) are underweight, a number that has remained fairly steady. Of these, about 85 million are in South Asia alone—but the number in Sub-Saharan Africa has risen from about 20 million to almost 30 million in the past 10 years. The prevalence of malnutrition has been falling worldwide, but only by just about enough to offset population growth.

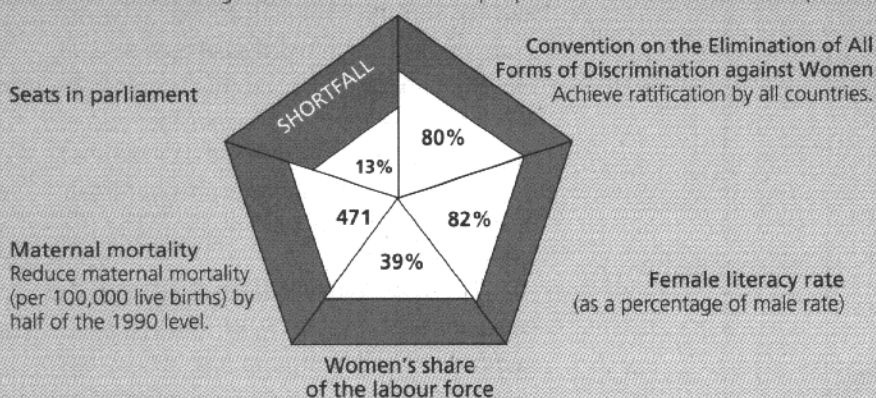
The goal of halving the prevalence of malnutrition in the 1990s was adopted by the World Summit for Children in 1990 and reaffirmed by the International Conference on Nutrition in 1992. Some countries managed an average reduction in prevalence of about two percentage points a year (say, from 40% to 20% in 10 years), Thailand for long enough to reach the goal, Indonesia and Sri Lanka for shorter periods.

Unless the rate of improvement is accelerated, the prospect of overcoming malnutrition will recede. At recent rates, it would take 200 years to eradicate malnutrition in South Asia, and in Sub-Saharan Africa an improving trend has yet to be established.

Many countries with widespread malnutrition now have policies to speed up improvements. Additional resources are needed to meet nutritional goals—but with the crucial step taken of deciding what to do, finding the resources should be less of a problem. Around \$2–\$10 a child per year—roughly \$1 billion a year—could bring significant progress. But in some countries with large populations and high prevalence, such as Ethiopia and India, appropriate strategies are not yet in place.

Targeting gender inequality

The eradication of poverty requires equal opportunities and the full and equal participation of women and men as agents and beneficiaries of people-centred sustainable development.



The platform of action adopted at the Fourth World Conference on Women at Beijing reaffirmed the objective of achieving equal rights, responsibilities, opportunities and participation for men and women in political, civil, economic, social and cultural life, with the full enjoyment by women and the girl-child of all human rights and fundamental freedoms.

Microcredit for poor people

Only 0.2% of global commercial lending reaches the poorest billion, 20% of the world's people. And microcredit programs now reach only about 8 million very poor people in developing countries.

The Microcredit Summit in 1997 set the target of reaching the 100 million poorest families, especially the women in those families, with credit for self-employment and other financial and business services by 2005. This requires an estimated \$21.6 billion. A little more than half may need to come through grants and concessional loans, the rest from commercial credit markets, institutional earnings and the savings of the public, including the savings of the poor. Experience shows that financial institutions targeting the poor are sustainable after five to seven years.

Reaching the summit's objectives requires a complex strategy. Support from international agencies and donors is required, especially in the initial years. The challenge is to create new structures or new and more flexible instruments to link microcredit programmes with sources of funds, including the private sector.

Needed: pro-poor growth

All countries need to set clear targets for reducing the incidence of income poverty—but so far only a handful have done so, such as China, Malaysia, Viet Nam and Zimbabwe. And surprisingly, most countries do not have a poverty line for income. Without cut-off lines and targets,

efforts to monitor reductions in income poverty lack focus and direction.

Economic growth is necessary for reducing income poverty. But economic growth has failed badly over the past two decades in about 100 countries—in some 70 developing countries since 1980 or so and in some 30 countries in Eastern Europe and the CIS, mostly since the late 1980s.

Economic growth in general fell desperately short of the 3% per capita target needed to double incomes in a generation and to halve the incidence of poverty in a decade. There has been modest improvement in some countries in the 1990s, with 30 achieving per capita growth of 3% or more during 1990–94 (15 in Asia, 7 in Latin America and the Caribbean, 5 in Sub-Saharan Africa and 2 Arab states). But outside Asia, 59 countries recorded declines in per capita income during 1990–94 and another 22 grew less than 1% a year.

There have been welcome signs of some increases in growth in 1995, and a few more increases are forecast for 1996 and 1997. But almost all these increases are insufficient for more than a handful of countries to reach growth of 3% a year per capita. Indeed, outside Asia, only nine countries are forecast to achieve 3% growth in 1995–97, and this progress is offset by projections of slowing growth for at least six others from earlier rates above 3%.

Reducing income poverty also requires expanding employment opportunities for the poorest—so growth needs to be the kind that creates jobs and increases the productivity and income of the poor.

experienced. By 1991 the share of the richest 20% in the global economy had grown to 85%, while the share of the poorest 20% had fallen from 2.3% to 1.4%. By 1994 the share of the richest had soared to 86%, and the share of the poorest had shrunk to 1.1%. So, over the past 35 years the ratio of the incomes of the richest 20% to those of the poorest 20% has increased from 30 to 1 in 1960 to 61 to 1 in 1991 and to 78 to 1 in 1994.

Since the publication of last year's *Human Development Report*, the recorded number of billionaires in the world has increased from 358 to 447, with the value of their combined assets now exceeding the combined incomes of the poorest 50% of the world's people, up from 45% the year before.

These are obscenities of excess in a world where 160 million children are malnourished, 840 million people live without secure sources of food and 1.2 billion lack access to safe drinking water. These inequalities demand action.

Six essential actions

Earlier chapters have set out the actions required to eradicate poverty in the 21st century. In summary, we must:

1. *Empower individuals, households and communities* to gain greater control over their life and resources by:

- Ensuring their access to assets as a protection against vulnerability. Access to credit and other financial services is vital, as is security of tenure, especially for housing and land.
- Ensuring food security for households and all their members.
- Ensuring education and health for all, along with access to reproductive health care, family planning and safe water and sanitation. This goal needs to be achieved within a decade or two, not postponed for another generation.
- Building social safety nets to prevent people from falling into destitution and to rescue them from disaster.

2. *Strengthen gender equality* to empower women and to release their vast underused energy and creativity. Poverty

eradication without gender equality is impossible and a contradiction in terms. Among key priorities are equal access to education and health, to job opportunities and to land and credit and actions to end domestic violence.

3. *Accelerate pro-poor growth* in the 100 or so developing and transition countries whose economies are growing only slowly, stagnating or declining. A minimum target should be 3% annual per capita growth.

Pro-poor growth is not just growth. It is growth that:

- Restores full employment and opportunity expansion as a high priority of economic policy.
- Creates an enabling environment for small-scale agriculture, microenterprises and the informal sector.
- Restructures public expenditure and taxation to support poverty reduction and social security.
- Reverses environmental degradation and secures sustainable livelihoods, especially on the marginal lands on which about half the world's poorest people depend for their livelihoods.

In short, pro-poor growth means mainstreaming poverty reduction into national policy-making—easy to say, tough to achieve.

4. *Improve the management of globalization*, nationally and internationally—to open opportunities, not close them. Needed are better policies, fairer rules and fairer terms for poor and weak countries to enter markets, especially those for agricultural and textile exports. The aim must be to create employment and avoid a “rush to the bottom”. But mainstreaming poverty reduction in international action is difficult—even when explicitly required in international agreements.

5. *Ensure an active state*, committed to eradicating poverty and providing an enabling environment for broad political participation and partnerships for pro-poor growth.

A strategy for poverty eradication must focus not only on what needs to be done, but on how to ensure that action is taken. This requires such fundamental reforms as promoting political participation by all,

ensuring accountability and transparency in government, preventing the criminalization of politics, promoting a free flow of information and freedom of the press and ensuring a strong role for community groups and NGOs in policy-making and legislative decision-making. The legitimacy and strength of the state are based on its capacity to mobilize and be mobilized in the fight against poverty.

6. *Take special actions for special situations*—to support progress in the poorest and weakest countries and to prevent reversals:

- Conflict prevention and resolution, and peace-building efforts in war-torn countries combining political initiatives with support for economic and social reconstruction. Even in crisis, human development is possible.

- More effective support for Sub-Saharan African and other least developed countries, combining faster action on debt relief, higher priority in aid allocations and a sharper focus in aid on poverty reduction and on achieving education and health for all by 2015.

Country-by-country action must always be the starting point. But to be effective and sustained, national action must be reinforced and supported by regional and global action, especially in the poorest and least developed countries.

National policy-making

Different countries follow—and should follow—widely different paths for making policy and plans to reduce poverty. Several elements are usually essential:

- *Clear national objectives* for poverty reduction and eradication, set through a participatory process, with a core set of measurable and time-bound targets.

- *National assessments* of the main causes of poverty together with a strategy document setting out the policies and actions needed to eradicate poverty. Experience shows the value of developing programmes of action focused on priority groups and priority sectors. Some 100 countries have prepared plans of action for basic education, nutrition and reproductive health—often in

support of goals and commitments agreed to at the global conferences of the 1990s. Even more countries—150—have prepared national plans of action to accelerate implementation of the goals for children agreed to at the World Summit for Children in 1990 (box 6.3).

- *Mainstreaming poverty reduction* within national economic policy. Too often poverty reduction gets sidelined by the economic priorities of structural adjustment. Countries that have reduced poverty while adjusting have shown that poverty reduction should be part of the goals and the process of structural adjustment. This has now been accepted as a principle of international policy on adjustment, though it is not yet always practiced.

- *Mobilizing broad support*, drawing on the strengths and capabilities of a broad net-

Are global goals ever achieved? Yes

BOX 6.3

Goals set at UN conferences are often met with scepticism. But the achievements following the World Summit for Children in 1990 show that a different response may be warranted.

This first-ever summit on human issues set 7 major (and 20 supporting) goals, most to be achieved by the year 2000. Mid-decade goals were added later—for Sub-Saharan Africa, South Asia, East Asia, the Arab States and Latin America and the Caribbean.

Most progress has been made in immunization, polio, diarrhoeal diseases, iodine deficiency, guinea worm disease, access to safe drinking water and promotion of breast-feeding.

- One hundred twenty-nine developing countries have reached the 1990 goal of 80% immunization coverage—and by 1995, 59 developing countries had already reached the target for the year 2000 of more than 90%.

- With polio now eliminated in 110 countries, its eradication by 2000 looks “promising”.

- Low-cost oral rehydration (against the effects of diarrhoeal disease) is now widely practiced, saving the lives of 1 million or so children a year.

- Iodine deficiency, the biggest preventable cause of mental deficiency, is on the retreat. Around 1.5 billion more

people had access to iodized salt in 1995 than in 1990. Some 12 million more are being saved from the impact of severe iodine deficiency each year.

- The number of children in primary school has risen by 50 million—and the number of school-age children not in school has fallen from 130 million to 110 million.

- Child mortality has declined in all regions. Worldwide, some 7 million more lives are being saved each year than in 1980.

In addition, the summit has helped to raise general awareness of children's needs and increase the commitment to meeting them. One hundred ninety countries have now ratified the Convention on the Rights of the Child. More than 50 have started reporting regularly on implementation.

Low-cost and cost-effective actions were a big part of the success, making it possible to achieve the goals by restructuring budgets rather than by making big increases in spending.

Monitoring was also vital. By 1995 almost 100 countries had undertaken household sample surveys, most covering 6,000–8,000 households, providing up-to-date information to assess progress. These are widely used at the country level to mobilize and maintain support.

Source: UNICEF 1996c.

work of actors—in government, academia, the media, the private sector, voluntary and non-governmental organizations and the social services and other professions.

- *Budgetary commitments* to allocating the resources needed to keep the strategy on track. A priority is to enhance the effectiveness of spending aimed at reducing poverty—both to improve its impact and as the best argument for increasing such spending.

- *Monitoring* to assess progress, guide corrections when the strategy goes off track and maintain public awareness and support.

Also key to success is mobilizing and sustaining public support, often easiest in local initiatives. The past decade or two have seen

many successful local initiatives in all parts of the world—by mayors for urban renewal and poverty reduction, by religious groups worldwide in support of immunization, by literacy teachers for minority groups, by women's groups for fairer opportunities. Such local initiatives offer a base for building broader—even national—initiatives. A critical step is to transform commitment into national consensus, mobilizing a movement involving many groups—parliament, non-governmental organizations, religious organizations, professional associations, the private sector.

Costs?

The costs of eradicating poverty are less than people imagine: about 1% of global income—and no more than 2–3% of national income in all but the poorest countries (box 6.4). Moreover, there undoubtedly is room in most countries to restructure spending and reduce waste—even after the cutbacks and retrenchments of recent years. And there may be scope for drawing on private sources, including contributions from those using government services.

With creative organization and genuine participation, poor people have demonstrated an enormous capacity to contribute to activities and schemes in which they have a stake and the assurance of some control.

But the greatest potential comes from the additional resources that would be available from successful pro-poor growth. Channelling a fraction of these resources each year into poverty reduction and further investment in pro-poor growth could establish an accelerated pattern of self-sustaining, pro-poor growth. “Redistribution with growth”, as such a strategy has been called, was followed in the 1960s and 1970s by many of the now-successful Asian countries, which in the initial phases were often helped by strong external support.

International action

Ways need to be found to bring these fundamental issues into the mainstream of international economic policy-making and action. Poverty reduction is still too often

BOX 6.4

The price tag for poverty eradication

Many assert that poverty eradication is not affordable. In a world economy of \$25 trillion, this argument is patently false.

The additional cost of achieving basic social services for all in developing countries is estimated at about \$40 billion a year over the 10 years to 2005.

Less than 0.2% of world income, this sum is about 1% of developing country income—or half the GNP share that the United States transferred each year to Europe during 1948–52 as part of the Marshall Plan for postwar reconstruction.

Most of the resources can come from restructuring existing budgets. For universal access to basic social services, about \$30 billion could come from national budgets and perhaps \$10 billion from aid. The 20:20 guideline endorsed in Copenhagen and first proposed in the *Human Development Report* would achieve this.

The investment needed to accelerate growth and empower everyone to escape poverty is impossible to calculate as a global sum. But to get some sense of its magnitude, it is possible to roughly estimate the cost of closing the gap between the annual income of poor people and the minimum income at which they would no longer be in extreme poverty. This figure is also small—amounting to about another \$40 billion a year.

So, to provide universal access to basic social services and transfers to alleviate income poverty would—with efficient targeting—cost roughly \$80 billion. That is less than 0.5% of global income and less than the combined net worth of the seven richest men in the world.

But poverty can be sustainably eradicated only through pro-poor growth, not through transfers. And most countries have more than enough to generate the resources needed to eradicate income poverty and to provide basic social services for all.

Lack of political commitment, not financial resources, is the real obstacle to poverty eradication. Eradicating absolute poverty is eminently affordable.

BOX TABLE 6.4
The cost of achieving universal access to basic social services
(US\$ billions)

Need	Annual cost
Basic education for all	6
Basic health and nutrition	13
Reproductive health and family planning	12
Low-cost water supply and sanitation	9
Total for basic social services	40

Source: UNDP, UNFPA and UNICEF 1994.

seen as a matter for developing countries—not a global concern in which every country has a stake.

What has dominated the global economic agenda? So far, trade, property rights, finance, financial stability and governance. What's off the radar:

- Poverty eradication.
- Unemployment and the need for a long-term employment strategy.
- Marginalization of the poorest and least developed countries, and the need to achieve a long-run balance in the global economy.
- The need for environmental sustainability in the global economy.

These gaps in the global agenda point to five imperatives for international action:

- New initiatives for conflict prevention and resolution, and for peace-building in war-torn countries leading to reconstruction and poverty-reducing development. For such initiatives to be sustainable, and in some cases even possible, stronger controls on arms sales and greater reductions in military spending are needed.
- Supportive international action in priority areas of health (HIV/AIDS), nutrition, basic education, environmental protection and agricultural technology (research on technical packages for Africa). Such action is vital to provide the global infrastructure for long-term poverty reduction.
- More effective debt relief—larger in scale, faster in operation. Many proposals have been introduced over the past decade, but the levels and rates of implementation are pathetic in relation to the problems that debt poses for the severely indebted low-income countries. Only with debt reduction can poverty be reduced in many of these countries.
- Better focusing of aid on the least developed countries in Sub-Saharan Africa and elsewhere, especially those pursuing serious programmes to reduce poverty. A larger share of aid needs to go to the poorest countries and to their poverty reduction programmes. Allocations for expatriate technical assistance are excessive and should be reduced. Implementation of the 20:20 guidelines would mobilize more support for action in basic social services (box 6.5).

• Reduction of military expenditures, with the peace dividend channelled to poverty reduction and pro-poor growth. Half the world's governments still spend more to guard against military attack than to defeat the enemies of good health. Despite declines in the past five years, nuclear stockpiles still have a destructive potential 700 times that of all the explosive power used in the 20th century's three major wars. And world military spending amounts to 1.75 times that in 1960, at \$797 billion in 1995 (more than \$1.5 million a minute). There is much scope for regional action. In 1994 African ministers called for more public spending on human development and an urgent one-third reduction in military spending.

BOX 6.5

The 20:20 vision

The 20:20 Initiative, first proposed in *Human Development Report 1992*, was endorsed by the World Summit for Social Development in 1995. It lays down guidelines to mobilize the resources required to achieve access to basic social services for all. The idea is that governments should allocate about 20% of their budgets—and donors 20% of their aid budgets—to basic social services, sufficient for universal coverage.

In April 1996, at the invitation of Norway and the Netherlands, representatives of 40 governments gathered in Oslo—along with NGOs, UN agencies and the Bretton Woods institutions—to discuss implementation of the 20:20 Initiative. Options were explored for establishing agreements between governments and donors to enhance the funding of basic social services.

The resulting Oslo Consensus encouraged support and agreed on a common definition of basic social services to include "basic education, primary health care, including reproductive health and population programmes, nutrition programmes and safe drinking water and sanitation, as well as the institutional capacity for delivering those services."

Source: UNDP 1994 and Mehrotra and Thet 1996.

What has happened since? Partial data suggest that 13% of national budgets and 10% of donor funding are being allocated to basic services. But there is evidence of a gradual increase in recent years. Within the framework of the OECD Development Assistance Committee, donor governments are discussing ways to improve the monitoring of bilateral assistance for basic services.

In Oslo some developing countries expressed interest in pursuing 20:20 development agreements with donors. UNICEF is helping them examine budgetary spending and the scope for restructuring public spending in favour of basic social services. UNDP is helping governments to integrate their social services into broader poverty reduction efforts.

The Oslo Consensus called for Consultative Group and Round Table conferences to review allocations to basic social services in the light of the 20:20 guidelines. Ethiopia has placed reform and funding for education high on the agenda for its next Consultative Group Meeting. All these developments are signs that developing countries and donors are devoting increased attention—and funding—to securing basic social services for all.

BOX 6.6**Donor commitments to support poverty reduction**

In 1996 donor countries laid out their plans for helping to reduce poverty in developing countries through a global partnership. In their vision for the 21st century they committed themselves to helping developing countries to:

- Cut by half the proportion of people living in income poverty by 2015.
- Ensure universal primary education by 2015.
- Advance towards gender equality and the empowerment of women by eliminating gender disparity in primary

and secondary education by 2005.

- Reduce by two-thirds mortality among infants and children under five and reduce by three-fourths maternal mortality—all by 2015.
- Provide reproductive health services to all individuals of appropriate age no later than 2015 through the primary health care system.
- Prepare plans for ending environmental degradation.

These aims are intended to support national programs, not supplant them.

Source: OECD 1996e.

BOX 6.7**Rio plus five—taking stock of missed opportunities**

The commitments made at the United Nations Conference on Environment and Development (UNCED) in 1992, encapsulated in Agenda 21, give equal weight to poverty and environment, recognizing the intrinsic relationship between the two in the context of sustainable development. But the political appeal of environmental issues in the North has allowed environmentalists to steal the show during the followup to the conference. Agenda 21 recognizes that a specific antipoverty strategy is one of the basic conditions for ensuring sustainable development. But this kind of focus on poverty has been missing from the global mechanisms established to support and monitor implementation of Agenda 21.

The UN Commission on Sustainable Development, charged with monitoring followup to UNCED and Agenda 21, has not made poverty a theme of its discussions. And the Global Environment Facility, the financing mechanism for meeting the global environmental goals of Agenda 21, is not geared to take account of the poverty-environment relationship. Meanwhile, the UN Commission on Social Development, charged with monitoring followup to the World Summit for Social Development, where poverty was the central concern, does not view poverty reduction in the context of its relationship to environmental protection and sustainable use of resources.

This "fault line" must be recognized and repaired. What is needed are global policies and mechanisms, bilateral and multilateral financing criteria and domestic policies and expenditure patterns that lead to the creation of assets for poor people, especially those who derive their livelihoods from natural resources. All these need to ensure that resources are invested in:

- Improving environmental health.
- Sustaining natural resources and ecosystems to ensure food, shelter, living space and livelihoods for poor people.
- Maximizing the potential of environmental protection activities to create sustainable employment and income.
- Supporting local communities in their role as custodians of their environment and natural resources.
- Ensuring rights of tenure, land use and access to physical resources and credit for poor people.
- Accelerating technological innovations needed to increase productivity and sustain livelihoods in marginal environments.

All these actions would build up the asset base of poor people and communities and help eliminate persistent poverty.

In the five years since UNCED the need to contribute to poverty reduction while attempting to apply Agenda 21 has been ignored. The world has an opportunity to redress this neglect this year as the United Nations reviews the progress made on Agenda 21 and corrects its course.

Regional action

In the past decade regional organizations have increasingly become forces for poverty reduction.

- SAARC (South Asian Association for Regional Cooperation) took initiatives on its formation in the mid-1980s to improve child health and survival. More recently, the SAARC programme for poverty reduction has been a source of innovation in social mobilization. The Dhaka Declaration of the SAARC Heads of State of 1992 endorses the goal of poverty eradication by 2002.

- SADC (Southern African Development Community) started with a political focus—to establish a common front against apartheid. But with the end of apartheid SADC has demonstrated its potential for subregional action for more human concerns—such as drought relief and improving conditions for children.

- The European Union has devoted much attention to social policy and to efforts to tackle social exclusion, including grants to reduce poverty and unemployment in marginal regions of Europe.

Two regional actions have great potential for helping to eradicate poverty: regional pacts to reduce military spending and reallocate it to poverty reduction and human security, and peer review of poverty plans and experience. Peer review could help in sharing experience and mobilizing more action without the one-sidedness of conditionality. It was the system the Marshall Plan used so successfully 50 years ago for postwar European reconstruction.

Poverty eradication and the United Nations

Poverty eradication is already a major focus for the United Nations, and followup to the World Summit for Social Development and the other global conferences has been made a focus for systemwide coordination. But more could undoubtedly be done, especially at the country level, to make poverty eradication a much stronger integrating framework for many of the development activities of the UN system.

Already support for poverty eradication is the highest priority of UNDP, and poverty reduction is among the central priorities of the main funding organizations of the United Nations—IFAD with its focus on rural poverty, UNFPA with its focus on women, reproductive health and family planning, UNIFEM with its emphasis on women's empowerment, UNICEF with its focus on children and the girl-child, UNHCR with its support for refugees, and the World Food Programme, which provides large-scale support in both emergency and non-emergency situations.

These organizations and the specialized agencies (FAO, UNESCO, ILO and WHO) and others (such as UNCTAD, UNCHS and UNEP) in the UN system have clear roles in follow-up action to the global conferences. But all could become part of a stronger global effort for poverty eradication through clear support for country-by-country action. A critical issue is how to establish more effective and creative partnerships with the World Bank, the regional development banks, the International Monetary Fund and the World Trade Organization.

National and international civil society should be a major player in all such efforts. Non-governmental organizations have long been leaders in support of poverty reduction, often extremely effective in pioneering approaches that empower poor people at low cost.

A big development of recent years is the greater recognition of the benefits of partnership—of working more closely together and recognizing the valuable contributions of others in what might otherwise be neglected areas. Partnership does not have to mean uncritical support for everything each group is doing, even when there is a shared focus on poverty reduction. Honest disagreement on such issues as the impact of adjustment on the poor or fees for health services has led to important reappraisals and changes in policy and approach. Indeed, these changes appear to be focusing international policy and support more on the needs and capabilities of poor people.

A grand alliance to eradicate poverty is a powerful integrating theme of the devel-

opment efforts of the UN system—a focus for advocacy, action, support and regular reporting. UNDP is committed to playing a full and supportive part in this, including in its role as the UN resident coordinator in many countries. Poverty eradication is becoming a central focus of country assessments in which concerned UN organizations will join, under the leadership of the government. Better collection, publication and analysis of data showing whether and how countries are reducing poverty will be important for maintaining momentum (box 6.8). Partnerships between the UN system and the donor and NGO communities must be strengthened around nationally defined goals for poverty eradication.

The costs of inaction

Implementing this agenda will not be easy. But the costs of accelerated action must be measured against the costs of delay and inaction—against political conflict and instability, continuing disease and environ-

No longer inevitable, poverty should be relegated to history

Monitoring progress in eradicating poverty

BOX 6.8

All countries need to establish or expand a system for regularly monitoring basic indicators of poverty and human deprivation and advances in human development. Such monitoring can serve several purposes:

- Establishing public accountability for progress in poverty reduction.
- Guiding progress and identifying the need for mid-course corrections.
- Mobilizing public support and action, especially by NGOs.

The monitoring of poverty and human development has taken big strides over the past decade or two. There now are 150 sample surveys of nutritional status, covering nearly 100 countries. In 1975 there were four. And about 90 countries have mounted sample surveys—150 in all, each covering around 8,000 households—to assess progress in reaching the goals of the 1990s.

The World Bank has supported poverty assessments in some 50 countries, many using participatory rural appraisals.

Initiatives are under way to improve the monitoring of access to safe water and sanitation, basic education, reproductive health care and family planning.

National human development reports have been produced in some 70 countries, and more are under preparation with support from UNDP. These provide frank assessments of progress and setbacks, and analyses of policies affecting human development.

One interesting development: non-governmental organizations and networks are mounting their own monitoring of followup to the World Summit for Social Development and other global conferences. They also provide an annual report, *Social Watch*, to measure country and global performance (ITM 1997).

Monitoring requires not only the collection of relevant data, but the capacity to quickly process, analyse and publish them. Publicizing the results through the media typically generates popular interest and greater political commitment.

mental degradation in large parts of the world, affronts to humanity and human sensibilities. In today's world of instant communication and growing global awareness, the pains of poverty cannot be hidden amidst the excesses of wealth and the inequalities.

What are the costs of eradicating poverty? As already asserted, only about 1% of global income—and no more than 2–3% of national income in all but the poorest countries. Further cuts in military spending,

with the savings channelled to poverty reduction and pro-poor growth, would go far towards providing the resources required.

The unprecedented progress in reducing poverty in the 20th century sets the stage for eradicating absolute poverty in the early 21st century—a moral imperative, an attainable goal. No longer inevitable, poverty should be relegated to history—along with slavery, colonialism and nuclear warfare.

Technical note 1. Properties of the human poverty index

This technical note states, establishes and discusses some important properties of the human poverty index. Intended as an aid to understanding the index, these properties are derived with respect to a more general definition of the human poverty index $P(\alpha)$ than that actually used in this Report. This allows the possibility that the weights on the three poverty subindices may differ, so that $P(\alpha)$ is a weighted mean of order α of P_1 , P_2 and P_3 .

Thus, letting $w_i > 0$ be the weight on P_i (≥ 0), for $i = 1, 2, 3$, we define the generalized mean $P(\alpha)$ as

$$(1) \quad P(\alpha) = \left(\frac{w_1 P_1^\alpha + w_2 P_2^\alpha + w_3 P_3^\alpha}{w_1 + w_2 + w_3} \right)^{1/\alpha}$$

The weighted mean reduces to the ordinary mean of order α when $w_i = 1$ for every i . With $w_1 = w_2 = w_3 = 1$, we have simply

$$(2) \quad P(\alpha) = \left[\left(\frac{1}{3} \right) P_1^\alpha + \left(\frac{1}{3} \right) P_2^\alpha + \left(\frac{1}{3} \right) P_3^\alpha \right]^{1/\alpha}$$

The mean of order 1 ($\alpha = 1$) is the simple weighted or unweighted arithmetic mean of P_1 , P_2 and P_3 . Thus

$$\begin{aligned} P(1) &= \frac{w_1 P_1 + w_2 P_2 + w_3 P_3}{w_1 + w_2 + w_3} \\ &= \frac{1}{3} (P_1 + P_2 + P_3) \quad \text{when } w_i = 1 \text{ for every } i. \end{aligned}$$

Can the human poverty index $P(\alpha)$ be interpreted as a headcount or incidence of poverty? While P_1 , P_2 and P_3 are the headcount or incidence of poverty in each of three separate dimensions, $P(\alpha)$ cannot be generally thought of as the headcount ratio with respect to a poverty line (hyperplane) drawn in the product space of the three variables. Instead, $P(\alpha)$ is an average, albeit of order α , of the three subindices P_1 , P_2 and P_3 . If the incidence of poverty happened to be the same in every dimension, then $P(\alpha)$ would clearly be equal to this common number, since

$$\left[\frac{w_1 P(\alpha)^\alpha + w_2 P(\alpha)^\alpha + w_3 P(\alpha)^\alpha}{w_1 + w_2 + w_3} \right]^{1/\alpha} = P(\alpha) = \left(\frac{w_1 P_1^\alpha + w_2 P_2^\alpha + w_3 P_3^\alpha}{w_1 + w_2 + w_3} \right)^{1/\alpha}$$

This observation allows us to interpret $P(\alpha)$ as the degree of overall poverty that is equivalent to having a headcount ratio of $P(\alpha)\%$ in every dimension.

The first property of $P(\alpha)$ that we establish is central to understanding it as a mean of P_1 , P_2 and P_3 . This property is that $P(\alpha)$ always lies between the smallest and largest values of P_i for $i = 1, 2, 3$.

PROPOSITION 1.

$$\min \{P_1, P_2, P_3\} \leq P(\alpha) \leq \max \{P_1, P_2, P_3\}.$$

PROOF. By definition of $P(\alpha)$, we have

$$(3) \quad P(\alpha)^\alpha = \frac{w_1}{w_1 + w_2 + w_3} P_1^\alpha + \frac{w_2}{w_1 + w_2 + w_3} P_2^\alpha + \frac{w_3}{w_1 + w_2 + w_3} P_3^\alpha.$$

But for each $i = 1, 2, 3$,

$$\min \{P_1, P_2, P_3\} \leq P_i \leq \max \{P_1, P_2, P_3\}.$$

Therefore, since $\alpha > 0$,

$$\left[\min \{P_1, P_2, P_3\} \right]^\alpha \leq P_i^\alpha \leq \left[\max \{P_1, P_2, P_3\} \right]^\alpha.$$

Using the right-hand-side inequality for each P_i^α in equation 3 gives

$$\begin{aligned} P(\alpha)^\alpha &\leq \frac{w_1 + w_2 + w_3}{w_1 + w_2 + w_3} \left[\max \{P_1, P_2, P_3\} \right]^\alpha \\ &= \left[\max \{P_1, P_2, P_3\} \right]^\alpha. \end{aligned}$$

Similarly,

$$P(\alpha)^\alpha \geq \left[\min \{P_1, P_2, P_3\} \right]^\alpha.$$

Hence

$$\left[\min \{P_1, P_2, P_3\} \right]^\alpha \leq P(\alpha)^\alpha \leq \left[\max \{P_1, P_2, P_3\} \right]^\alpha.$$

Since $\alpha > 0$, it follows that

$$\min \{P_1, P_2, P_3\} \leq P(\alpha) \leq \max \{P_1, P_2, P_3\}. \quad \square$$

The generalized mean $P(\alpha)$ is constructed for values of $\alpha \geq 1$. As shown, its limiting value when $\alpha = 1$ is simply the arithmetic mean of P_1 , P_2 and P_3 . In proposition 7 we show that the larger α is, the larger $P(\alpha)$ will be. For expositional reasons, it is convenient to demonstrate at this stage that as α tends to infinity, the limiting value of $P(\alpha)$ is $\max \{P_1, P_2, P_3\}$.

PROPOSITION 2. As $\alpha \rightarrow \infty$,

$$P(\alpha) \rightarrow \max \{P_1, P_2, P_3\}.$$

PROOF. Let P_k be the largest—or in the case of ties, one of the largest— P_i , for $i = 1, 2, 3$. Thus

$$P_k = \max \{P_1, P_2, P_3\}.$$

Then from proposition 1, for any $\alpha > 0$, we have

$$(4) \quad P(\alpha) \leq P_k = \max \{P_1, P_2, P_3\}.$$

Now

$$\begin{aligned} P(\alpha)^\alpha &= \frac{w_1}{w_1 + w_2 + w_3} P_1^\alpha + \frac{w_2}{w_1 + w_2 + w_3} P_2^\alpha + \frac{w_3}{w_1 + w_2 + w_3} P_3^\alpha \\ &\geq \frac{w_k}{w_1 + w_2 + w_3} P_k^\alpha \quad \text{since } P_k \text{ is one of } P_1, P_2 \text{ or } P_3. \end{aligned}$$

Therefore, since $\alpha > 0$,

$$P(\alpha) \geq \left(\frac{w_k}{w_1 + w_2 + w_3} \right)^{1/\alpha} P_k.$$

$$\text{Letting } \alpha \rightarrow \infty, \left(\frac{w_k}{w_1 + w_2 + w_3} \right)^{1/\alpha} \rightarrow 1,$$

so that $\lim_{\alpha \rightarrow \infty} P(\alpha) \geq P_k$.

But from equation 4 we also have

$$\lim_{\alpha \rightarrow \infty} P(\alpha) \leq P_k.$$

Hence

$$\lim_{\alpha \rightarrow \infty} P(\alpha) = P_k = \max\{P_1, P_2, P_3\}. \quad \square$$

The next property of $P(\alpha)$ that we demonstrate is that the index is homogeneous of degree 1 in the subindices P_1, P_2 and P_3 . In other words, if the incidence of poverty in each dimension is halved (multiplied by $\lambda > 0$), the value of the aggregate index $P(\alpha)$ will be halved (changed to λ multiplied by $P(\alpha)$).

PROPOSITION 3. $P(\alpha)$ is homogeneous of degree 1 in (P_1, P_2, P_3) .

PROOF. Let $\lambda > 0$ be a scalar number, and let $P(\alpha)$ be the value of the human poverty index corresponding to (P_1, P_2, P_3) .

Then

$$P(\alpha) = \left(\frac{w_1 P_1^\alpha + w_2 P_2^\alpha + w_3 P_3^\alpha}{w_1 + w_2 + w_3} \right)^{1/\alpha}.$$

The value of the human poverty index corresponding to $(\lambda P_1, \lambda P_2, \lambda P_3)$ is then given by

$$\left[\frac{w_1 (\lambda P_1)^\alpha + w_2 (\lambda P_2)^\alpha + w_3 (\lambda P_3)^\alpha}{w_1 + w_2 + w_3} \right]^{1/\alpha} = \left[\frac{\lambda^\alpha (w_1 P_1^\alpha + w_2 P_2^\alpha + w_3 P_3^\alpha)}{w_1 + w_2 + w_3} \right]^{1/\alpha} = \lambda P(\alpha). \quad \square$$

The next property of $P(\alpha)$ that we derive is that $P(\alpha)$ is monotonic increasing in each P_i for $i = 1, 2, 3$.

PROPOSITION 4. For each $i = 1, 2, 3$,

$$\frac{\partial P(\alpha)}{\partial P_i} > 0.$$

PROOF. From the definition of the generalized mean $P(\alpha)$ we have

$$(w_1 + w_2 + w_3) P(\alpha)^\alpha = w_1 P_1^\alpha + w_2 P_2^\alpha + w_3 P_3^\alpha.$$

Differentiating partially with respect to P_i ,

$$(w_1 + w_2 + w_3) \alpha P(\alpha)^{\alpha-1} \frac{\partial P(\alpha)}{\partial P_i} = w_i \alpha P_i^{\alpha-1}.$$

Therefore

$$(5) \quad \frac{\partial P(\alpha)}{\partial P_i} = \frac{w_i}{w_1 + w_2 + w_3} \left[\frac{P_i}{P(\alpha)} \right]^{\alpha-1} > 0 \quad \text{because } w_i > 0. \quad \square$$

In the unit weights case ($w_i = 1$, for $i = 1, 2, 3$) this reduces to

$$\frac{\partial P(\alpha)}{\partial P_i} = \frac{1}{3} \left[\frac{P_i}{P(\alpha)} \right]^{\alpha-1}.$$

Moreover, for $\alpha = 1$, so that $P(1)$ is simply the weighted or unweighted arithmetic mean of P_i , we have

$$\frac{\partial P(1)}{\partial P_i} = \frac{w_i}{w_1 + w_2 + w_3}$$

or

$$\frac{\partial P(1)}{\partial P_i} = \frac{1}{3}.$$

For an aggregate poverty index $P(\alpha)$ composed of distinct poverty subindices P_1, P_2 and P_3 , it seems clearly desirable that $P(\alpha)$ should be increasing in each P_i . Also desirable is that $P(\alpha)$ should increase at an increasing rate in P_i —in other words, that $P(\alpha)$ should be convex with respect to P_i . This is equivalent to saying that $P(\alpha)$ decreases with reductions in P_i , and at a diminishing rate. The next proposition establishes that our aggregator function $P(\alpha)$, for $\alpha > 1$, does satisfy this property.

PROPOSITION 5. For each $i = 1, 2, 3$,

$$\frac{\partial^2 P(\alpha)}{\partial P_i^2} > 0.$$

PROOF.

$$\begin{aligned} \frac{\partial^2 P(\alpha)}{\partial P_i^2} &= \frac{\partial}{\partial P_i} \left[\frac{\partial P(\alpha)}{\partial P_i} \right] \\ &= \frac{w_i}{w_1 + w_2 + w_3} \frac{\partial}{\partial P_i} \left\{ \left[\frac{P_i}{P(\alpha)} \right]^{\alpha-1} \right\} \end{aligned}$$

from equation 5.

Now

$$\begin{aligned} \frac{\partial}{\partial P_i} \left[\frac{P_i}{P(\alpha)} \right]^{\alpha-1} &= (\alpha-1) \left[\frac{P_i}{P(\alpha)} \right]^{\alpha-2} \frac{\partial}{\partial P_i} \left[\frac{P_i}{P(\alpha)} \right] \\ &= (\alpha-1) \left[\frac{P_i}{P(\alpha)} \right]^{\alpha-2} \left[\frac{P(\alpha) - P_i \frac{\partial P(\alpha)}{\partial P_i}}{P(\alpha)^2} \right] \\ &= (\alpha-1) \frac{P_i^{\alpha-2}}{P(\alpha)^\alpha} \left[\frac{P(\alpha) - \frac{P_i w_i P_i^{\alpha-1}}{(w_1 + w_2 + w_3) P(\alpha)^{\alpha-1}}}{P(\alpha)^{\alpha-1}} \right] \end{aligned}$$

substituting for $\frac{\partial P(\alpha)}{\partial P_i}$ from equation 5

$$= \frac{(\alpha-1) P_i^{\alpha-2}}{P(\alpha)^\alpha} \left[\frac{(w_1 + w_2 + w_3) P(\alpha)^\alpha - w_i P_i^\alpha}{(w_1 + w_2 + w_3) P(\alpha)^{\alpha-1}} \right].$$

Hence

$$\frac{\partial^2 P(\alpha)}{\partial P_i^2} = \frac{w_i P_i^{\alpha-2}(\alpha-1)}{(w_1 + w_2 + w_3)^2 P(\alpha)^{2\alpha-1}} \left[(w_1 + w_2 + w_3) P(\alpha)^\alpha - w_i P_i^\alpha \right] > 0$$

because $\alpha > 1$ and

$$(w_1 + w_2 + w_3) P(\alpha)^\alpha - w_i P_i^\alpha = \sum_{j \neq i} w_j P_j^\alpha > 0. \quad \square$$

The next property we consider is the effect on the aggregate index $P(\alpha)$ of increasing the weight w_i on a particular poverty subindex P_i . We expect that increasing the weight on the largest subindex, $\max \{P_1, P_2, P_3\}$, will increase $P(\alpha)$, while increasing the weight on the smallest subindex, $\min \{P_1, P_2, P_3\}$, will reduce $P(\alpha)$. But what would be the effect of increasing the weight on a middle P_i ? The answer depends on the relationship between P_i and $P(\alpha)$.

PROPOSITION 6. For any i ,

$$\frac{\partial P(\alpha)}{\partial w_i} \cong 0 \text{ as } P_i \cong P(\alpha).$$

PROOF. From the definition of $P(\alpha)$ we have

$$(w_1 + w_2 + w_3) P(\alpha)^\alpha = w_1 P_1^\alpha + w_2 P_2^\alpha + w_3 P_3^\alpha.$$

Differentiating both sides partially with respect to w_i ,

$$(w_1 + w_2 + w_3) \alpha P(\alpha)^{\alpha-1} \frac{\partial P(\alpha)}{\partial w_i} + P(\alpha)^\alpha = P_i^\alpha.$$

Therefore

$$(w_1 + w_2 + w_3) \alpha P(\alpha)^{\alpha-1} \frac{\partial P(\alpha)}{\partial w_i} = P_i^\alpha - P(\alpha)^\alpha.$$

Hence, since $\alpha > 0$,

$$\frac{\partial P(\alpha)}{\partial w_i} \cong 0 \text{ as } P_i^\alpha \cong P(\alpha)^\alpha,$$

that is,

$$\text{as } P_i \cong P(\alpha). \quad \square$$

For $\alpha = 1$ we have

$$\begin{aligned} \frac{\partial P(1)}{\partial w_i} &= \frac{1}{w_1 + w_2 + w_3} [P_i - P(1)] \\ &\cong 0 \text{ as } P_i \cong P(1). \end{aligned}$$

The next property we consider is the effect on $P(\alpha)$ of raising the parameter value α for given values of the subindices P_i for $i = 1, 2, 3$. It shows that the value of the aggregate index will be higher when a higher-order mean is formed of P_1, P_2 and P_3 . In particular, a mean of order $\alpha > 1$ will result in a $P(\alpha)$ that is greater than $P(1)$, the simple arithmetic mean of P_1, P_2 and P_3 .

PROPOSITION 7. For given P_1, P_2 and P_3 that are not equal, if $\alpha > \gamma > 0$, then $P(\alpha) > P(\gamma)$.

PROOF. Let $\alpha > \gamma > 0$. By definition of $P(\alpha)$ and $P(\gamma)$, we have

$$P(\alpha)^\alpha = \frac{w_1}{w_1 + w_2 + w_3} P_1^\alpha + \frac{w_2}{w_1 + w_2 + w_3} P_2^\alpha + \frac{w_3}{w_1 + w_2 + w_3} P_3^\alpha$$

and

$$P(\gamma)^\gamma = \frac{w_1}{w_1 + w_2 + w_3} P_1^\gamma + \frac{w_2}{w_1 + w_2 + w_3} P_2^\gamma + \frac{w_3}{w_1 + w_2 + w_3} P_3^\gamma.$$

Raising both sides of the second equation to the power $(\alpha/\gamma) (> 1 \text{ because } \alpha > \gamma > 0)$,

$$[P(\gamma)^\gamma]^{\alpha/\gamma} = \left(\frac{w_1}{w_1 + w_2 + w_3} P_1^\gamma + \frac{w_2}{w_1 + w_2 + w_3} P_2^\gamma + \frac{w_3}{w_1 + w_2 + w_3} P_3^\gamma \right)^{\alpha/\gamma}.$$

Now $f(x) = x^{\alpha/\gamma}$ is a strictly convex function, since

$$f'(x) = (\alpha/\gamma) x^{(\alpha/\gamma)-1}$$

and

$$\begin{aligned} f''(x) &= (\alpha/\gamma) [(\alpha/\gamma) - 1] x^{(\alpha/\gamma)-2} \\ &> 0 \text{ because } (\alpha/\gamma) > 1. \end{aligned}$$

Hence, by Jensen's inequality applied to strictly convex functions $f(\cdot)$, since P_1, P_2 and P_3 are not equal, we have the strict inequality

$$\begin{aligned} &f\left(\frac{w_1}{w_1 + w_2 + w_3} P_1^\gamma + \frac{w_2}{w_1 + w_2 + w_3} P_2^\gamma + \frac{w_3}{w_1 + w_2 + w_3} P_3^\gamma\right) \\ &< \frac{w_1}{w_1 + w_2 + w_3} f(P_1^\gamma) + \frac{w_2}{w_1 + w_2 + w_3} f(P_2^\gamma) + \frac{w_3}{w_1 + w_2 + w_3} f(P_3^\gamma). \end{aligned}$$

Using the strictly convex function $f(x) = x^{\alpha/\gamma}$ gives

$$[P(\gamma)^\gamma]^{\alpha/\gamma} < \frac{w_1}{w_1 + w_2 + w_3} P_1^\alpha + \frac{w_2}{w_1 + w_2 + w_3} P_2^\alpha + \frac{w_3}{w_1 + w_2 + w_3} P_3^\alpha,$$

that is,

$$P(\gamma)^\alpha < P(\alpha)^\alpha.$$

Since $\alpha > 0$, it follows that

$$P(\gamma) < P(\alpha). \quad \square$$

Letting $\gamma = 1$ and $\alpha > 1$, we have the corollary that

$$P(\alpha) > P(1) = \frac{w_1 P_1 + w_2 P_2 + w_3 P_3}{w_1 + w_2 + w_3},$$

the simple weighted arithmetic mean of P_1, P_2 and P_3 .

We next investigate the "decomposability" of the human poverty index among groups within a country. Suppose the population of a country is divided into m mutually exclusive and exhaustive groups. The groups may be defined in terms of stratum (urban, rural), region (by state, province or district) or gender (male, female). Let n_j be the size of population group j , for $j = 1, 2, \dots, m$, and let n be the size of the total population of the country. Then

$$n = \sum_{j=1}^m n_j.$$

Let P_1, P_2 and P_3 be the values of the three poverty subindices P_1, P_2 and P_3 for group j , where $j = 1, 2, \dots, m$. Finally, let $P_j(\alpha)$ denote the mean of order α of P_1, P_2 and P_3 for group j . By definition, we have

$$P_j(\alpha) = \left(\frac{w_1 P_{1j}^\alpha + w_2 P_{2j}^\alpha + w_3 P_{3j}^\alpha}{w_1 + w_2 + w_3} \right)^{1/\alpha}, \text{ for } j = 1, 2, \dots, m.$$

What is the relationship between $P(\alpha)$ and the $P_j(\alpha)$ for $j = 1, 2, \dots, m$? Strict decomposability of the index $P(\alpha)$ would require that $P(\alpha)$ be a population-weighted average of the $P_j(\alpha)$, the population weights being n_j/n . But strict decomposability does not generally obtain.

The relationship between the values of a given subindex for different groups (for example, P_1 , for $j = 1, 2, \dots, m$) and the overall value of the subindex (for example, P_1) is straightforward enough. As the indices are simple headcounts of poverty, we have

$$\begin{aligned} \sum_{j=1}^m \frac{n_j}{n} P_{1j} &= P_1, \\ \sum_{j=1}^m \frac{n_j}{n} P_{2j} &= P_2, \\ \text{and } \sum_{j=1}^m \frac{n_j}{n} P_{3j} &= P_3. \end{aligned}$$

But when the α -averages of P_1, P_2 and P_3 are formed for each j to give $P_j(\alpha)$, the population-weighted average of the $P_j(\alpha)$ s exceeds $P(\alpha)$.

PROPOSITION 8. For $\alpha \geq 1$,

$$\sum_{j=1}^m \frac{n_j}{n} P_j(\alpha) \geq P(\alpha).$$

PROOF. For each $j = 1, 2, \dots, m$, we have

$$\frac{n_j}{n} P_j(\alpha) = \left[\frac{w_1 \left(\frac{n_j}{n} P_{1j} \right)^\alpha + w_2 \left(\frac{n_j}{n} P_{2j} \right)^\alpha + w_3 \left(\frac{n_j}{n} P_{3j} \right)^\alpha}{w_1 + w_2 + w_3} \right]^{1/\alpha}.$$

Applying Minkowski's inequality (Hardy, Littlewood and Pólya 1952, p. 30) to $(n_j/n)P_{1j}, (n_j/n)P_{2j}, (n_j/n)P_{3j}$ for $j = 1, 2, \dots, m$ yields

$$\begin{aligned} & \sum_{j=1}^m \left[\frac{w_1 \left(\frac{n_j}{n} P_{1j} \right)^\alpha + w_2 \left(\frac{n_j}{n} P_{2j} \right)^\alpha + w_3 \left(\frac{n_j}{n} P_{3j} \right)^\alpha}{w_1 + w_2 + w_3} \right]^{1/\alpha} \\ & \geq \left[\frac{w_1 \left(\sum_{j=1}^m \frac{n_j}{n} P_{1j} \right)^\alpha + w_2 \left(\sum_{j=1}^m \frac{n_j}{n} P_{2j} \right)^\alpha + w_3 \left(\sum_{j=1}^m \frac{n_j}{n} P_{3j} \right)^\alpha}{w_1 + w_2 + w_3} \right]^{1/\alpha}. \end{aligned}$$

Hence

$$\sum_{j=1}^m \frac{n_j}{n} P_j(\alpha) \geq \left(\frac{w_1 P_1^\alpha + w_2 P_2^\alpha + w_3 P_3^\alpha}{w_1 + w_2 + w_3} \right)^{1/\alpha}.$$

Therefore

$$\sum_{j=1}^m \frac{n_j}{n} P_j(\alpha) \geq P(\alpha). \quad \square$$

The weak inequality in proposition 8 will be a strict inequality unless either $\alpha = 1$ or (P_{1j}, P_{2j}, P_{3j}) and (P_{1k}, P_{2k}, P_{3k}) are proportional for all j and k .

A simple example with non-proportionality of the group poverty subindices shows why decomposability (equality in proposition 8) does not obtain for $\alpha > 1$. Suppose the population is divided into two mutually exclusive and exhaustive groups $j = 1, 2$ of equal size ($n_1/n = n_2/n = 1/2$), with values of poverty subindices as follows:

$$\begin{aligned} (P_{11}, P_{21}, P_{31}) &= (0.25, 0.5, 0.75), \\ \text{and } (P_{12}, P_{22}, P_{32}) &= (0.75, 0.5, 0.25). \end{aligned}$$

Hence

$$(P_1, P_2, P_3) = (0.5, 0.5, 0.5),$$

and obviously $P(\alpha) = 0.5$.

Now for group 1

$$\begin{aligned} P_1(\alpha) &= [(1/3)(0.25)^\alpha + (1/3)(0.5)^\alpha + (1/3)(0.75)^\alpha]^{1/\alpha} \\ &> 0.5, \quad \text{by proposition 7 since } \alpha > 1, \end{aligned}$$

and for group 2

$$\begin{aligned} P_2(\alpha) &= [(1/3)(0.75)^\alpha + (1/3)(0.5)^\alpha + (1/3)(0.25)^\alpha]^{1/\alpha} \\ &> 0.5, \quad \text{by proposition 7 since } \alpha > 1. \end{aligned}$$

Therefore

$$\begin{aligned} (1/2)P_1(\alpha) + (1/2)P_2(\alpha) &> (1/2)(0.5) + (1/2)(0.5) \\ &= 0.5 \\ &= P(\alpha). \end{aligned}$$

Taking the group arithmetic means of each poverty subindex tends to reduce or leave unchanged the relative disparity among the three poverty subindices. As a result of this feature the α -average of the arithmetic means of group subindices is smaller than the arithmetic mean of α -averages of group subindices.

Finally, for a given value of $\alpha (\geq 1)$, we discuss the degree of substitutabil-

ity between the poverty subindices P_1, P_2 and P_3 in the aggregate measure $P(\alpha)$. The elasticity of substitution between, say, P_1 and P_2 along an iso- $P(\alpha)$ curve (holding P_3 constant) is defined as the percentage change in (P_1/P_2) for a unit percentage change in the slope of the tangent along this curve (projected onto P_1 - P_2 space at the given value of P_3). For the index $P(\alpha)$ the elasticity of substitution is constant along each level set of $P(\alpha)$ and the same for different level sets. By proposition 3, $P(\alpha)$ is homogeneous of degree 1 in (P_1, P_2, P_3) , and therefore its level sets are homothetic.

PROPOSITION 9. The elasticity of substitution σ between any two subindices of $P(\alpha)$, that is, between any two of P_1, P_2 and P_3 , is constant and equal to $1/(\alpha-1)$.

PROOF. Consider the elasticity of substitution between P_1 and P_2 , holding P_3 constant. The slope of the tangent along an iso- $P(\alpha)$ curve in P_1 - P_2 space is given by

$$x = \frac{\partial P(\alpha)}{\partial P_1} \bigg/ \frac{\partial P(\alpha)}{\partial P_2}.$$

By definition, the elasticity of substitution σ between P_1 and P_2 is

$$\frac{\partial \log(P_1/P_2)}{\partial \log x}.$$

From equation 5 in proposition 4 we have

$$\frac{\partial P(\alpha)}{\partial P_1} \bigg/ \frac{\partial P(\alpha)}{\partial P_2} = \frac{w_1}{w_2} \left(\frac{P_1}{P_2} \right)^{\alpha-1} = x.$$

Therefore

$$\frac{P_1}{P_2} = \left(\frac{w_2}{w_1} \right)^{1/(\alpha-1)} x^{1/(\alpha-1)}$$

and

$$\log \left(\frac{P_1}{P_2} \right) = \frac{1}{\alpha-1} \log \left(\frac{w_2}{w_1} \right) + \frac{1}{\alpha-1} \log x.$$

Hence the elasticity of substitution

$$\sigma = \frac{\partial \log(P_1/P_2)}{\partial \log x} = \frac{1}{\alpha-1}. \quad \square$$

Thus, if $\alpha = 1$, there is infinite, or perfect, substitutability between P_1 and P_2 . And as $\alpha \rightarrow \infty$, there is no substitutability between P_1 and P_2 . As α increases from 1, the elasticity of substitution decreases monotonically from ∞ to 0.

If we choose $\alpha = 1$ (the case of perfect substitutability), the aggregate index $P(\alpha)$ is the simple arithmetic mean of the three subindices P_1, P_2, P_3 . As α tends to infinity, the substitutability becomes zero, and the aggregate index tends to the maximum of the three subindices, $\max \{P_1, P_2, P_3\}$. In general, the elasticity of substitution between any two of the subindices, holding the other constant, is $\sigma = 1/(\alpha-1)$.

With $\alpha = 1$ and infinite substitutability, the impact on $P(\alpha)$ from a unit increase (or decrease) of any subindex is the same, irrespective of the level of deprivation in the different dimensions. This contradicts the usual assumption that as the extent of deprivation in any dimension increases (given the others), the weight on further additions to deprivation in that dimension should also increase. For this we need $\alpha > 1$. The value of α also influences, correspondingly, the relative weight to be placed on deprivation in the different dimensions. Consider, for example, $P_1 = 60\%$ and $P_2 = 30\%$ (with, say, $P_3 = 45\%$). In this case, for any α the relative impact of a unit increase in P_1 compared with a unit increase in P_2 , which is given in general by $(P_1/P_2)^{\alpha-1}$, equals $2^{\alpha-1}$. With $\alpha = 1$, the relative impact is given by 1. As was remarked earlier, as α tends to infinity, P_1 becomes the only determinant of $P(\alpha)$, so that its impact is infinitely larger than that of a unit increase in P_2 , which has, in this case, no impact at all.

The relative impact increases as α is raised from 1. With $\alpha = 3$, the relative impact is 4, giving the dimension of doubly greater deprivation (P_1) much greater weight. The relative impact rises very fast with the raising of α , as is clear from the formula. For $\alpha = 5$, the relative impact of a unit increase in P_1 is as much as 16 times that of a unit increase in P_2 .

For calculating the human poverty index, $\alpha = 3$ has been chosen. This gives an elasticity of substitution of $1/2$ and places greater weight on those dimensions in which deprivation is larger. It does not, however, have the extremism of zero substitutability (given by α tending to infinity), nor the very high values of relative impact that are generated as α is raised (increasing the relative impact, in the case discussed above, from 4 to 16 as α goes from 3 to 5). There is an inescapable arbitrariness in the choice of α . The right way to deal with this issue is to explain clearly what is being assumed, as has been attempted here, so that public criticism of this assumption is possible.

As a matter of intellectual continuity, it should be mentioned that the value of $\alpha = 3$ corresponds exactly to the weighting used to calculate the gender-related development index (GDI).

Technical note 2. Computing the indices

The human development index

The HDI is based on three indicators: longevity, as measured by life expectancy at birth; educational attainment, as measured by a combination of adult literacy (two-thirds weight) and combined primary, secondary and tertiary enrolment ratios (one-third weight); and standard of living, as measured by real GDP per capita (PPP\$).

For the construction of the index, fixed minimum and maximum values have been established for each of these indicators:

- Life expectancy at birth: 25 years and 85 years
- Adult literacy: 0% and 100%
- Combined gross enrolment ratio: 0% and 100%
- Real GDP per capita (PPP\$): \$100 and \$40,000 (PPP\$).

For any component of the HDI, individual indices can be computed according to the general formula:

$$\text{Index} = \frac{\text{Actual } x_i \text{ value} - \text{minimum } x_i \text{ value}}{\text{Maximum } x_i \text{ value} - \text{minimum } x_i \text{ value}}$$

If, for example, the life expectancy at birth in a country is 65 years, then the index of life expectancy for this country would be

$$\frac{65 - 25}{85 - 25} = \frac{40}{60} = 0.667.$$

The construction of the income index is a little more complex. The world average income of \$5,835 (PPP\$) in 1994 is taken as the threshold level (y^*), and any income above this level is discounted using the following formulation based on Atkinson's formula for the utility of income:

$$\begin{aligned} W(y) &= y^* \text{ for } 0 < y < y^* \\ &= y^* + 2[(y - y^*)^{1/2}] \text{ for } y^* \leq y \leq 2y^* \\ &= y^* + 2(y^{1/2}) + 3[(y - 2y^*)^{1/3}] \text{ for } 2y^* \leq y \leq 3y^* \\ y &= y^* + 2(y^{1/2}) + 3[(y - 2y^*)^{1/3}] + n\{[1 - (n-1)y^*]^{1/n}\} \\ &\quad \text{for } (n-1)y^* \leq y \leq ny^*. \end{aligned}$$

To calculate the discounted value of the maximum income of \$40,000 (PPP\$), the following form of Atkinson's formula is used:

$$\begin{aligned} W(y) &= y^* + 2(y^{1/2}) + 3(y^{1/3}) + 4(y^{1/4}) + 5(y^{1/5}) \\ &\quad + 6(y^{1/6}) + 7(y^{1/7}) + 8[(40,000 - 7y^*)^{1/8}]. \end{aligned}$$

This is because \$40,000 (PPP\$) is between $7y^*$ and $8y^*$. With the above formulation, the discounted value of the maximum income of \$40,000 (PPP\$) is \$6,154 (PPP\$).

The construction of the HDI is illustrated with two examples—Greece and Gabon, an industrial and a developing country.

Country	Life expectancy (years)	Adult literacy rate (%)	Combined enrolment ratio (%)	Real GDP per capita (PPP\$)
Greece	77.8	96.7	82	11,265
Gabon	54.1	62.6	60	3,641

Life expectancy index

$$\text{Greece} = \frac{77.8 - 25}{85 - 25} = \frac{52.8}{60} = 0.880$$

$$\text{Gabon} = \frac{54.1 - 25}{85 - 25} = \frac{29.1}{60} = 0.485$$

Adult literacy index

$$\text{Greece} = \frac{96.7 - 0}{100 - 0} = \frac{96.7}{100} = 0.967$$

$$\text{Gabon} = \frac{62.6 - 0}{100 - 0} = \frac{62.6}{100} = 0.626$$

Combined primary, secondary and tertiary enrolment ratio index

$$\text{Greece} = \frac{82 - 0}{100 - 0} = 0.820$$

$$\text{Gabon} = \frac{60 - 0}{100 - 0} = 0.600$$

Educational attainment index

$$\text{Greece} = [2(0.967) + 1(0.820)] \div 3 = 0.918$$

$$\text{Gabon} = [2(0.625) + 1(0.600)] \div 3 = 0.617$$

Adjusted real GDP per capita (PPP\$) index

Greece's real GDP per capita at \$11,265 (PPP\$) is above the threshold level, but less than twice the threshold. Thus the adjusted real GDP per capita for Greece would be \$5,982 (PPP\$) because $\$5,982 = [\$5,835 + 2(\$11,265 - \$5,835)^{1/2}]$.

Gabon's real GDP per capita at \$3,641 (PPP\$) is less than the threshold level, so it needs no adjustment.

Thus the adjusted real GDP per capita (PPP\$) indices for Greece and Gabon would be:

$$\text{Greece} = \frac{5,982 - 100}{6,154 - 100} = \frac{5,882}{6,054} = 0.972$$

$$\text{Gabon} = \frac{3,641 - 100}{6,154 - 100} = \frac{3,541}{6,054} = 0.584$$

Human development index

The HDI is a simple average of the life expectancy index, educational attainment index and adjusted real GDP per capita (PPP\$) index, and so is derived by dividing the sum of these three indices by 3.

Country	Life expectancy index	Educational attainment index	Adjusted real GDP per capita (PPP\$) index	HDI
Greece	0.880	0.918	0.972	0.923
Gabon	0.485	0.617	0.584	0.562

The gender-related development index and the gender empowerment measure

For comparisons among countries, the GDI and the GEM are limited to data widely available in international data sets. For this year's Report we have endeavoured to use the most recent, reliable and internally consistent data. Collecting more extensive and more reliable gender-disaggregated data is a challenge that the international community should squarely face. We continue to publish results on the GDI and the GEM—based on the best available estimates—in the expectation that it will help increase the demand for such data.

The gender-related development index

The GDI uses the same variables as the HDI. The difference is that the GDI adjusts the average achievement of each country in life expectancy, educational attainment and income in accordance with the disparity in achievement between women and men. (For a detailed explanation of the GDI methodology see technical note 1 in *Human Development Report 1995*). For this gender-sensitive adjustment we use a weighting formula that expresses a moderate aversion to inequality, setting the weighting parameter, ϵ , equal to 2. This is the harmonic mean of the male and female values.

The GDI also adjusts the maximum and minimum values for life expectancy, to account for the fact that women tend to live longer than men. For women the maximum value is 87.5 years and the minimum value 27.5 years; for men the corresponding values are 82.5 and 22.5 years.

Calculating the index for income is fairly complex. Female and male shares of earned income are derived from data on the ratio of the average female wage to the average male wage and the female and male percentage shares of the economically active population aged 15 and above. Where data on the wage ratio are not available, we use a value of 75%, the weighted mean of the wage ratio for all countries with wage data. Before income is indexed, the average adjusted real GDP per capita of each country is discounted on the basis of the disparity in the female and male shares of earned income in proportion to the female and male population shares.

The indices for life expectancy, educational attainment and income are added together with equal weight to derive the final GDI value.

Illustration of the GDI methodology

We choose Norway to illustrate the steps for calculating the gender-related development index. The parameter of inequality aversion, ϵ , equals 2. (Any discrepancies in results are due to rounding.)

Percentage share of total population

Females	51
Males	49

Life expectancy at birth (years)

Females	80.4
Males	74.6

Adult literacy rate (percent)

Females	99
Males	99

Combined primary, secondary and tertiary gross enrolment ratio (percent)

Females	93
Males	92

STEP ONE

Computing the equally distributed life expectancy index

Life expectancy index

Females	$(80.4 - 27.5)/60 = 0.882$
Males	$(74.6 - 22.5)/60 = 0.868$

The equally distributed life expectancy index

$$\{[(\text{female population share} \times (\text{female life expectancy index})^{-1}) + (\text{male population share} \times (\text{male life expectancy index})^{-1})]^{-1}\}^{-1} \\ [0.51(0.882)^{-1} + 0.49(0.868)^{-1}]^{-1} = 0.875$$

STEP TWO

Computing the equally distributed educational attainment index

Adult literacy index

Females	$(99 - 0)/100 = 0.990$
Males	$(99 - 0)/100 = 0.990$

Combined gross enrolment index

Females	$(93 - 0)/100 = 0.930$
Males	$(92 - 0)/100 = 0.920$

Educational attainment index

	$2/3(\text{adult literacy index}) + 1/3(\text{combined gross enrolment index})$
Females	$2/3(0.990) + 1/3(0.930) = 0.970$
Males	$2/3(0.990) + 1/3(0.920) = 0.967$

The equally distributed educational attainment index

$$\{[(\text{female population share} \times (\text{educational attainment index})^{-1}) + (\text{male population share} \times (\text{educational attainment index})^{-1})]^{-1}\}^{-1} \\ [0.51(0.970)^{-1} + 0.49(0.967)^{-1}]^{-1} = 0.968$$

STEP THREE

Computing the equally distributed income index

Percentage share of the economically active population

Females	45.5
Males	54.5

Ratio of female non-agricultural wage to male non-agricultural wage: 0.870

Adjusted real GDP per capita: PPP\$6,073 (see the section above on the HDI)

A. Computing proportional income shares

Average wage (W) = (female share of economically active population \times female wage) + (male economically active population \times 1)
 $(0.455 \times 0.870) + (0.545 \times 1) = 0.941$

Female wage to average wage (W)

$$0.870/0.941 = 0.925$$

Male wage to average wage (W)

$$1/0.941 = 1.063$$

Share of earned income

Note: $[(\text{female wage/average wage}) \times \text{female share of economically active population}] + [(\text{male wage/average wage}) \times \text{male share of economically active population}] = 1$

Females

$$\text{Female wage/female economically active population} \\ 0.9247 \times 0.4553 = 0.4210$$

Males

$$\text{Male wage/male economically active population} \\ 1.063 \times 0.545 = 0.579$$

Female and male proportional income shares

Females

$$\text{Female share of earned income/female population share} \\ 0.421/0.505 = 0.834$$

Males

$$\text{Male share of earned income/male population share} \\ 0.579/0.495 = 1.169$$

B. Computing the equally distributed income index

The weighting parameter ($\epsilon = 2$) is applied.

$\{[\text{female population share} \times (\text{female proportional income share})^{-1}] + [\text{male population share} \times (\text{male proportional income share})^{-1}]\}^{-1}$

$$[0.505 (0.834)^{-1} + 0.495 (1.169)^{-1}]^{-1} = 0.972$$

$$0.972 \times 6,073 = 5,903$$

$$(5,903 - 100)/(6,154 - 100) = 0.959$$

STEP FOUR

Computing the gender-related development index (GDI)

$$1/3(0.875 + 0.968 + 0.959) = 0.934$$

The gender empowerment measure

The GEM uses variables constructed explicitly to measure the relative empowerment of women and men in political and economic spheres of activity.

The first two variables are chosen to reflect economic participation and decision-making power: women's and men's percentage shares of administrative and managerial positions and their percentage shares of professional and technical jobs. These are broad, loosely defined occupational categories. Because the relevant population for each is different, we calculate a separate index for each and then add the two together. The third variable, women's and men's percentage shares of parliamentary seats, is chosen to reflect political participation and decision-making power.

For all three variables we use the methodology of population-weighted $(1 - \epsilon)$ averaging to derive an "equally distributed equivalent percentage" (EDEP) for both sexes taken together. Each variable is indexed by dividing the EDEP by 50%.

An income variable is used to reflect power over economic resources. It is calculated in the same manner as for the GDI except that unadjusted rather than adjusted real GDP per capita is used. The maximum value for income is thus PPP\$40,000 and the minimum PPP\$100.

The three indices—for economic participation and decision-making, political participation and decision-making, and power over economic resources—are added together to derive the final GEM value.

Illustration of the GEM methodology

We choose Cameroon to illustrate the steps in calculating the GEM. The parameter of inequality aversion, ϵ , equals 2. (Any discrepancies in results are due to rounding.)

STEP ONE

Computing indices for parliamentary representation and administrative and managerial, and professional and technical, positions

Percentage share of parliamentary representation

Females	12.1
Males	87.8

Percentage share of administrative and managerial positions

Females	10.1
Males	89.9

Percentage share of professional and technical positions

Females	24.4
Males	75.6

Percentage share of population

Females	50.38
Males	49.62

Computing the EDEP for parliamentary representation

$$[0.4962(87.8)^{-1} + 0.5038(12.1)^{-1}]^{-1} = 21.3$$

Computing the EDEP for administrative and managerial positions

$$[0.4962(89.9)^{-1} + 0.5038(10.1)^{-1}]^{-1} = 18.05$$

Computing the EDEP for professional and technical positions

$$[0.4962(75.6)^{-1} + 0.5038(24.4)^{-1}]^{-1} = 36.75$$

Indexing parliamentary representation

$$21.30/50 = 0.426$$

Indexing administrative and managerial positions

$$18.05/50 = 0.361$$

Indexing professional and technical positions

$$36.75/50 = 0.735$$

Combining the indices for administrative and managerial, and professional and technical, positions

$$(0.361 + 0.735)/2 = 0.548$$

STEP TWO

Computing the index for share of earned income

Percentage share of economically active population

Females	37.4
Males	62.6

Ratio of female non-agricultural wage to male non-agricultural wage: 75%

Unadjusted real GDP per capita: PPP\$2,120

Ratio of female wage to average wage (W) and of male wage to average wage (W):

$$W = 0.374(0.75) + 0.626(1) = 0.9065$$

$$\text{Female wage to average wage: } 0.75/0.9065 = 0.8274$$

$$\text{Male wage to average wage: } 1/0.9065 = 1.1031$$

Share of earned income

Note: $[(\text{female wage/average wage}) \times \text{female share of economically active population}] + [(\text{male wage/average wage}) \times \text{male share of economically active population}] = 1$

Females	$0.8274 \times 0.374 = 0.3094$
Males	$1.1031 \times 0.626 = 0.6095$

Female and male proportional income shares

Females	$0.3094/0.5038 = 0.6141$
Males	$0.6095/0.4962 = 1.3916$

Computing the equally distributed income index

$$[0.4962(1.3916)^{-1} + 0.5038(0.6141)^{-1}]^{-1} = 0.8496$$

$$0.8496 \times 2,120 = 1,801$$

$$(1,801 - 100)/(40,000 - 100) = 0.0426$$

STEP THREE

Computing the GEM

$$[1/3(0.0426 + 0.0548 + 0.426)] = 0.3389$$

The human poverty index

The HPI concentrates on deprivation in three essential elements of human life already reflected in the HDI—longevity, knowledge and a decent standard of living. The first deprivation relates to survival—the vulnerability to death at a relatively early age. The second relates to knowledge—being excluded from the world of reading and communication. The third relates to a decent living standard in terms of overall economic provisioning.

In constructing the HPI, the deprivation in longevity is represented by the percentage of people not expected to survive to age 40 (P_1), and the deprivation in knowledge by the percentage of adults who are illiterate (P_2). The deprivation in a decent living standard in terms of overall economic provisioning is represented by a composite (P_3) of three variables—the percentage of people without access to safe water (P_{31}), the percentage of people without access to health services (P_{32}) and the percentage of moderately and severely underweight children under five (P_{33}).

The composite variable P is constructed by taking a simple average of the three variables P_{31} , P_{32} and P_{33} . Thus

$$P_3 = \frac{P_{31} + P_{32} + P_{33}}{3} .$$

Following the analysis in chapter 1 and technical note 1, the formula of HPI is given by

$$\text{HPI} = [1/3 (P_1^3 + P_2^3 + P_3^3)]^{1/3} .$$

As an example, we compute the HPI for Egypt.

STEP ONE

Calculating P_3

Country	P_1 (%)	P_2 (%)	P_{31} (%)	P_{32} (%)	P_{33} (%)
Egypt	16.6	49.5	21.0	1.0	9.0

$$P_3 = \frac{21 + 1 + 9}{3} = \frac{31}{3} = 10.33$$

STEP TWO

Constructing the HPI

$$\begin{aligned} \text{HPI} &= [1/3(16.6^3 + 49.5^3 + 10.33^3)]^{1/3} \\ &= [1/3(4,574.30 + 121,287.38 + 1,102.30)]^{1/3} \\ &= [1/3(126,963.98)]^{1/3} \\ &= (42,321.33)^{1/3} \\ &= 34.8 \end{aligned}$$

TECHNICAL NOTE TABLE 2.1
Human poverty index

HPI rank	Deprivation in economic provisioning (P ₃)						
	Survival deprivation People not expected to survive to age 40 (%) 1990 ^a (P ₁)	Deprivation in education and knowledge Adult illiteracy rate (%) 1994 (P ₂)	Population without access to safe water (%) 1990-96 (P ₃₁)	Population without access to health services (%) 1990-95 (P ₃₂)	Underweight children under age five (%) 1990-96 (P ₃₃)	Overall (P ₃)	Human poverty index (HPI) value (%)
1	Trinidad and Tobago	5.4 ^b	2.1	3	0	7 ^c	4.1
2	Cuba	6.2 ^{d,e}	4.6	11	0	1 ^f	5.1
3	Chile	4.6 ^{d,e}	5.0	15 ^c	3 ^c	1	5.4
4	Singapore	3.2 ^{d,e}	9.0	0 ^c	0 ^c	14 ^c	6.6
5	Costa Rica	4.1 ^b	5.3	4	20 ^c	2	6.6
6	Colombia	6.3 ^b	8.9	15	19	8	10.7
7	Mexico	8.3 ^b	10.8	17	7	14 ^c	10.9
8	Jordan	9.2 ^b	14.5	2	3 ^c	9	10.9
9	Panama	6.2 ^{d,e}	9.5	7	30	7	11.2
10	Uruguay	5.4 ^{d,e}	2.9	25 ^c	18 ^c	7 ^c	11.7
11	Thailand	8.9 ^b	6.5	11	10 ^c	26 ^c	11.7
12	Jamaica	4.3 ^b	15.6	14	10 ^c	10	12.1
13	Mauritius	6.2 ^{d,e}	17.6	1	0 ^c	16	12.5
14	United Arab Emirates	3.6 ^b	21.4	5	1	6 ^g	14.9
15	Ecuador	9.9 ^b	10.4	32	12 ^c	17 ^c	15.2
16	Mongolia	16.0 ^{h,i}	17.8	20	5 ^c	12	15.7
17	Zimbabwe	18.4 ^{d,j}	15.3	23	15	16	17.3
18	China	9.1 ^{d,k}	19.1	33	12	16	17.5
19	Philippines	12.8 ^{d,l}	5.6	14	29	30	17.7
20	Dominican Rep.	10.2 ^b	18.5	35	22	10	18.3
21	Libyan Arab Jamahiriya	16.2 ^b	25.0	3	5	5	18.8
22	Sri Lanka	7.9 ^{d,e}	9.9	43	7 ^c	38	20.7
23	Indonesia	14.8 ^{d,j}	16.8	38	7	35	20.8
24	Syrian Arab Rep.	10.3 ^b	30.2	15	10	12	21.7
25	Honduras	10.8 ^b	28.0	13	31	18	22.0
26	Bolivia	19.6 ^{d,j}	17.5	34	33	16	22.5
27	Iran, Islamic Rep. of	11.7 ^b	31.4 ^m	10	12	16	22.6
28	Peru	13.4 ^{d,j}	11.7	28	56	11	22.8
29	Botswana	15.9 ^b	31.3	7 ^c	11 ^c	15 ^c	22.9
30	Paraguay	9.2 ^b	8.1	58	37 ^c	4	23.2
31	Tunisia	10.5 ^b	34.8	2	10 ^c	9	24.4
32	Kenya	22.3 ^b	23.0	47	23	23	26.1
33	Viet Nam	12.1 ^b	7.0	57	10	45	26.2
34	Nicaragua	13.6 ^b	34.7	47	17 ^c	12	27.2
35	Lesotho	23.9 ^b	29.5	44	20 ^c	21	27.5
36	El Salvador	11.7 ^b	29.1	31	60	11	28.0
37	Algeria	10.6 ^b	40.6	22	2	13	28.6
38	Congo	22.1 ^b	26.1	66	17 ^c	24 ^c	29.1
39	Iraq	15.4 ^b	43.2	22	7 ^c	12	30.7
40	Myanmar	25.6 ^b	17.3	40	40	43	31.2
41	Cameroon	25.4 ^b	37.9	50	20	14	31.4
42	Papua New Guinea	28.6 ^b	28.8	72	4 ^c	35 ^c	32.0
43	Ghana	24.9 ^b	36.6	35	40 ^c	27	32.6
44	Egypt	16.6 ^{d,e}	49.5	21	1	9	34.8
45	Zambia	35.1 ^b	23.4	73	25 ^c	28	35.1
46	Guatemala	14.5 ^{d,e}	44.3	36	43	27	35.5
47	India	19.4 ^{d,k}	48.8	19	15	53	36.7
48	Rwanda	42.1 ^b	40.8	34 ^c	20	29	37.9
49	Togo	28.4 ^b	49.6	37	39 ^c	24 ^c	39.3
50	Tanzania, U. Rep. of	30.6 ^b	33.2	62	58	29	39.7
51	Lao People's Dem. Rep.	32.7 ^{h,i}	44.2	48	33 ^c	44	40.1
52	Zaire	30.0 ^b	23.6	58	74 ^c	34	41.2
53	Uganda	39.0 ^{d,n}	38.9	62	51	23 ^c	41.3
54	Nigeria	33.8 ^b	44.4	49	49	36	41.6
55	Morocco	12.3 ^{d,j}	57.9	45	30 ^c	9	41.7

TECHNICAL NOTE TABLE 2.1
Human poverty index (continued)

HPI rank	Survival deprivation People not expected to survive to age 40 (%) 1990 ^a (P ₁)	Deprivation in education and knowledge Adult illiteracy rate (%) 1994 (P ₂)	Deprivation in economic provisioning (P ₃)			Overall (P ₃)	Human poverty index (HPI) value (%)
			Population without access to safe water (%) 1990-96 (P ₃₁)	Population without access to health services (%) 1990-95 (P ₃₂)	Underweight children under age five (%) 1990-96 (P ₃₃)		
56 Central African Rep.	35.4 ^{d,j}	42.8	62	48	27	46	41.7
57 Sudan	25.2 ^b	55.2	40	30	34	35	42.2
58 Guinea-Bissau	43.2 ^{h,i}	46.1	41	60	23 ^c	41	43.6
59 Namibia	21.1 ^{d,j}	60.0 ^o	43	41	26	37	45.1
60 Malawi	38.3 ^{d,j}	44.2	63	65	30	53	45.8
61 Haiti	27.1 ^b	55.9	72	40	28	47	46.2
62 Bhutan	33.2 ^{h,i}	58.9	42	35 ^c	38 ^c	38	46.3
63 Côte d'Ivoire	23.1 ^{d,n}	60.6	25	70 ^c	24	40	46.3
64 Pakistan	22.6 ^b	62.9	26	45 ^c	38	36	46.8
65 Mauritania	31.7 ^{h,i}	63.1	34 ^c	37	23	31	47.1
66 Yemen	25.6 ^b	58.9 ^o	39	62	39	47	47.6
67 Bangladesh	26.4 ^b	62.7	3	55	67	42	48.3
68 Senegal	25.3 ^{d,p}	67.9	48	10	20	26	48.7
69 Burundi	33.8 ^b	65.4	41	20	37	33	49.0
70 Madagascar	32.1 ^{d,j}	54.2 ^q	71	62	34	56	49.5
71 Guinea	41.3 ^{h,i}	65.2	45	20	26	30	50.0
72 Mozambique	43.8 ^b	60.5	37	61 ^c	27	42	50.1
73 Cambodia	31.9 ^{h,i}	65.0 ^r	64	47 ^c	40	50	52.5
74 Mali	28.4 ^{d,n}	70.7	55	60	31 ^c	49	54.7
75 Ethiopia	35.7 ^b	65.5	75	54	48	59	56.2
76 Burkina Faso	36.1 ^b	81.3	22	10	30	21	58.3
77 Sierra Leone	52.1 ^b	69.7	66	62	29	52	59.2
78 Niger	43.2 ^d	86.9	46	68 ^r	36	50	66.0

a. Data refer to 1990 or a year around 1990. b. Obtained by combining two sets of mortality risk estimates: UNICEF estimates of the probability of dying by age 5 and UN Population Division estimates of the probability of dying between the ages of 5 and 40 ($_{35}q_5$). Estimates were interpolated using the Coale-Demeny "West" family of model life tables. For all countries life expectancy at birth in 1990 is estimated as the arithmetic average of estimates for that period in UN 1996b, as explained in Hill 1997. c. Data refer to a year or period other than that specified in the column heading, differ from the standard definition or refer to only part of a country. d. UNICEF estimates of the probability of dying by age 5 plus independent estimates (Hill 1997) of the probability of dying between the ages of 5 and 40. e. Based on registration of deaths around 1990. f. Wasting (moderate or severe). g. UNICEF field office source. h. UN Population Division, based on life expectancy at birth. i. UN Population Division, obtained by finding estimated life expectancy at birth in 1990 (obtained by linear interpolation between the 1985-90 and 1990-95 estimates) and then finding the implied $_{40}q_0$ and $_{60}q_0$ values in the Coale-Demeny "West" model life tables. Keyfitz and Flieger national life tables were used to calculate the ratio of life expectancy at birth to $_{40}q_0$ and $_{60}q_0$ around 1970 and around 1985; for each country the ratios for 1990 were then estimated by linear extrapolation. These ratios were plotted against time and found to change in similar ways over time across countries, giving a series of parallel lines. The estimated ratio and estimated life expectancy at birth were then used to obtain estimated risks of dying by age 40 and age 60, as explained in Hill 1997. j. Based on Demographic and Health Survey direct sisterhood estimates of probability of dying between the ages of 5 and 50, extended from 50 to 60 using a Coale-Demeny "West" model life table fitted to $_{45}q_5$, as explained in Hill 1997. k. World Bank 1993. l. Based on registered deaths after adjusting for estimated completeness. m. UNESCO 1995. Data are for 1995. n. Based on Demographic and Health Survey direct sisterhood estimates of probability of dying between the ages of 15 and 50, extended to cover ages 5 to 14 and 50 to 60 using a Coale-Demeny "West" model life table fitted to $_{35}q_{15}$. o. UNDP 1996d. p. Pison and others 1995. q. Human Development Report Office estimate based on national sources. r. UNICEF 1996b.

Source: Column 1: Hill 1997; column 2: calculated on the basis of data from UNESCO 1996b; columns 3 and 4: calculated on the basis of data from UNICEF 1997; column 5: UNICEF 1997.

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