

OVERVIEW

Attacking Poverty: Opportunity, Empowerment, and Security

Poor people live without fundamental freedoms of action and choice that the better-off take for granted.¹ They often lack adequate food and shelter, education and health, deprivations that keep them from leading the kind of life that everyone values. They also face extreme vulnerability to ill health, economic dislocation, and natural disasters. And they are often exposed to ill treatment by institutions of the state and society and are powerless to influence key decisions affecting their lives. These are all dimensions of poverty.

The experience of multiple deprivations is intense and painful. Poor people's description of what living in poverty means bears eloquent testimony to their pain (box 1). For those who live in poverty, escaping it can seem impossible. But it is not impossible. The story of Basrabai—the chair of a local council in an Indian village—illustrates both the many facets of poverty and the potential for action (see page 2).

Basrabai's story serves as a backdrop to the exploration of the nature and causes of poverty and of what can be done. Poverty is the result of economic, political, and social processes that interact with each other and frequently reinforce each other in ways that exacerbate the deprivation in which poor people live. Meager assets, inaccessible markets, and scarce job opportunities lock people in material poverty. That is why promoting opportunity—by stimulating economic growth, making markets work better for poor people, and building up their assets—is key to reducing poverty.

But this is only part of the story. In a world where political power is unequally distributed and often mimics the distribution of economic power, the way state institutions operate may be particularly unfavorable to poor people. For example, poor people frequently do not receive the benefits of public investment in education and health. And they are often the victims of corruption and arbitrariness on the part of the

Basrabai's story

Basrabai lives in Mohadi, a village 500 kilometers from Ahmedabad, in the Indian state of Gujarat, on the shores of the Arabian Sea.² She is the first woman to be *sarpanch* of the *panchayat*—chair of the local council—as a result of constitutional amendments that reserve a third of local council seats and a third of headships for women.

Arriving in her village after a long drive, we crossed a small sea inlet on a road impassable at high tide. The first building we saw was a recently built concrete structure—the primary school. In last year's cyclone, the worst in living memory, as the villagers' straw huts were blown away, they took shelter in the only stable structure in the village—the school. When the cyclone relief operation arrived, the villagers asked for more concrete buildings, and the village now has about a dozen of them.

We arrived at Basrabai's one-room concrete house, next to a straw hut. After the usual greetings, talk turned to the school. Since it was a weekday, we wondered if we could sit in on a class. Basrabai informed us that the master (the teacher) was not there and had not been there for a while. In fact, he came only once a month, if that. Protected by the district education officer, he did pretty much what he pleased.

The master came the next day. Word had gotten to him that the village had visitors. He came into Basrabai's house, and we began talking about the school and the children. Believing the educated guests to be kindred spirits, he launched into a litany of his troubles and the difficulties of teaching the children. He referred to them as *jungle*—"from the jungle."

This was too much for Meeraiben, a member of the Self-Employed Women's Association (SEWA), who had arranged our visit. She pointed out that his salary was 6,000 rupees a month (more than six times the Indian poverty line) in a secure job and that his responsibility was at least to show up for work. The parents wanted their children to learn to read and write, even if attending school meant that the boys could not help their fathers with fishing and the girls could not help their mothers fetch water and wood and work in the fields.

Later in the evening Basrabai conducted the village meeting. There were two main topics. The first was compensation for the cyclone: despite the great fanfare with which relief schemes had been announced in the state capital, local delivery left much to be desired and local officials were unresponsive. SEWA organizers took down the names of those who had not yet received the compensation to which they were entitled, and it was agreed that they and Basrabai would meet with local officials the following week.

The second issue was a fishing ban that the government had imposed on coastal waters to protect fish stocks. It was the big trawlers that were responsible for the overfishing, but the small

fishers seemed to be paying the price. The big trawlers could continue to fish as long as they paid the right officials.

In the middle of the meeting a commotion occurred at the side. Basrabai's brother had been gored in the face while trying to separate two fighting cows. Without immediate treatment the wound was bound to become infected. But it was late at night, and the nearest doctor was in the next big settlement, 10 kilometers away. Normally, this would have made immediate treatment impossible. As it happened, however, our Jeep was there and could take Basrabai's brother to the doctor.

During our stay we also saw the craft work that the village women have been doing for generations. Demand for their traditional embroidered and tie-dyed products is high, thanks to the international love affair with things Indian and the rediscovery by the growing Indian middle class of its roots. But the traders get away with offering very low prices because of the women's isolation.

The national and state governments have countless schemes to support traditional crafts, none very effective. So SEWA is stepping in to organize the home-based craft workers and to provide direct access to international markets. One piece of embroidery we looked at would fetch 150 rupees in the international market, 60 rupees in government outlets, and 20 rupees from traders.

On the last day of our stay we went to Basrabai's field, an hour's walk from her house. The risks of agriculture were plainly visible. The lack of rain had left the ground hard and dry. If it didn't rain in the next few days, her millet crop would be lost, and with it her outlay to a hired tractor driver to till her field, an investment made possible by the sale of her crafts. When we met her in Ahmedabad days later, it still had not rained.

The interactions with Basrabai and the many thousands of poor people consulted in preparing this report bring to the fore recurrent—and familiar—themes. Poor people mention the lack of income-earning opportunities, the poor links with markets, and the failure of state institutions to respond to their needs. They mention insecurity, such as health risks, the risk of being out of work, and the agricultural risks that make any gains always fragile. Everywhere—from the villages in India to the *favelas* of Rio de Janeiro, the shantytowns outside Johannesburg, and the farms in Uzbekistan—the stories bring forward similar issues.

But talking to Basrabai and other poor people also reveals what is possible. Although local officials and state structures are still not accountable to Basrabai and her village, an explicit affirmative action policy allowed Basrabai's election as *sarpanch*, showing what can be done through state action. And SEWA shows how poor people can make a difference if they organize themselves to defend their rights, take advantage of market opportunities, and protect themselves from risks.

Box 1 The voices of the poor

The *Voices of the Poor* study, based on realities of more than 60,000 poor women and men in 60 countries, was conducted as background for *World Development Report 2000/2001*. It consists of two parts: a review of recent participatory poverty studies in 50 countries involving about 40,000 poor people, and a new comparative study in 1999 in 23 countries engaging about 20,000 poor people. The study shows that poor people are active agents in their lives, but are often powerless to influence the social and economic factors that determine their well-being.

The following quotations are an illustration of what living in poverty means.

Don't ask me what poverty is because you have met it outside my house. Look at the house and count the number of holes. Look at the utensils and the clothes I am wearing. Look at everything and write what you see. What you see is poverty.

—Poor man, Kenya

Certainly our farming is little; all the products, things bought from stores, are expensive; it is hard to live, we work and earn little money, buy few things or products; products are

scarce, there is no money and we feel poor. If there were money . . .

—From a discussion group of poor men and women, Ecuador

We face a calamity when my husband falls ill. Our life comes to a halt until he recovers and goes back to work.

—Poor woman, Zawyet Sultan, Egypt

Poverty is humiliation, the sense of being dependent on them, and of being forced to accept rudeness, insults, and indifference when we seek help.

—Poor woman, Latvia

At first I was afraid of everyone and everything: my husband, the village sarpanch, the police. Today I fear no one. I have my own bank account, I am the leader of my village's savings group . . . I tell my sisters about our movement. And we have a 40,000-strong union in the district.

—From a discussion group of poor men and women, India

Source: Narayan, Chambers, Shah, and Petesch 2000; Narayan, Patel, Schafft, Rademacher, and Koch-Schulte 2000.

state. Poverty outcomes are also greatly affected by social norms, values, and customary practices that, within the family, the community, or the market, lead to exclusion of women, ethnic and racial groups, or the socially disadvantaged. That is why facilitating the empowerment of poor people—by making state and social institutions more responsive to them—is also key to reducing poverty.

Vulnerability to external and largely uncontrollable events—illness, violence, economic shocks, bad weather, natural disasters—reinforces poor people's sense of ill-being, exacerbates their material poverty, and weakens their bargaining position. That is why enhancing security—by reducing the risk of such events as wars, disease, economic crises, and natural disasters—is key to reducing poverty. And so is reducing poor people's vulnerability to risks and putting in place mechanisms to help them cope with adverse shocks.

Poverty in an unequal world

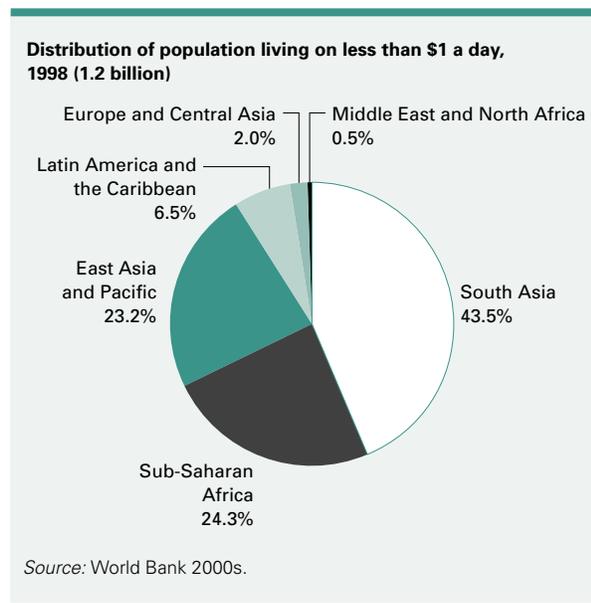
The world has deep poverty amid plenty. Of the world's 6 billion people, 2.8 billion—almost half—live on less than \$2 a day, and 1.2 billion—a fifth—live on less than \$1 a day, with 44 percent living in South Asia (figure 1). In rich countries fewer than 1 child in 100 does not reach its fifth

birthday, while in the poorest countries as many as a fifth of children do not. And while in rich countries fewer than 5 percent of all children under five are malnourished, in poor countries as many as 50 percent are.

This destitution persists even though human conditions have improved more in the past century than in the rest of history—global wealth, global connections, and technological capabilities have never been greater. But the distribution of these global gains is extraordinarily unequal. The average income in the richest 20 countries is 37 times the average in the poorest 20—a gap that has doubled in the past 40 years. And the experience in different parts of the world has been very diverse (figure 2; see also table 1.1 in chapter 1). In East Asia the number of people living on less than \$1 a day fell from around 420 million to around 280 million between 1987 and 1998—even after the setbacks of the financial crisis.³ Yet in Latin America, South Asia, and Sub-Saharan Africa the numbers of poor people have been rising. And in the countries of Europe and Central Asia in transition to market economies, the number of people living on less than \$1 a day rose more than twentyfold.⁴

There have also been major advances and serious setbacks in crucial nonincome measures of poverty. India has seen marked progress in girls attending school, and in the

Figure 1
Where the developing world's poor live



most advanced state, Kerala, life expectancy is greater than in other places with many times the level of income (such as Washington, D.C.). Yet in countries at the center of the HIV/AIDS epidemic in Africa, such as Botswana and Zimbabwe, one in four adults is infected, AIDS orphans are becoming an overwhelming burden on both traditional and formal support mechanisms, and all the gains in life expectancy since the middle of the 20th century will soon be wiped out. The varying infant mortality rates across the world—Sub-Saharan Africa's is 15 times that of high-income countries—give an idea of this widely differing experience (figure 3).

Experiences are also vastly different at subnational levels and for ethnic minorities and women. Different regions in countries benefit to very different extents from growth. In Mexico, for example, total poverty fell—though modestly—in the early 1990s, but rose in the poorer Southeast. Inequalities also exist across different ethnic groups in many countries. In some African countries infant mortality rates are lower among politically powerful ethnic groups, and in Latin American countries indigenous groups often have less than three-quarters the schooling on average of nonindigenous groups. And women continue to be more disadvantaged than men. In South Asia women have only about half as many years of education as men, and female enrollment rates at the secondary level are only two-thirds the male rates.

Figure 2
Where poverty has fallen, and where it has not

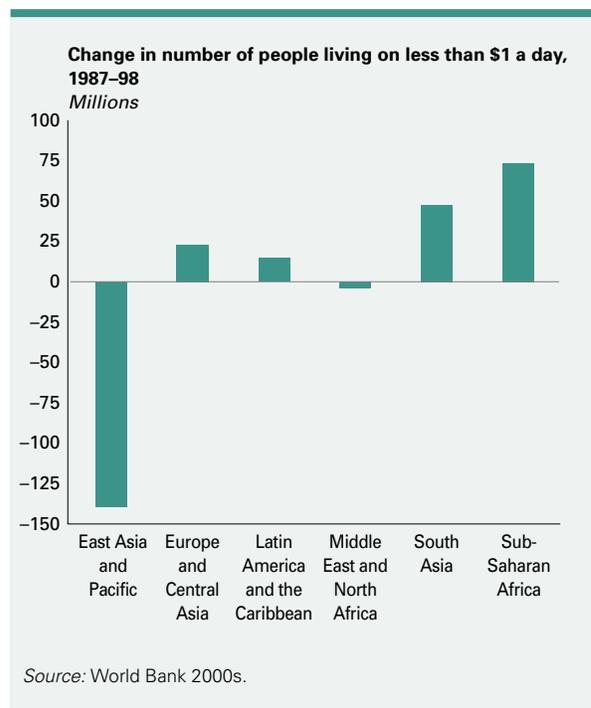
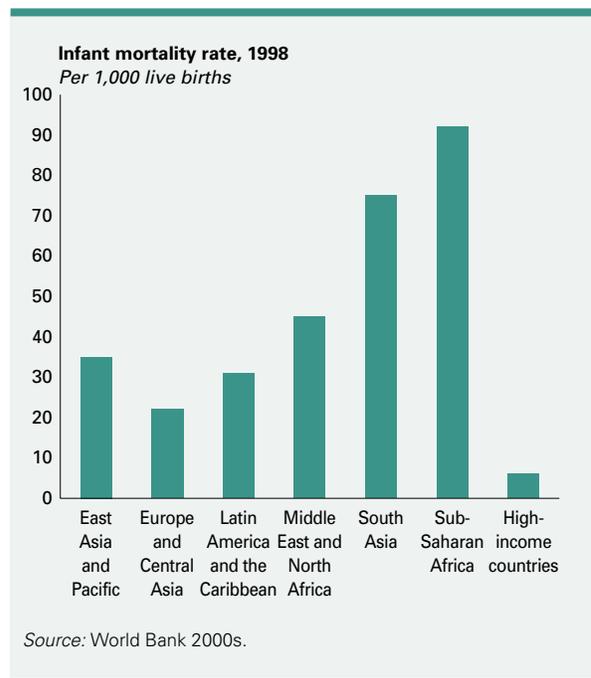
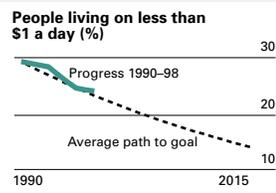


Figure 3
Infant mortality rates vary widely across the world

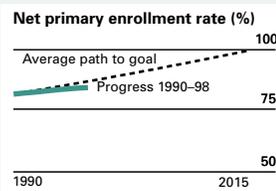


Box 2
A better world for all: international development goals

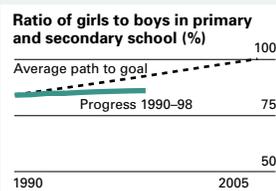
1 Reduce the proportion of people living in extreme poverty by half between 1990 and 2015



2 Enroll all children in primary school by 2015



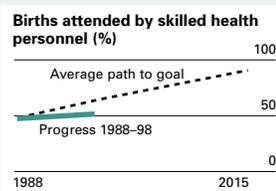
3 Make progress toward gender equality and empowering women by eliminating gender disparities in primary and secondary education by 2005



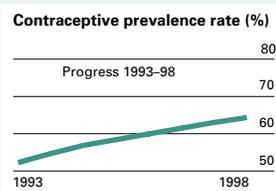
4 Reduce infant and child mortality rates by two-thirds between 1990 and 2015



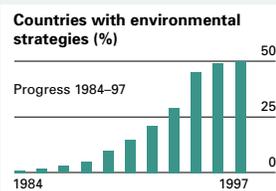
5 Reduce maternal mortality ratios by three-quarters between 1990 and 2015



6 Provide access for all who need reproductive health services by 2015



7 Implement national strategies for sustainable development by 2005 so as to reverse the loss of environmental resources by 2015



The goals for international development address that most compelling of human desires—a world free of poverty and free of the misery that poverty breeds.

Each of the seven goals addresses an aspect of poverty. They should be viewed together because they are mutually reinforcing. Higher school enrollments, especially for girls, reduce poverty and mortality. Better basic health care increases enrollment and reduces poverty. Many poor people earn their living from the environment. So progress is needed on each of the seven goals.

In the past decade on average the world has not been on track to achieve the goals. But progress in some countries and regions shows what can be done. China reduced its number in poverty from 360 million in 1990 to about 210 million in 1998. Mauritius cut its military budget and invested heavily in health and education. Today all Mauritians have access to sanitation, 98 percent to safe water, and 97 percent of births are attended by skilled health staff. And many Latin American countries moved much closer to gender equality in education.

The message: if some countries can make great progress toward reducing poverty in its many forms, others can as well. But conflict is reversing gains in social development in many countries in Sub-Saharan Africa. The spread of HIV/AIDS is impoverishing individuals, families, and communities on all continents. And sustained economic growth—that vital component for long-run reductions in poverty—still eludes half the world's countries. For more than 30 of them, real per capita incomes have fallen over the past 35 years. And where there is growth, it needs to be spread more equally.

The goals can be met—with a combination of effective domestic and international actions.

Note: Data are for low- and middle-income countries except for those on environmental strategies, which refer to all countries.
 Source: IMF, OECD, United Nations, and World Bank 2000 (www.paris21.org/betterworld/).

Faced with this picture of global poverty and inequality, the international community has set itself several goals for the opening years of the century, based on discussions at various United Nations conferences in the 1990s (box 2). These international development goals, most for 2015, include reducing income poverty and human deprivation in many dimensions (the benchmarks are figures for 1990):

- Reduce by half the proportion of people living in extreme income poverty (living on less than \$1 a day).
- Ensure universal primary education.
- Eliminate gender disparity in primary and secondary education (by 2005).
- Reduce infant and child mortality by two-thirds.
- Reduce maternal mortality by three-quarters.
- Ensure universal access to reproductive health services.
- Implement national strategies for sustainable development in every country by 2005, so as to reverse the loss of environmental resources by 2015.

These will have to be achieved in a world whose population will grow by some 2 billion in the next 25 years, with 97 percent of that increase in developing countries. Studies of what must be done to achieve these goals reveal the magnitude of the challenge. For example, cutting income poverty by half between 1990 and 2015 would require a compound rate of decline of 2.7 percent a year over those 25 years. The World Bank's latest estimates indicate a reduction of approximately 1.7 percent a year between 1990 and 1998. Much of the slow progress observed in some regions is due to low or negative growth. In some cases rising inequality compounded this effect; this was particularly so in some countries in the former Soviet Union. The current pace of educational enrollment is unlikely to bring universal primary education, especially in Sub-Saharan Africa. Reducing infant mortality rates by two-thirds between 1990 and 2015 would have required a 30 percent decline between 1990 and 1998, far greater than the 10 percent developing countries experienced. In some parts of Sub-Saharan Africa infant mortality is actually on the rise, partly as a result of the AIDS epidemic. And maternal mortality ratios are declining too slowly to meet the goals.

Attaining the international development goals will require actions to spur economic growth and reduce income inequality, but even equitable growth will not be enough to achieve the goals for health and education. Reducing infant and child mortality rates by two-thirds depends on halting the spread of HIV/AIDS, increasing the capacity of developing countries' health systems to de-

liver more health services, and ensuring that technological progress in the medical field spills over to benefit the developing world.⁵ And meeting the gender equality goals in education will require specific policy measures to address the cultural, social, and economic barriers that prevent girls from attending school.⁶ Furthermore, actions to ensure greater environmental sustainability will be crucial in augmenting the assets available to poor people and in reducing the long-term incidence of poverty.⁷ These actions will all interact to push toward the achievement of the goals. Hence the need for a broader, more comprehensive strategy to fight poverty.

A strategy for poverty reduction

The approach to reducing poverty has evolved over the past 50 years in response to deepening understanding of the complexity of development. In the 1950s and 1960s many viewed large investments in physical capital and infrastructure as the primary means of development.

In the 1970s awareness grew that physical capital was not enough, and that at least as important were health and education. *World Development Report 1980* articulated this understanding and argued that improvements in health and education were important not only in their own right but also to promote growth in the incomes of poor people.

The 1980s saw another shift of emphasis following the debt crisis and global recession and the contrasting experiences of East Asia and Latin America, South Asia, and Sub-Saharan Africa. Emphasis was placed on improving economic management and allowing greater play for market forces. *World Development Report 1990: Poverty* proposed a two-part strategy: promoting labor-intensive growth through economic openness and investment in infrastructure and providing basic services to poor people in health and education.

In the 1990s governance and institutions moved toward center stage—as did issues of vulnerability at the local and national levels. This report builds on the earlier strategies in the light of the cumulative evidence and experience of the past decade—and in the light of the changed global context. It proposes a strategy for attacking poverty in three ways: promoting opportunity, facilitating empowerment, and enhancing security.

- *Promoting opportunity.* Poor people consistently emphasize the centrality of material opportunities. This means jobs, credit, roads, electricity, markets for their produce, and the schools, water, sanitation, and health

services that underpin the health and skills essential for work. Overall economic growth is crucial for generating opportunity. So is the pattern or quality of growth. Market reforms can be central in expanding opportunities for poor people, but reforms need to reflect local institutional and structural conditions. And mechanisms need to be in place to create new opportunities and compensate the potential losers in transitions. In societies with high inequality, greater equity is particularly important for rapid progress in reducing poverty. This requires action by the state to support the buildup of human, land, and infrastructure assets that poor people own or to which they have access.

- *Facilitating empowerment.* The choice and implementation of public actions that are responsive to the needs of poor people depend on the interaction of political, social, and other institutional processes. Access to market opportunities and to public sector services is often strongly influenced by state and social institutions, which must be responsive and accountable to poor people. Achieving access, responsibility, and accountability is intrinsically political and requires active collaboration among poor people, the middle class, and other groups in society. Active collaboration can be greatly facilitated by changes in governance that make public administration, legal institutions, and public service delivery more efficient and accountable to all citizens—and by strengthening the participation of poor people in political processes and local decisionmaking. Also important is removing the social and institutional barriers that result from distinctions of gender, ethnicity, and social status. Sound and responsive institutions are not only important to benefit the poor but are also fundamental to the overall growth process.
- *Enhancing security.* Reducing vulnerability—to economic shocks, natural disasters, ill health, disability, and personal violence—is an intrinsic part of enhancing well-being and encourages investment in human capital and in higher-risk, higher-return activities. This requires effective national action to manage the risk of economywide shocks and effective mechanisms to reduce the risks faced by poor people, including health- and weather-related risks. It also requires building the assets of poor people, diversifying household activities, and providing a range of insurance mechanisms to cope with adverse shocks—from public work to stay-in-school programs and health insurance.

There is no hierarchy of importance. The elements are deeply complementary. Each part of the strategy affects underlying causes of poverty addressed by the other two. For example, promoting opportunity through assets and market access increases the independence of poor people and thus empowers them by strengthening their bargaining position relative to state and society. It also enhances security, since an adequate stock of assets is a buffer against adverse shocks. Similarly, strengthening democratic institutions and empowering women and disadvantaged ethnic and racial groups—say, by eliminating legal discrimination against them—expand the economic opportunities for the poor and socially excluded. Strengthening organizations of poor people can help to ensure service delivery and policy choices responsive to the needs of poor people and can reduce corruption and arbitrariness in state actions as well. And if poor people do more in monitoring and controlling the local delivery of social services, public spending is more likely to help them during crises. Finally, helping poor people cope with shocks and manage risks puts them in a better position to take advantage of emerging market opportunities. That is why this report advocates a comprehensive approach to attacking poverty.

From strategy to action

There is no simple, universal blueprint for implementing this strategy. Developing countries need to prepare their own mix of policies to reduce poverty, reflecting national priorities and local realities. Choices will depend on the economic, sociopolitical, structural, and cultural context of individual countries—indeed, individual communities.

While this report proposes a more comprehensive approach, priorities will have to be set in individual cases based on resources and what is institutionally feasible. Progress in reducing some aspects of deprivation is possible even if other aspects remain unchanged. For example, inexpensive oral rehydration campaigns can significantly reduce infant mortality, even if incomes of poor people do not change.⁸ But actions will generally be necessary in all three clusters—opportunity, empowerment, and security—because of the complementarities among the three.

The actions of developed countries and multilateral organizations will be crucial. Many forces affecting poor people's lives are beyond their influence or control. Developing countries cannot on their own produce such things as international financial stability, major advances in health and agricultural research, and international trading opportu-

nities. Actions by the international community and development cooperation will continue to be essential.

Here are the suggested areas for action, first national and then international.

Opportunity

The core policies and institutions for creating more opportunities involve complementary actions to stimulate overall growth, make markets work for poor people, and build their assets—including addressing deep-seated inequalities in the distribution of such endowments as education.

Encouraging effective private investment. Investment and technological innovation are the main drivers of growth in jobs and labor incomes. Fostering private investment requires reducing risk for private investors—through stable fiscal and monetary policy, stable investment regimes, sound financial systems, and a clear and transparent business environment. But it also involves ensuring the rule of law and taking measures to fight corruption—tackling business environments based on kickbacks, subsidies for large investors, special deals, and favored monopolies.

Special measures are frequently essential to ensure that microenterprises and small businesses, which are often particularly vulnerable to bureaucratic harassment and the buying of privilege by the well-connected, can participate effectively in markets. Such measures include ensuring access to credit by promoting financial deepening and reducing the sources of market failure; lowering the transactions costs of reaching export markets by expanding access to Internet technology, organizing export fairs, and providing training in modern business practices; and building feeder roads to reduce physical barriers. Creating a sound business environment for poor households and small firms may also involve deregulation and complementary institutional reform, for example, reducing restrictions on the informal sector, especially those affecting women, and tackling land tenure or registry inadequacies that discourage small investments.

Private investment will have to be complemented by public investment to enhance competitiveness and create new market opportunities. Particularly important is complementary public investment in expanding infrastructure and communications and upgrading the skills of the labor force.

Expanding into international markets. International markets offer a huge opportunity for job and income growth—in agriculture, industry, and services. All countries that have

had major reductions in income poverty have made use of international trade. But opening to trade can create losers as well as winners, and it will yield substantial benefits only when countries have the infrastructure and institutions to underpin a strong supply response. Thus the opening needs to be well designed, with special attention to country specifics and to institutional and other bottlenecks. The sequencing of policies should encourage job creation and manage job destruction. A more pro-poor liberalization is not necessarily a slower one; moving fast can create more opportunities for the poor. And explicit policies should offset transitory costs for poor people, as the grants for small Mexican maize producers did in the wake of the North American Free Trade Agreement (NAFTA).

The opening of the capital account has to be managed prudently—in step with domestic financial sector development—to reduce the risk of high volatility in capital flows. Long-term direct investment can bring positive externalities, such as knowledge transfer, but short-term flows can bring negative externalities, particularly volatility. Policies need to address them separately.

Building the assets of poor people. Creating human, physical, natural, and financial assets that poor people own or can use requires actions on three fronts. First, increase the focus of public spending on poor people in particular, expanding the supply of basic social and economic services and relaxing constraints on the demand side (through, for example, scholarships for poor children). Second, ensure good quality service delivery through institutional action involving sound governance and the use of markets and multiple agents. This can imply both reforming public delivery, as in education, or privatizing in a fashion that ensures expansion of services to poor people, as often makes sense in urban water and sanitation. Third, ensure the participation of poor communities and households in choosing and implementing services and monitoring them to keep providers accountable. This has been tried in projects in El Salvador, Tunisia, and Uganda. Programs to build the assets of poor people include broad-based expansion of schooling with parental and community involvement, stay-in-school programs (such as those in Bangladesh, Brazil, Mexico, and Poland), nutrition programs, mother and child health programs, vaccinations and other health interventions, and community-based schemes to protect water resources and other elements of the natural environment.

There are powerful complementarities between actions in different areas. Because of close linkages between

human and physical assets, for example, improving poor people's access to energy or transport can increase their access and returns to education. And improving the environment can have significant effects on poverty. This is well documented in terms of the substantial gains in health from reduced air and water pollution—which have a major influence on some of the most important diseases of poor people, including diarrheal problems of children and respiratory infections.

Addressing asset inequalities across gender, ethnic, racial, and social divides. Special action is required in many societies to tackle socially based asset inequalities. Although political and social difficulties often obstruct change, there are many examples of mechanisms that work, using a mix of public spending, institutional change, and participation. One is negotiated land reform, backed by public action to support small farmers, as in Northeast Brazil and the Philippines. Another is getting girls into school, such as by offering cash or food for schooling, as in Bangladesh, Brazil, and Mexico, and hiring more female teachers, as in Pakistan. A third is support for microcredit schemes for poor women.

Getting infrastructure and knowledge to poor areas—rural and urban. Special action is also needed in poor areas, where a combination of asset deprivations—including at the community or regional level—can diminish the material prospects for poor people. Tackling this again requires public support and a range of institutional and participatory approaches. It requires providing social and economic infrastructure in poor, remote areas, including transport, telecommunications, schools, health services, and electricity, as in China's poor areas programs. It also requires broad-based provision of basic urban services in slums, within an overall urban strategy. Also important is expanding access to information for poor villages, to allow them to participate in markets and to monitor local government.

Empowerment

The potential for economic growth and poverty reduction is heavily influenced by state and social institutions. Action to improve the functioning of state and social institutions improves both growth and equity by reducing bureaucratic and social constraints to economic action and upward mobility. However, devising and implementing these changes require strong political will, especially when the changes fundamentally challenge social values or entrenched interests. Governments can do much to influence public debate to increase awareness of the soci-

etal benefits of pro-poor public action and build political support for such action.

Laying the political and legal basis for inclusive development. State institutions need to be open and accountable to all. This means having transparent institutions, with democratic and participatory mechanisms for making decisions and monitoring their implementation, backed up by legal systems that foster economic growth and promote legal equity. Since poor people lack the resources and the information to access the legal system, measures such as legal aid and dissemination of information on legal procedures—for example, by the Ain-O-Salish Kendra (ASK) organization in Bangladesh—are especially powerful instruments for creating more inclusive and accountable legal systems.

Creating public administrations that foster growth and equity. Public administrations that implement policies efficiently and without corruption or harassment improve service delivery by the public sector and facilitate growth of the private sector. Appropriate performance incentives are needed to make public administrations accountable and responsive to users. Access to information such as budgets, participatory budget mechanisms, and performance rating of public services all enhance citizens' capacity to shape and monitor public sector performance while reducing opportunities and scope for corruption. Reforming public administrations and other agencies such as the police to increase their accountability and responsiveness to poor people can have a major impact on their daily lives.

Promoting inclusive decentralization and community development. Decentralization can bring service agencies closer to poor communities and poor people, potentially enhancing people's control of the services to which they are entitled. This will require the strengthening of local capacity and devolution of financial resources. It is also necessary to have measures to avoid capture by local elites. Decentralization needs to be combined with effective mechanisms for popular participation and citizen monitoring of government agencies. Examples include decentralization that fosters community-driven choices for resource use and project implementation. There is also a range of options for involving communities and households in sectoral activities—such as parental involvement in schooling and users associations in water supply and irrigation.

Promoting gender equity. Unequal gender relations are part of the broader issue of social inequities based on societal norms and values. But gender equality is of such pervasive significance that it deserves extra emphasis. While

patterns of gender inequity vary greatly across societies, in almost all countries a majority of women and girls are disadvantaged in terms of their relative power and control over material resources (in most countries land titles are vested in men), and they often face more severe insecurities (for example, after the death of their husband). Poor women are thus doubly disadvantaged. Moreover, the lack of autonomy of women has significant negative consequences for the education and health of children.

Greater gender equity is desirable in its own right and for its instrumental social and economic benefits for poverty reduction. There has been progress—for example, in education and health—but much more needs to be done. Experience indicates that a mix of political, legal, and direct public action is required. Thirty-two countries, from Argentina to India, have measures to promote women's representation in local and national assemblies, and this is already transforming women's ability to participate in public life and decisionmaking. Some countries are correcting gender biases in the law, as in the 1994 Colombian Agrarian Law. Use of public resources to subsidize girls' education has been shown to pay off in Bangladesh and Pakistan. A range of measures in productive activities, notably microfinance and farming inputs, have produced documented benefits in terms of increased yields (in Kenya, for example) and increased autonomy for women and better nutritional status of children (in Bangladesh and in virtually every setting where this issue has been examined).

Tackling social barriers. Social structures and institutions form the framework for economic and political relations and shape many of the dynamics that create and sustain poverty—or alleviate it. Social structures that are exclusionary and inequitable, such as class stratification or gender divisions, are major obstacles to the upward mobility of poor people. Governments can help by fostering debate over exclusionary practices or areas of stigma and by supporting the engagement and participation of groups representing the socially excluded. Groups facing active discrimination can be helped by selective affirmative action policies. Social fragmentation can be mitigated by bringing groups together in formal and informal forums and channeling their energies into political processes instead of open conflict. Other actions could include removing ethnic, racial, and gender bias in legislation and the operation of legal systems and encouraging the representation and voice of women and disadvantaged ethnic and racial groups in community and national organizations.

Supporting poor people's social capital. Social norms and networks are a key form of capital that people can use to move out of poverty. Thus it is important to work with and support networks of poor people and to enhance their potential by linking them to intermediary organizations, broader markets, and public institutions. Doing this also requires improving the legal, regulatory, and institutional environments for groups representing poor people. Since poor people usually organize at the local level, actions will also be needed to strengthen their capacity to influence policy at the state and national levels, such as by linking local organizations to wider organizations.

Security

Achieving greater security requires a heightened focus on how insecurity affects the lives and prospects of poor people. It also takes a mix of measures to deal with economywide or regionwide risks and to help poor people cope with individual adverse shocks.

Formulating a modular approach to helping poor people manage risk. Different interventions—at the community, market, and state levels—are needed to address different risks and different segments of the population. A mix of interventions may be needed to support the management of risks for communities and households, depending on the type of risk and the institutional capacity of the country. Microinsurance programs can complement microcredit programs for poor women, built around their organizations, as in the schemes SEWA runs in India for women in the informal sector. Public work schemes can expand in response to local or national shocks. Food transfer programs and social funds to help finance projects identified by communities can also be effective in coping with disaster.

Developing national programs to prevent, prepare for, and respond to macro shocks—financial and natural. Economywide shocks are often the hardest for poor communities and households to cope with, especially when the shocks are repeated, deep, or persistent. To manage the risk of financial and terms of trade shocks, sound macroeconomic policy and robust financial systems are fundamental. But they have to be complemented by prudent management of the opening of the capital account, to reduce the risk of volatile short-run flows. Special measures are also needed to ensure that spending on programs important to poor people—social programs and targeted transfers—does not fall during a recession, especially relative to the rising need. Equally important, countercyclical safety nets should be

permanent and ready to be deployed when countries are hit by a shock. These and other actions can also help in coping with natural shocks. “Calamity funds” can finance relief efforts following natural disasters and support new technology and training for better risk assessment. Making investments and insurance arrangements in normal times can reduce personal costs when a disaster occurs.

Designing national systems of social risk management that are also pro-growth. There is demand across the world for national systems of social risk management. The challenge is to design them so that they do not undercut competitiveness and so that poor people benefit. Some examples: systems that both provide insurance for the nonpoor and include social pensions for the poor, as in Chile; health insurance that protects against catastrophic illness that could wipe out a family’s assets, as in Costa Rica; and unemployment insurance and assistance that do not compromise the incentive to work. To gain the full benefits of such schemes, however, economies need the institutional capacity to manage them effectively.

Addressing civil conflict. Civil conflict is devastating for poor people: the bulk of conflicts are in poor countries and most are civil wars—more than 85 percent of all conflicts were fought within country borders between 1987 and 1997. In addition to the direct loss of life, they wreak social and economic havoc and create a terrible legacy of psychological and social trauma. Child soldiers are often recruited to fight—as in Sierra Leone—and many more children suffer the loss of family, disruption of schooling, and psychological scars that permanently diminish their prospects.

While it is immensely important to sustain the focus on rebuilding societies after conflict, such as in Cambodia and Rwanda, it is equally urgent to take measures to prevent conflict. There is some evidence that strengthening pluralist institutions—supporting minority rights and providing the institutional basis for peaceful conflict resolution—has a significant influence. Also important for averting conflict are efforts to get different groups to interact through more inclusive and participatory political institutions and through civil institutions. As noted below, international action to reduce access to the resources to finance conflict and to reduce international trade in armaments is also necessary. If countries can get onto a path of inclusive economic development, they have the potential to shift from a vicious to a virtuous cycle. Violent conflict constitutes one of the most urgent and intractable areas for action affecting some of the poorest people in the world.

Tackling the HIV/AIDS epidemic. HIV/AIDS is already one of the most important sources of insecurity in severely afflicted countries in Africa. While the immediate, devastating effects are at the individual and household level, the consequences are much broader, from intolerable strains on traditional child fostering mechanisms to extreme pressures on health systems and loss of productive labor affecting whole communities and nations. More than 34 million people are infected with HIV (90 percent in the developing world), with 5 million more infected each year. More than 18 million people have already died of AIDS-related illness. Action at the international level to develop an AIDS vaccine is crucial for the future, but differing experiences show that what will really make a difference now is effective leadership and societal change to prevent the spread of HIV and care for those already infected. This can involve confronting taboos about sexuality, targeting information and support to high-risk groups such as prostitutes, and providing compassionate care for AIDS sufferers. Brazil, Senegal, Thailand, and Uganda all illustrate what can be done when there is a will to act decisively.

International actions

Action at national and local levels will often not be enough for rapid poverty reduction. There are many areas that require international action—especially by industrial countries—to ensure gains to poor countries and to poor people within the developing world. An increased focus on debt relief and the associated move to make development cooperation through aid more effective are part of the story. Of equal importance are actions in other areas—trade, vaccines, closing of the digital and knowledge divides—that can enhance the opportunity, empowerment, and security of poor people.

Opportunity. Within a rule-based trading system, industrial countries could expand opportunities by opening their markets more completely to imports from poor countries, especially in agriculture, labor-intensive manufactures, and services. It has been estimated that OECD tariffs and subsidies cause annual losses in welfare of almost \$20 billion in developing countries, equivalent to about 40 percent of aid in 1998. Many developing countries feel that while they are liberalizing their trade regimes, key dimensions of the trade regimes of rich countries are putting them at a disadvantage. Furthermore, donor countries could strengthen developing countries’ ability to pursue poverty reduction, by increasing aid flows to

countries with a sound policy environment supportive of poverty reduction and by financing the Enhanced Heavily Indebted Poor Countries Debt Relief Initiative with funds additional to aid budgets.

Empowerment. Global action can empower poor people and poor countries in national and global forums. Aid should be delivered in ways that ensure greater ownership by recipient countries, and it should go increasingly to country-driven, results-oriented poverty reduction programs, developed with the effective engagement of civil society and private sector agents. Poor people and poor countries should have greater voice in international forums, to ensure that international priorities, agreements, and standards—such as in trade and intellectual property rights—reflect their needs and interests.

The international financial institutions and other international organizations should continue their efforts to ensure full transparency in their strategies and actions—and open, regular dialogue with civil society organizations, particularly those representing poor people. International organizations should also support the ongoing global coalitions of poor people so that they may inform global debates. Actions by multinational corporations, such as adhering to ethical investment practices and adopting labor codes, can also empower poor groups.

Security. Actions are also needed to reduce risks from adverse international forces. Jointly with governments and the private sector, the international financial institutions must strengthen the international financial architecture and improve its management to lessen economic volatility, which can be devastating for poor people. Industrial country governments, often in cooperation with the private sector, should also provide more support for international public goods—for developing and distributing vaccines for HIV/AIDS, tuberculosis, and malaria and for producing and disseminating agricultural advances for tropical and semiarid conditions. International action to protect the environment can reduce the harmful effects of environmental degradation, which can be severe in some poor countries. And the international community should seek to stem armed conflict—which affects poor people the most—by taking measures to reduce the international arms trade, promote peace, and support physical and social reconstruction after conflicts end.

Working together to fight poverty

The strategy in this report recognizes that poverty is more than inadequate income or human development—it is also vulnerability and a lack of voice, power, and representation. With this multidimensional view of poverty comes greater complexity in poverty reduction strategies, because more factors—such as social and cultural forces—need to be taken into account.

The way to deal with this complexity is through empowerment and participation—local, national, and international. National governments should be fully accountable to their citizenry for the development path they pursue. Participatory mechanisms can provide voice to women and men, especially those from poor and excluded segments of society. The design of decentralized agencies and services needs to reflect local conditions, social structures, and cultural norms and heritage. And international institutions should listen to—and promote—the interests of poor people. The poor are the main actors in the fight against poverty. And they must be brought center stage in designing, implementing, and monitoring antipoverty strategies.

There is an important role in this for rich countries and international organizations. If a developing country has a coherent and effective homegrown program of poverty reduction, it should receive strong support—to bring health and education to its people, to remove want and vulnerability. At the same time global forces need to be harnessed for poor people and poor countries, so that they are not left behind by scientific and medical advances. Promoting global financial and environmental stability—and lowering market barriers to the products and services of poor countries—should be a core part of the strategy.

A divergent world? Or an inclusive one? A world with poverty? Or a world free of poverty? Simultaneous actions to expand opportunity, empowerment, and security can create a new dynamic for change that will make it possible to tackle human deprivation and create just societies that are also competitive and productive. If the developing world and the international community work together to combine this insight with real resources, both financial and those embodied in people and institutions—their experience, knowledge, and imagination—the 21st century will see rapid progress in the fight to end poverty.