

## VI. Poverty and Hunger

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### The Nature of Poverty

Poverty is pronounced deprivation of well-being. But what is "deprivation," and how can it be measured? Traditionally poverty was understood primarily as material deprivation, as living with low income and low consumption, characterized primarily by poor nutrition and poor living conditions. However, it is easy to observe that income poverty in most cases is associated with so-called human poverty—the low health and education levels that are either the cause or the result of low income. Income and human poverty also tend to be accompanied by such social deprivations as high vulnerability to adverse events (for example, disease, economic crisis, or natural disaster), voicelessness in most of society's institutions, and powerlessness to improve one's living circumstances. This multidimensional nature of poverty is revealed by interviews with the poor themselves and confirmed by special sociological studies.

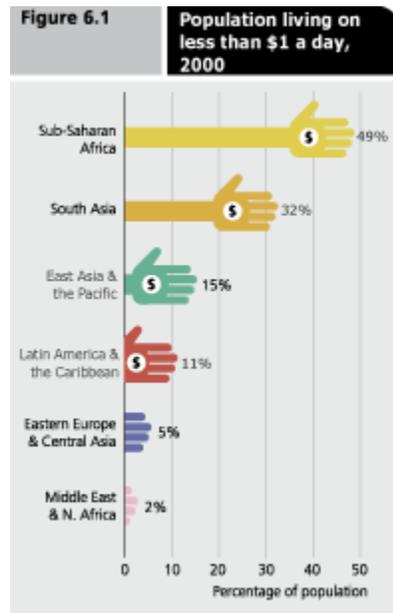
The broader definition of poverty as a multidimensional phenomenon leads to a clearer understanding of its causes and to a more comprehensive policy aimed at poverty reduction. For example, in addition to the issues of economic growth and income distribution, it brings to the fore equitable access to health and education services and development of social security systems. Poverty reduction strategies also must allow for the fact that different aspects of poverty interact and reinforce each other. For example, improving social security not only makes poor people feel less vulnerable, but also allows them to take advantage of higher-risk opportunities, such as moving to another location or changing qualifications. And increasing poor people's representation and participation not only helps them overcome the feeling of being excluded from society, but also contributes to better targeting of public health and education services.

Note that this chapter is devoted only to income poverty and hunger while the other dimensions of poverty are discussed, in more or less detail, in some of the following chapters.

Measures of income poverty are different in different countries. Generally speaking, the richer a country is, the higher its national poverty line. To allow for international comparisons, the World Bank has established an international poverty line of \$1 a day per person in 1985 purchasing power parity (PPP) prices, which is equivalent to \$1.08 a day per person in 1993 PPP prices. According to this measure, the portion of extremely poor people in the world's population—those living on less than \$1 a day—fell between 1990 and 1999, from 29 percent to 23 percent. But, owing to the fast growth of the world's population, the absolute number of people living in extreme poverty decreased by only 123 million in that time period.. For middle-income countries, an international poverty line of \$2 a day, \$2.15 in 1993 PPP prices, is closer to a practical minimum. Of the 6 billion people living on Earth at the end of the 20th century, almost half—about 2.8 billion—lived on less than \$2 a day, and about one-fifth—1.2 billion—lived on less than \$1.

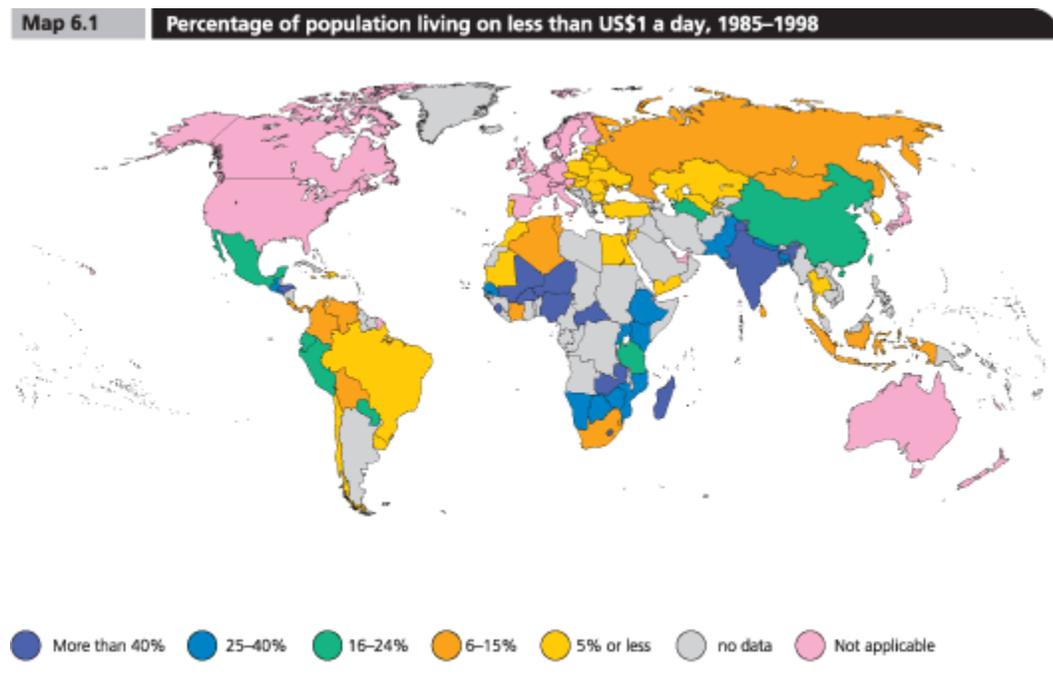
### The Geography of Poverty

Most of the world's poor live in South Asia (over 40 percent), Sub-Saharan Africa (almost 25 percent), and East Asia (about 23 percent). Almost half of the world's poor live in just two large countries--China and India.



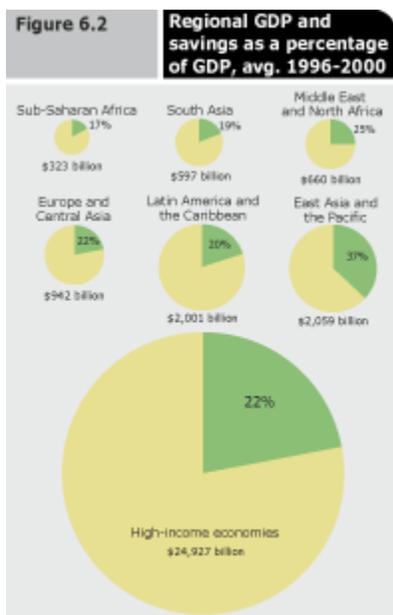
The highest incidence of poverty is observed in Sub-Saharan Africa, with almost half of its population living below the \$1 poverty line (see Data Table 2). Sub-Saharan Africa is followed by South Asia, where over the 1990s the incidence of poverty went down from about 41 percent to about 32 percent (see Figure 6.1), although the absolute number of poor people decreased very modestly. Using Map 6.1 and Data Table 2, you can identify the developing countries with the highest percentages of their population living below the international poverty line.

Analysts have found a strong positive relationship between economic growth and poverty reduction. For example, East Asia (including China), which contains the world's fastest-growing economies, reduced the share of its population living below the international poverty line from about 29 percent in 1990 to about 15 percent in 2000. In China alone, nearly 150 million people were lifted out of poverty. But in Sub-Saharan Africa, where negative growth of GNP per capita predominated during that period, both the incidence of poverty and the absolute number of poor people increased--from 47 percent to 49 percent and by 74 million. In relative terms, the fastest growth of poverty took place in the region of Eastern Europe and Central Asia that lived through the acute economic recession associated with market-oriented reforms. Between 1987 and 1998, the incidence of poverty in this region increased from 0.2 percent to 5.1 percent and the number of poor people from about 1 million to 24 million.

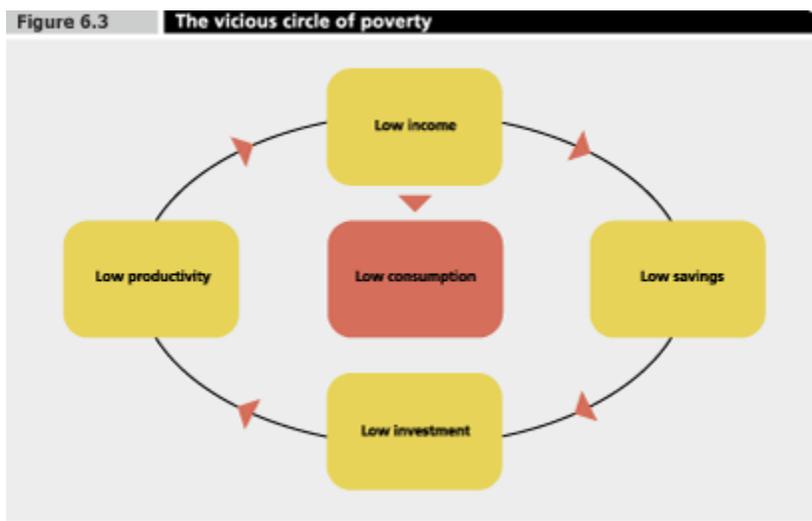


## The Vicious Circle of Poverty

Economists generally assume that people's willingness to save for future consumption grows with their incomes. It seems natural that the poorer people are, the less they can afford to plan for the future and save. Thus in poor countries, where most incomes have to be spent to meet current—often urgent—needs, national saving rates tend to be lower. In combination with the small size of poor countries' economies, lower saving rates account for a much smaller pool of savings available for desperately needed domestic investment in both physical capital and human capital. For example, Sub-Saharan Africa consistently has the lowest saving rate and the smallest pool of savings. By contrast, high-income countries in 1996-2000 saved a smaller share of their GDP than some developing countries, but their pool of savings was about three times as large as all the savings of developing countries combined (see Figure 6.2). But without new investment, an economy's productivity cannot be increased and incomes cannot be raised. That closes the vicious circle of poverty (see Figure 6.3). So are poor countries doomed to remain poor?

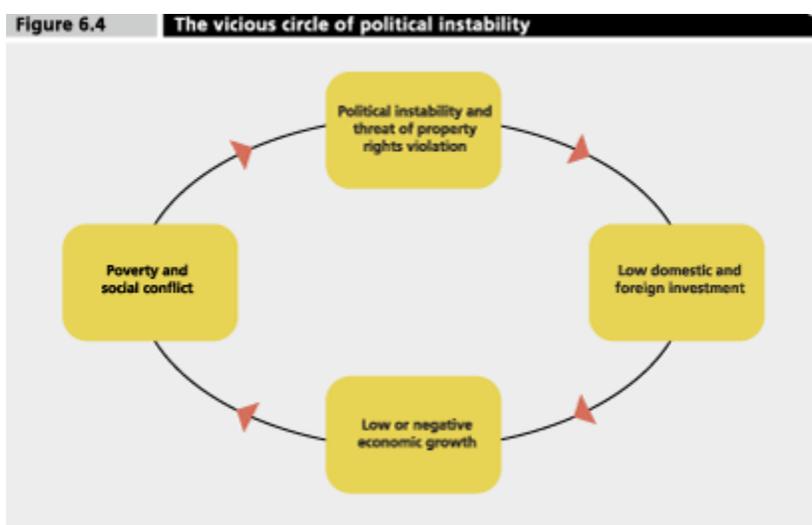


The data on saving and investment in East Asia over the past two decades suggest that the answer is no. Despite low initial GNP per capita, the rates of gross domestic saving and gross domestic investment in the region were higher than in any other region and resulted in some of the highest economic growth rates (see Figure 6.2 and Figure 4.4). Experts are still trying to explain this phenomenon. Generally speaking, however, many of the factors that encourage people to save and invest are well known. They include political and economic stability, a reliable banking system, and favorable government policy.



In addition to domestic investment, foreign investment can help developing countries break out of the vicious circle of poverty, particularly if such investment is accompanied by transfers of advanced technology from developed countries. The opportunity to benefit from foreign investment and technology is sometimes referred to as the “advantage of backwardness,” which should (at least theoretically) enable poor countries to develop faster than did today’s rich countries. However, many of the conditions needed to attract foreign investment to a country are the same as those needed to stimulate domestic investment.

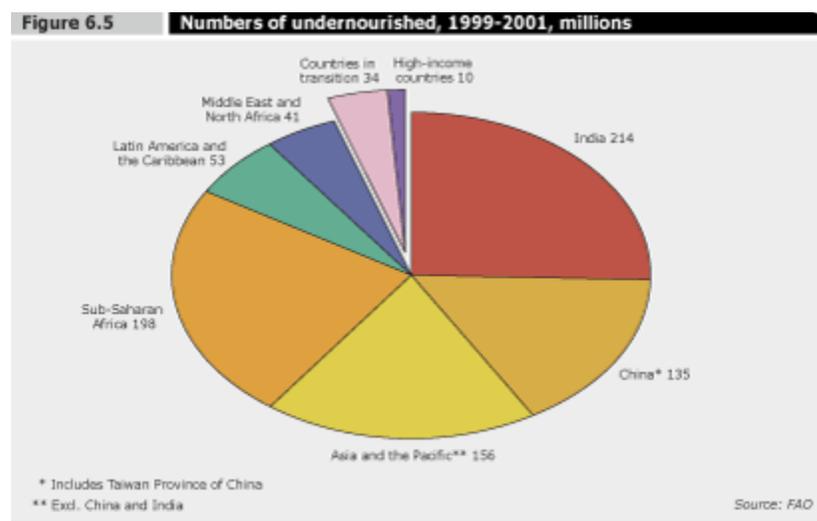
A favorable *investment climate* includes many factors that make investing in one country more profitable and less risky than in another country. Political stability is one of the most important of these factors. Both domestic and foreign investors are discouraged by the threat of political upheaval and by the prospect of a new regime that might impose punitive taxes or expropriate capital assets. As a result a country can fall into another vicious circle, one seen historically in many African and some Latin American countries (see Figure 6.4). Political instability scares away new investments, which prevents faster economic growth and improvements in people’s economic welfare, causing even more dissatisfaction with the political regime and increasing political instability. Falling into this vicious circle of political instability can seriously impede efforts to boost economic development and reduce poverty.



### The Challenge of Hunger

Hunger is the most extreme manifestation of poverty and arguably the most morally unacceptable. In the globalized world of the 21st century, with more than enough food produced to feed all of its 6 billion inhabitants, there are still over 800 million poor suffering from chronic undernourishment (which is more than the entire population of Latin America or Sub-Saharan Africa). According to the recent estimate of the UN Food and Agriculture Organization (FAO), in 1999-2001 there were 842 million undernourished people in the world, including 798 million in developing countries, 34 million in countries with transition economies, and 10 million in high-income countries. See Figure 6.5 for the regional distribution of hunger and Data Table 2 for the shares of undernourished adults<sup>1</sup> and malnourished children<sup>2</sup> in individual countries. Note

that three-quarters of the world's hungry people live in rural areas and the majority of the hungry are women.



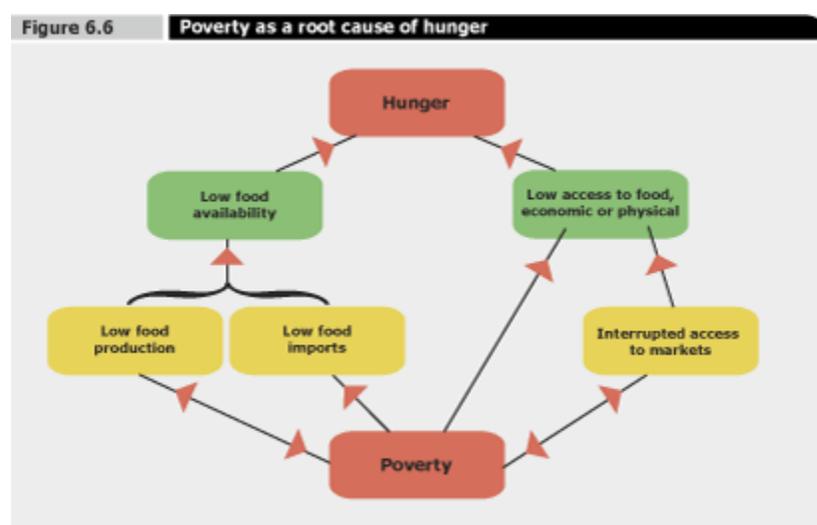
Particularly disturbing is the recent dynamics of world hunger. During the first half of the 1990s the number of undernourished people decreased by 37 million, but over the next 5 years it increased by more than 18 million. The numbers of undernourished have fallen in East Asia and Pacific, but remain high in South Asia and continue to rise in Sub-Saharan Africa and in the Middle East and North Africa. In India, after a decline of 20 million between 1990-1992 and 1995-1997, the number of undernourished climbed by 19 million over the following four years. And in China, where the number of undernourished people was reduced by 58 million over the 1990s, progress is gradually slowing. In countries with transition economies the second half of the 1990s brought another increase in the number of undernourished people, from 25 million to 34 million.

On the surface, the causes of hunger appear to be multiple and to differ among countries. Many hungry people live in countries that lack sufficient arable land or water to feed their growing populations. But there are also many hungry people in other countries, with plentiful natural capital. Some of these latter countries specialize in producing and exporting a single agricultural commodity, such as cacao, coffee, or cotton, and suffer from declining prices in the world markets. It is arguable that these same land and water resources could be better used for growing food and making it available to these countries' populations. But still other countries, like Brazil, specialize in exporting those same food products that are desperately needed by their own poor and malnourished.

Statistics show that in the world as a whole there is more than enough food produced to feed all the hungry. Moreover, they also show that countries with smaller proportions of undernourished people tend to be more dependent on food imports than countries with more widespread undernourishment (even though they spend smaller shares of their export earnings on food imports). The conclusion appears to be that persistent hunger is an issue not of insufficient global food production but of extremely unequal distribution among countries as well as within countries. The low export earnings of the poorest countries prevent them from buying enough

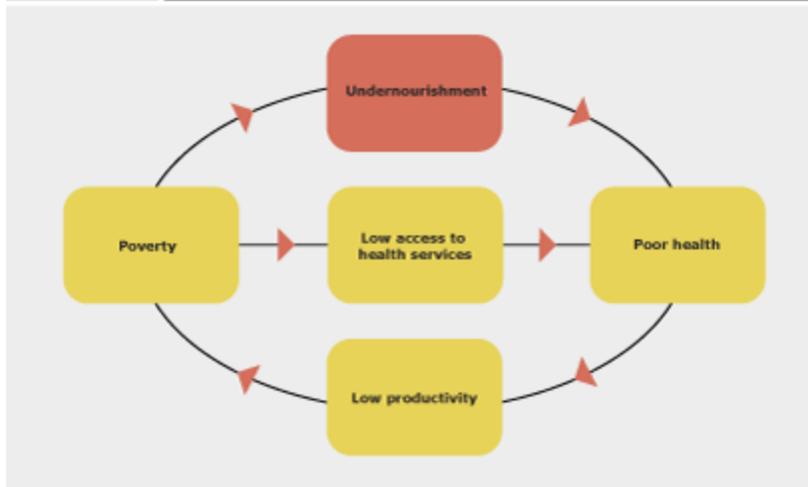
food in the world markets, but even where food is available inside a country, the poorest of its citizens are often unable to pay for it. Poverty of countries and extreme poverty of households are the most undisputable causes of hunger.

According to FAO observations, most food emergencies across the world are directly caused by natural disasters (droughts and floods), conflicts, refugees, and economic crises. But is it not poverty that makes people so vulnerable to natural as well as man-made disasters? And is it not poverty that lies at the root of many of these disasters? For example, poverty impedes investment in irrigation that could prevent the disastrous consequences of droughts in many countries. And poverty (low export earnings) hinders the food imports that could compensate for unpredictable natural emergencies. Poverty breeds conflicts, and many refugees are trying to escape not only violence but also economic deprivation.



But seeing poverty only as a root cause of hunger (see Figure 6.6) actually oversimplifies the real picture. In fact, poverty is both a cause and a consequence of hunger. Undernourishment is a critical link in the vicious circle of poverty, leading to poor health, lower learning capacity and diminished physical activity, and thus to lower productivity and poverty (see Figure 6.7)<sup>3</sup>

Figure 6.7 The vicious circle of hunger



Nearly one-third of poor health outcomes in developing countries are associated with hunger and malnutrition. Malnourishment negatively affects children's school attendance and their educational attainment, and the legacy of malnourishment in childhood, combined with insufficient food intake in adulthood, manifests itself in lower wages and reduced earning capacity for adults, who will be unable to support their own families. In addition, malnourished mothers are more likely to give birth to underweight babies. Thus closes an intergenerational vicious circle of malnourishment and poverty, particularly threatening to the social sustainability of national and global development.

So, given the close and complex interaction between hunger and poverty, is there any hope of doing away with hunger--as the most demeaning of human deprivations--any time soon?

Obviously, a lot will depend on the political will and responsibility of national governments. For example, in Brazil, President Luiz Inacio Lula da Silva has pledged to eradicate hunger by the end of his four-year term and has launched the comprehensive Fome Zero (Zero Hunger) Project. Note that Brazil is one of the major exporters of crops and meat, but over 40 million of its 170 million people live on less than \$1 a day.

However, many developing countries may fail to meet the enormous twin challenges of hunger and poverty on their own. The role of the international community is therefore indispensable too. As one practical step, the World Summit on Sustainable Development in Johannesburg (South Africa, August-September 2002) and the United Nations General Assembly (December 2002) called for immediate implementation of the World Solidarity Fund to reinforce the global fight against extreme poverty and hunger. However, perhaps even more important for improving the lot of developing countries' poor and hungry might be pro-poor reforms in international trade, such as those discussed during the Doha round of world trade negotiations (see Chapter 12).

Finally, identifying and committing to the most effective policy measures will be of crucial importance. In the short term, even emergency measures aimed at giving hungry people direct access to the food they need (such as public food distribution or food-for-work programs) may hold important keys to breaking the persistent vicious circle of undernourishment and poverty.

But most experts agree that any longer-term and more sustainable solutions should address hunger and poverty simultaneously. For example, environmentally sound irrigation in drought-prone areas can raise the productivity of local agriculture, simultaneously improving the local availability of food and increasing local farmers' incomes (see food availability and economic access to food in Figure 6.6). Public investment in construction of rural roads can simultaneously improve the physical access of the rural poor to markets (for buying food as well as for selling their outputs, see Figure 6.6) and create additional jobs outside of agriculture. Government strategies directly attacking such root causes of poverty as unemployment and landlessness can be most effective in ensuring the sustainable eradication of hunger.

Vietnam appears to be a good example. Economic reforms started in 1986 gave farmers control over land, allowed them to increase sales to the market, reduced agricultural taxation, and increased public investments in rural infrastructure. That allowed Vietnamese farmers to take advantage of improved access to global markets and resulted in the doubling of per capita food production and in even faster growth of agricultural exports. Over the 1990s, agricultural growth helped boost overall economic growth to an average of 7 percent a year and helped reduce the proportion of undernourished people from 27 percent to 19 percent. This shows how rapid economic growth and trade can result in sustainable reductions of poverty and hunger thanks to pro-poor policies and investments.

FAO Director-General Jaques Diouf appealed to national governments and the international community to create an international Alliance against Hunger that would be based “not on a plea for charity but on ...recognizing that the suffering of 800 million hungry people represents ... a threat to economic growth and political stability on a global scale.” Would you agree with the logic of this appeal?

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<sup>1</sup> Undernourishment means consuming too little food to maintain a normal level of activity. The Food and Agriculture Organization (FAO) sets the average requirement at 1,900 calories a day, although the needs of individuals vary with age, sex, and height. In the FAO's estimation, extreme hunger occurs with a shortfall of more than 300 calories.

<sup>2</sup> Child malnutrition is measured by comparing these children's weight and height with those of well-nourished children of the same age.

<sup>3</sup> Think also about other vicious circles of poverty, linked through other aspects of human poverty, such as poor education (Chapter 7) or serious disease (Chapter 8).