



United Nations Department of Economic and Social Affairs
Division for Social Policy and Development

Report of the Expert Group Meeting On Poverty Eradication

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of the Department of Economic and Social Affairs (DESA) and the
Economic Commission for Africa, Economic Development and NEPAD Divisions.

The views expressed in this document are those of the experts and do not necessarily
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I. Introduction

a. Background and purpose of the meeting

Progress on poverty reduction has been significant, but uneven and may now be threatened by the overlapping global crises of food and energy, financial and economic, and climate change. Recent World Bank estimates indicate that the target of reducing the income poverty rate by half by 2015 at the global level seems likely to be achieved. Prior to the economic crisis and based on 1990-2005 trends, the proportion of people living on less than \$1.25 a day was projected to fall from 41.7 percent in 1990 to 15.1 percent in 2015, with East Asia and the Pacific experiencing the greatest decrease, dropping from 54.7 to 5.1 percent between 1990-2015. However, the number of people living in extreme poverty has continued to increase.

The current global economic crisis has no doubt complicated the road ahead. Estimates by the United Nations Department of Economic and Social Affairs suggest that between 47 and 84 million people remained poor or were driven into poverty in developing countries and economies in transition than would have been the case had pre-crisis growth continued. In Africa, the World Bank estimates that the crisis drove 7 to 10 million more people into poverty and an estimated 30,000 to 50,000 children died before their first birthday as a result of the crisis.

Hunger also remains an important global challenge, with the proportion increasing from 14 percent in 2004-06 to 15 percent in 2009. In absolute terms, the number of hungry people rose from 873 million in 2004-06 to 1.02 billion people during 2009 – the highest level ever. This increase is largely a result of high food prices and the global financial and economic crisis. In addition, 129 and 195 million children under 5 years of age are respectively underweight or stunted and over 2 billion people suffer from micronutrient deficiencies, affecting their health, education, cognitive development and productivity. Therefore, national and global efforts to reduce the proportion of the undernourished have been severely undermined by these global crises. These crises will impact different parts of the developing world differently depending on their reliance on capital inflows, trade, commodity exports, remittances, and tourism.

The global economy is showing signs of recovery. Both international trade and industrial production stayed on their upward trends and most economies showed positive GDP growth in the first quarter of 2010. However, the recovery is still fragile and uneven in its pace across regions. Recovery will be weaker in developed economies and stronger in emerging economies. There will also be a transition from policy-stimulated growth to more autonomous private demand.

In addition, the human cost of the crisis is equally still far from over. The depth and severity of the human cost of the crisis varies across regions and countries. Developing countries have been innocent victims of the crisis, with countries that were more integrated into the global economic system getting impacted more. These countries have been affected through financial markets, trade, capital flows, aid and remittances.

b. Objectives of the meeting

The Division for Social Policy and Development (DSPD) of the United Nations Department of Economic and Social Affairs, in collaboration with the Economic Development and NEPAD Division of the United Nations Economic Commission for Africa, organized an Expert Group Meeting on “Poverty Eradication” from 15-17 September 2010, in Addis Ababa, Ethiopia, as part of the preparations for the 49th session of the Commission for Social Development (CSocD), which is scheduled to take place in New York from 2 to 11 February 2011.

The meeting was convened in the context of ECOSOC resolution 2010/10 in which the Economic and Social Council decided that the priority theme for the 2011-2012 review and policy cycle of the Commission should be “Poverty Eradication, taking into account its relationship to social integration and full employment and decent work for all.” The primary objectives of the expert group meeting was to undertake a comprehensive review of successes, best practices and lessons learned, obstacles and gaps, as well as key challenges and opportunities that can lead to the implementation of concrete national, regional and international strategies for action. The deliberations of the meeting will serve as an important input to the Commission, in particular contributing to reviewing the status of progress regarding poverty eradication as well as examining continuing challenges and prospects for poverty eradication in developing countries. The outcome of the meeting will contribute to the preparation of the Report of the Secretary-General to be submitted to the 49th session of the Commission for Social Development on the priority theme of “**Poverty Eradication**”. The recommendations from this meeting will be a key component of the Report of the Secretary-General that will inform the Commission for Social Development during its deliberations of the priority theme for the 2011-2012 review and policy cycle.

To accomplish these objectives, experts were drawn from various parts of the world to provide poverty eradication experiences at the global and regional levels. In addition, the experts drawn from Ethiopia and South Africa made country specific presentations on poverty eradication. An expert from China submitted a report on poverty eradication in China. These national-level contributions as well as those by the other invited experts focused on the following questions:

- i. What have we achieved so far?
- ii. What lessons have we learnt from our achievements and/or lack of progress?
- iii. What has been the impact of the recent global crises of food and energy, financial and economic, and climate change on efforts to eradicate poverty?
- iv. Which social groups have been most affected, and how are they coping?
- v. What role can, and should, social policy play in addressing the impact of these crises on social development, with particular emphasis on poverty eradication?

- vi. How do we accelerate progress in poverty reduction? In particular, how can we deliver on the financing, technical support, and partnerships that are necessary to eradicate poverty, as well as achieve the other MDGs?

The meeting allowed a robust exchange of ideas among independent experts, government officials, representatives from the United Nations system, regional development banks, and civil society. The interaction will contribute to the global debate on how countries and their development partners can speed up progress towards reducing extreme poverty and hunger, as well as attain the other MDGs by 2015, with a focus on shaping policies and strategies.

The meeting produced the following outputs:

- i. Recommendations and proposals for action, including new initiatives;
- ii. Expert papers on the theme of the meeting;
- iii. This final report on the deliberations and outcome of the meeting.

II. Summary of the Proceedings

a. Poverty reduction in Africa

i. Trends in growth and inequality and their impact on poverty reduction

On average growth is the main engine of poverty reduction, but the average is not true for many countries. Per capita growth in Africa was below the world average for most of the 20th century. However, since the mid 1990's growth in Africa has surpassed global growth rates. Growth has not translated into poverty reduction in all cases. There is a strong correlation between growth and poverty reduction: in the period 1981-1995, growth was negative in Africa and poverty increased. In the period 1996-2005, economic growth was positive and poverty declined. The rate of poverty reduction in Sub-Saharan Africa is comparable to that in South Asia and India since 1996. While the poverty rate in Sub-Saharan Africa is higher than South Asia and India at the \$1.25 poverty line, it is lower at the \$2.50 poverty line. There are also a significant number of Africa countries that have performed better in terms of poverty reduction than India. In comparing income growth to GDP growth, many African countries perform better in terms of income growth than GDP growth. Cameroon has not done well in terms of GDP growth, but has done extremely well in terms of income growth. Tanzania has done well in terms of GDP growth but not well in terms of income growth.

The important question to answer remains how well does income growth translate into poverty reduction (income elasticity)? Low income countries have poor income elasticity. What are the relative contributions to poverty reduction of inequality and growth? Rising inequality hurts poverty reduction. For Cameroon, income growth is the main engine of poverty reduction. For Ethiopia, reduction of inequality played a more important role in poverty reduction than did income growth. In Tanzania, poverty has increased and that is attributable to lack of income growth. Based on a simulation, in Tanzania had economic growth translated into income growth, poverty would have declined by 3.7 per cent annually rather than increased by 6.2 per cent annually. The linkage between GDP and income growth matters for poverty reduction. In Cote d'Ivoire, rising inequality contributed to increasing poverty. In Ethiopia, falling inequality contributed to reduced poverty.

ii. Chronic poverty in sub-Saharan Africa: Achievements, Problems and Prospects

In recent years there has been a paradigm shift in poverty research towards recognizing multidimensional poverty. This shift has been accompanied by a growing emphasis on social protection. Poverty is now fully recognized as a multidimensional concept. Broad brush strokes – such as poverty line trends – miss the full experience of poverty such as the distinction between chronic poverty and transitory poverty. The concept of extreme poverty understates the number of chronically poor by as much as 40

percent. The chronically poor tend to be female, child or grandparent headed households. They also tend to be poorly educated and live in rural areas.

Growth favours the transitory poor over the chronically poor. Most of the gains towards MDG 1 have been made among the transitory poor. There has been little improvement among the chronically poor. Poverty reduction strategies must include specific strategies to target chronically poor people. Some examples of such targeting include:

- Uganda's ultra poor program
- Bangladesh Rehabilitation Assistance Committee's (BRAC) ultra poor program
- Kenya' Social Protection program

Transformative growth is needed to help those in chronic poverty. Pre-existing economic and social structures must be transformed through strategic public policy interventions. Examples include improving income distribution and implementing deliberate strategies to give the poor greater access to control of wealth. Land reform, microfinance, ICT strategies are some examples. BRAC experience shows that integrated approaches are most effective. The governance of the poverty reduction process can enhance social and political actions that directly challenge the social orders (caste, gender, race and class relations etc).

The re-emergence of the paradigm of social protection has been a product of the emergence of inclusive neo-liberalism. Well designed social protection can improve economic and social security, create human capital and assets, and provide space for social and political mobilization. Social protection coverage varies in Africa from 10 per cent in Ethiopia to 50 per cent in South Africa and almost 96 per cent in Lesotho (per cent of targeted group). Much of the existing social protection is projectised meaning it is short term, and funded by agencies or donors, rather than mainstreamed in government policy. Hence, it is imperative that the public resources are committed to the provision of social protection schemes if they are to be sustainable.

In sum, key issues that should be considered for the future of poverty reduction in Africa include the following:

- Poverty reduction strategies can not be general, but should recognize the very different types of poor, including the chronic versus transitory.
- Governance also matters but has been overlooked with the focus on MDG's
- Who funds development in Africa? Will ODA be cut?

i. Country experiences

1. Ethiopia

Trends

Growth and macroeconomic stability are essential for poverty reduction in Ethiopia. The last decade has seen a good pace of growth in the country. Growth has averaged 8 per cent in the last 10 years: though many doubt the data. The major cause of growth in Ethiopia is high average rain fall. Therefore growth is highly volatile and vulnerable to shocks. Other macroeconomic indicators are not as good as GDP growth. Since 2005 there has been massive inflation approaching hyperinflation. Estimates of inflation from different sources range from 65 per cent to 100 percent. There has also been a serious balance of payment crisis. Gross domestic savings is about 3 per cent, indicating a high degree of aid dependence. Growth has been based on intensive use of labour with little increase in productivity. Aid has also been very high in Ethiopia.

The local poverty line indicates that about 50 per cent of the population is in poverty, while the dollar a day level would be close to 80 per cent. Rural poverty has declined by 30 per cent. In urban areas, poverty declined marginally after growing 11 per cent in the late 1990's. There is considerable variation across regions. Increases in consumption have reduced the headcount poverty. Declines in levels poverty have on average been much better among male headed households (76 per cent) versus female headed households (22 per cent). There is very little inequality in rural areas, but very high inequality in urban areas. Urban inequality has increased from a gini of .38 to .44, while rural has remained unchanged at .26.

Policies and practices

There is a high level of commitment to poverty eradication at the policy level with the government's 5 year plan. The Government has invested considerably in physical and human capital and this has contributed to improvements in human development. Primary school enrolment has risen from 30 per cent to almost 100 per cent. Pro-poor spending has increased enormously. There have also been significant increases in energy, telecom, and other infrastructure projects.

Challenges to poverty eradication in Ethiopia

Structural transformation towards higher productivity economic base is needed to sustain growth and reduce poverty in Ethiopia. Such a transformation should entail minimizing dependence on rain fed agriculture, increased competitiveness, and macroeconomic stability. The country remains highly vulnerable to global crises and economic shocks at the micro and macro levels. Mediating or blunting the full effects of these shocks will provide the country with a decent chance of meeting the MDG's. The global crisis has seriously affected remittances with a decline of at least 30 per cent. Hedging vulnerability is extremely important to poverty reduction in the region. Vulnerability to fluctuations in rainfall is also extremely important.

2. South Africa

Trends

South Africa is a relatively wealthy country that struggles with high levels of poverty, particularly among the majority African population. It has also had a decline in human development in recent years largely due to life expectancy declines as a result of the high prevalence of HIV.

South African poverty data, like data for many countries, has problems. Poverty among Africans grew from 50 per cent, but confidence intervals mean it is unclear if poverty has gone up or down. Though the headcount has not gone down, the depth and severity have improved. Inequality is extremely high with a gini of .66 in 1993 increasing to .68 in 2000 and .70 in 2008. Income of wealthiest is 88 times higher than the poorest.

South Africa fares poorly on health indicators. South Africa is among the 10 worst countries in terms of progress towards the MDG's on child mortality. It has the largest HIV and TB-positive population in the world. As far as education is concerned, the country fares well in terms of literacy and enrolment, but there is poor quality of education and high drop out rates.

Policies and practices

South Africa has a decentralized government, with sub national governments playing an important role in reducing poverty with social protection as a significant part of their strategy. Even though dollar-a-day poverty has not progressed much, the social wage has improved the standard of living (measured by the MPI). Mean tested subsidies have been important while public works have not been a major feature of the poverty reduction program. South Africa is currently piloting a program similar to India's 100 days employment guarantee scheme. Asset redistribution has been an important component of poverty reduction. Impact evaluation of the land reform program has been positive.

Lessons

In South Africa, adherence to the Washington Consensus has not helped reduce poverty. Furthermore, economic growth has not translated into poverty reduction. Macroeconomic stability alone does not lead to poverty reduction. In South Africa, decentralization has helped with service delivery, but maintenance and quality remains a problem. Social grants make an important and direct contribution to quality of life and cash grants work, even when they are provided unconditionally. There has been a failure to address health needs, especially those associated with HIV/AIDS. Asset redistribution has been effective, but it requires a high level of coordination to be effective.

Despite being a relatively wealthy country, South Africa faces significant barriers to poverty eradication. It is a case of poverty amidst plenty. The legacy of apartheid continues to perpetuate high levels of poverty and inequality. Lack of good information on effective poverty reduction policies and government complacency are further barriers.

In both countries, there has been an increase in the urban poor and reduction in rural poverty indicating an urbanization of poverty. It is therefore important to identify policies that can address urban poverty specifically. Support for small and medium enterprises, developing and expanding training programs for unemployed people were identified as important approaches to address urban poverty. In addition, expanding social safety net programs and subsidized education and health can also improve the lives of the urban poor.

3. Gender in Malawi

Women remain marginalized throughout Malawian society despite years of increasing attention being given to the status of women. Advancing gender in development planning and implementation has been constrained by a failure to truly mainstream it by making programs gender responsive or proactive. In order to improve the status of women in Malawian society, several substantial changes must take place. Policy makers and managers must be continuously trained in gender issues as they relate to development. Planning for engendered programs should be required for Agriculture ministries to receive funding and gender budgets should be made public. Development partners should make gender targets one of the key conditions of fund disbursement. Currently the triggers for disbursement are gender blind economic liberalization or anti-corruption practices. Capacity for gender analysis must also be developed along side regular gender audits of Government ministries. Gender sensitive programs in education and agriculture must be implemented. Finally, laws that continue to allow discrimination should be changed and enforced.

b. Poverty reduction in other developing regions

This section focuses on trends in developing regions highlight successes, best practices and lessons learned, obstacles and gaps as well as key challenges and opportunities.

Asia

ESCWA is a very diverse region with a high proportion of youth. Employment is very low, 44% overall and 20% for women, 26% for youth. The proportion of people in poverty, though very low, has increased and they are not expected to meet the MDG target. Poverty trends have been quite varied across the region, with large increases in Yemen and Palestine. There is also a large proportion of people near the poverty line. There is thus a high degree of vulnerability to shocks. The poverty gap ratio has doubled in the region. The proportion of the working poor has also increased in the region from 9 per cent in 1991 and 2000 to 12 per cent in 2009. Labour market policies and decent work need to be seriously rethought in order to address poverty. Hunger has also increased in the region.

In South Asia, poverty has declined from 1990 to 2005, however most national estimates report an increase in inequality. While there have been declines in the incidence of poverty, those declines have not been sufficient to prevent a rise in the number of poor people in the region. Social exclusion must also be addressed to reduce poverty.

Latin American

In the period 2003-2008 Latin America sustained growth with GDP per capita increasing at an annual average rate of 3.4 percent. This sustained growth was accompanied by fiscal and trade surpluses. The 2008 crisis marked the end of the growth

period as more economies in the region began to shrink rather than grow. The regional recovery has been very quick, highlighting the importance of embracing counter-cyclical policies and resisting pro-cyclical policies such as strong minimum wages laws and resisting pressure to weaken labour protections (so-called flexibilization)¹. Despite the rapid recovery in growth, the negative impact of economic volatility on income distribution and well-being will have lasting effects without appropriate policy interventions.

The high growth that preceded the crisis led to high employment rates and impressive poverty reduction. However, the economic crisis put a break on improvements with significant deficits remaining. High unemployment, increased precariousness, informality, and low wages have all been exacerbated by the crisis. Vulnerable groups such as the working poor have been particularly hurt in the aftermath of the crisis. Worsening conditions of the working poor are likely the result of three structural characteristics of the region: 1) high inequality, 2) low competitiveness and productivity in some sectors, and 3) lack of social protection for workers. Successive crises in the region have worsened income distribution while recovery cycles have not been able to reverse the damage. This trend calls for additional efforts in public policies targeting the most vulnerable groups within the population. Contributory based social security is too narrow in scope; a significant percentage of workers are not covered by social security benefits.

Since the early 1990's the region has experienced an increase in social spending in both absolute and relative terms. In the most recent decade, a trend towards universalism has been growing. Progress has been noted particularly in the areas of childhood protection, unemployment, elderly protection, and health protection. Health and pension systems have expanded and most countries have implemented cash transfer programmes. Despite this progress, resources allocated to the social sector are still insufficient. Tax collection is low and rates are regressive. Improving the capacity of the state to redistribute resources in order to bring down poverty and inequality is essential to improve well-being and social and political cohesion.

Best practices and lessons learned

While the world is on track to meet MDG 1 by 2015, there is broad variation in trends by region and country that indicate this success, while admirable, is shallow.

It has been long assumed that economic growth is the key to poverty reduction. There is now strong evidence and growing acceptance of the disconnect between economic growth and poverty reduction. Bangladesh is an example of a country that has reasonable GDP growth, but poor income growth. This requires more creative approaches to addressing poverty rather than relying on the trickling down approach. It is necessary to identify what needs to accompany economic growth in order to lead to poverty reduction.

¹ In the 1990's increased flexibility in response to economic shocks in Latin America lead to an increase in the vulnerability of workers and increased gaps in well-being without delivering on promises to increase employment-product elasticity, employment formalization, and increases in efficiency.

Another problem that has plagued poverty researchers is the task of identifying the poor and whether or not it is possible or necessary. If the purpose is to ensure a level of dignity for all people, we should spend less time on measurement and more on the purpose. We have become too bogged down in number counting. We need to go beyond the statistics. The practice of identifying the poor also has the consequence of reducing our concerns to the narrow territory of social safety nets and de-linking them from growth and development of the economy and society.

There are also significant problems with poverty statistics. For example, In ESCWA, there is very poor data coverage for the region. Only 3 countries have data so the regional average is based on extrapolation. Migrants are also not included in the data, though they are an important group in the region.

Narrow poverty line measures also miss the importance of the multidimensional nature of poverty as the non-income dimensions are not included, such as hunger and malnutrition, access to health and education, access to housing and basic services, social exclusion and gender inequities, and lack of participation.

Targeted programs have tended to be less effective than universal programs in reducing poverty. Narrowly focused safety net programs should not be seen as the solution to poverty. UNRISD research finds that large scale programs are more successful. This is true of conditional cash transfer programs such as Bolsa Familia and Oportunidades. Targeting should be done in a larger framework where it does not contribute to further segmentation.

Agriculture is very important for poverty eradication. Years of neglecting the agricultural sector and lack of investment in agriculture in developing countries needs to be addressed and overcome for poverty eradication efforts to be successful. What role do land rights play in poverty reduction? This question remains to be addressed. The labour market is another key element to poverty reduction. Labour policies and universal programs should be integrated to effectively combat poverty

Several important lessons have emerged from the crisis. First, non-governmental organizations found themselves helpless to combat the shock due to its broad scale. It was made clear that policies at the national level are what is needed. Creating incentives to increase production created a space for governments to get involved. Counter-cyclical policies have been successful where implemented and should be expanded to effectively limit the recession and its impact on poverty.

c. Impact of the crisis on poverty eradication and lessons learned

The impact of the crisis varied by region and reflected the way various regions are integrated into the global economy. In East Asia, the impact was largely on manufacturing, trade and labour. In Africa and the Pacific commodity and trade revenues were affected. In Latin America both were hurt. Eastern Europe experienced financial

contagion and the largest declines in GDP of any region. Central Asia was hurt through declining remittances and trade with Russia. South Asia remained relatively insulated. Sri Lanka was the worst hit. Initial expectations of the impact of the crisis on remittances and aid turned out to be worse than the reality. Remittances were expected to fall considerably, but only fell by only 5 per cent. The crisis has a lagged effect on aid. Aid only started to go down in late 2010.

The economic crisis left 58 poor countries with a combined shortfall in budgetary revenue of \$65 billion in 2009 and 2010. The international community provided only \$8.2 billion in additional grants to fill this gap. In 2010, budgets were being cut on average by 0.2 per cent. Two-thirds of the countries for which social spending data are available (18 out of 24) are cutting budget allocations in one or more of the priority social sectors of education, health, agriculture and social protection. Education and social protection were particularly affected with average spending levels in 2010 lower than 2008. Countries receiving IMF support initially increased spending after the crisis than non-IMF countries, but cut spending more in later months

Households have been much more resilient in the face of the crisis and fared much better than expected. Reliance on informal networks, families, neighbours, and churches has been widespread and helped to sustain families through the crisis. The concern is that this type of resilience may not be sustainable for extended periods of time if the recovery is slowed or a second dip occurs. Little is known about the impact of the crisis on informal and reproductive economies, where women would be disproportionately impacted.

ii. Lessons learned

The question is thus how long can people rely on informal networks during recession? And, what can be done to reinforce such networks? It is important to plan for crisis before they occur. Investing in prevention, state institutions, and social policies can be more effective than short term crisis responses. Real-time monitoring of the impact of the crisis and dialogue with affected communities about the best way to respond would help ensure effective interventions. Governments should support local level coping mechanisms by building capacity in families, local civil society and faith organizations. Finally, sustained donor country and international financial institution support is essential to fill the fiscal gap and prevent cuts in social spending when demand for social support is highest during crises.

iii. Gender dimensions of global crises

Evidence from previous crises indicates that pre-existing inequalities are worsened during economic crises. While male dominated fields were impacted by the crisis in developed regions, in most regions of the world the ILO expects the crisis to impact women's unemployment, particularly in Latin America and the Caribbean. Given that women dominate the informal economy, where little or no labour regulations exist, and the gender pay gap that exists between men and women, women are

disproportionately vulnerable to the effects of the crisis on their employment conditions. As household budgets shrink women are faced with the burden of compensating for the loss of family income and making due with less. The girl child is more also likely to suffer as household budgets shrink. She is more likely to be taken out of school. With the rise in food prices and declining budgets, women and girls are likely to reduce food consumption more so than males in the household. In Africa, a rise in infant mortality is also expected – with girls five times more likely to be impacted by the increase than boys.

Remittances are declining and are likely to decline further in the future. Remittances give women more autonomy and control over family matters. Women are also disproportionately hurt as countries cut social spending. In India, construction employs a large number of women and this industry has slowed down considerable as a result of the crisis. The textile sector is also affected placing many women at risk of losing their jobs or cutbacks in hours and wages. Women are the majority of clients of microfinance institutions, and their access to such credit is expected to decline as a result of the liquidity problems in the financial sector. Finally, as food and fuel prices increase, adding stress and increasing families hardship, violence against women increases.

Governments could improve women's employment options by increasing expenditures in the area of education and training and increase subsidies and grants to employers with gender equitable hiring practices to help eliminate the sex bias in the labour force structure (particularly in industries traditionally dominated by men). Ensuring that the services, such as childcare, are available to allow women to join the labour force on equal footing with men. Finally, increasing awareness among women about their rights and encouraging mobilization would improve their participation in political decision making. Extending labour regulations to the informal sector would also help protect women from the impact of the crisis.

iv. Non-governmental organizations and the crisis

Non-governmental organizations play an important role in global poverty eradication efforts on the ground and policy levels. They recognize the fundamental importance of understanding the multidimensional nature of poverty. Effective poverty eradication also requires putting poverty into the context of the life course of those living in poverty. To the NGO community, and specifically to the NGO Committee on Social Development, poverty eradication is a moral issue and must be addressed using a human rights approach. To this end, members of the committee have compiled good practices at the micro level that have contributed to poverty eradication throughout the world. In conducting this exercise the following critical elements that good practices should include:

- Multiple benefits with a positive impact on the whole community
- Community based assessment, planning, execution and evaluation
- Participation by those most directly affected by the program or policy
- Design and implementation that is replicable
- Practice or program that is sustainable, and

- Address the multiple dimensions of poverty

NGO's face several major challenges as they cope with the impact of the global crises. NGO's face increasing demand and diminishing resources. A recent study of Civil Society Organizations² found that organizations have shown resilience to the crises. Some have shifted their programmes because of the crisis. Slightly more than half indicated that they had adapted to resource constraints, while the other half is struggling to deliver services in light of the reduced funding and budget cuts. More than half indicated that they would have to narrow the scope of their work as a result. While there has been little to no cut back in staff, training and updates for staff have been largely eliminated. The situation is likely to worsen before it improves and the effects often lag behind the crises themselves.

While civil society organizations have in many cases addressed poverty at the micro level, structures at the macro level continue to work against poverty eradication. Specifically, economic policies and structures have contributed to increasing inequality in the majority of countries. In order to eradicate poverty, structural changes that ensure a more equitable world must be implemented. The civil society recommendations for the Doha outcome document outlines the changes needed³ which include:

- mobilising national resources;
- Establishing fair rules for international trade
- Initiate new international financing instruments for development
- Implement lasting and sustainable solutions to the debt problem
- Reform the international financial system

v. The global crisis and poverty eradication in Ethiopia

If you asked people living in Ethiopia how the global crisis has affected them, most here would say “What global crisis?” Of more significance was the commodity boom of 2007-8—when food prices increased—which was bad for urban dwellers who are net buyers of food. In Ethiopia there has been a large increase in microfinance in recent years. People saving their money lost 40 per cent of value due to inflation. Food aid has been given every year of the last 40 to a huge share of the population.

There has been an impression that the global financial and economic crisis would have little impact in Ethiopia based on the following factors:

- No links to financial sector
- Very little credit between import and export
- Ethiopian government borrows little

² Hanfstaengl, Eva-Maria. 2010. Impact of the global economic crisis on civil society organizations. DESA Working Paper, No 97 http://www.un.org/esa/desa/papers/2010/wp97_2010.pdf

³ The full set of recommendations can be viewed here: http://www.ffdngo.org/sites/default/files/Web_CSPandR_Key_Recommendations_Sep24.pdf

- Foreign investment is not allowed in many areas
- FDI is modest compared to other countries
- Few jobs would be affected by the demand
- 85 per cent of workforce linked to farming
- 50 per cent of investment in country comes from remittances

It is difficult to disentangle impact of the crisis from other macro imbalances. The response of the Government of Ethiopia to the crisis was impressive. They depreciated the birr (increasing exports), Remove the subsidies on fuel, Reduced lending to the public companies, among other measures. Thus, mitigating actions may have played a role in limiting the impact of the crisis in Ethiopia.

Though the impact is small, it is not insignificant. The likely impact includes a 0.6-0.8 per cent higher poverty rate putting Ethiopia 6 months behind in poverty reduction efforts. However, since the weather has been good, poverty decline will probably be better than expected.

It is important to note that the key challenges to Ethiopia are not related to the financial crisis. In order to reduce poverty, Ethiopia must increasing the productivity of subsistence farmers, expand basic public services, and stimulate non-farm economy to generate jobs. Finally, the gap between youth expectation and jobs available is huge.

b. The role of social policy and politics in reducing poverty

i. The politics of poverty reduction

In high income OECD democracies, welfare development and poverty reduction was driven by democratic processes in which organized interest groups gained bargaining access with state authorities and businesses. This access allowed them to influence the direction of public policies. Countries with the most favourable social outcomes are those in which representatives of labour have taken part in negotiations over wages, employment, working conditions and welfare and where the outcomes of those negotiations were enforceable.

While social transfers have reduced poverty in all high-income democracies, countries classified as socially democratic have been the most effective at reducing poverty, followed by those classified as Christian democratic. Liberal regimes, characterized by weak labour movements and pluralistic institutions of interest representation have been the least effective in reducing poverty.

Parallels can be found in welfare democracies in the South. Well-known cases include Costa Rica, the Indian States of Kerala and West Bengal, and Mauritius. In these countries, interest-group politics have tended to be inclusive rather than sectarian, incorporating wide segments of the population and crossing urban/rural boundaries. Poverty rates have been drastically reduced and literacy and life expectancy improved –

despite their growth rates being lower than the levels reached by East Asian development states.

In Brazil and South Africa high inequality constrains the development of social democracy. Despite this barrier, social pacts have been key to welfare development in both countries. Participatory budgeting has successfully contributed to important improvements in access to water and sewage, school attendance and paved roads in Porto Alegre. In South Africa a pact between the labour movement and the African National Congress (ANC) government has guided the expansion of social assistance. Under this alliance, Government spending on social assistance doubled in real terms between 1994 and 2004. In the Republic of Korea and Taiwan Province of China, contestation and electoral competitiveness has contributed to successful expansion of social policy reform.

Power relations are central to development and poverty reduction. They determine who defines and sets policy and influence development outcomes. Organization, contestation and claims making are important in ensuring that governments respond to social needs.

ii. African perspective on the MDG's and beyond

Though there are significant disparities across countries, on average, Sub-Saharan Africa has experienced the slowest pace of progress towards achieving the MDG targets. While some areas have achieved good progress – including universal primary education – others lag behind, particularly malnutrition and infant/maternal mortality. Poor data on MDG's remains a major challenge for monitoring progress in the region. The large number of targets (18) and indicators (45) make focus and policy coordination difficult. It also complicates the identification of effective policy instruments.

Governments, international agencies, and civil society are all rallying around the MDG's. This multiplicity of players results in duplicity of efforts and less than optimal use of resources. Despite the limitations and drawbacks, the MDG framework, or a variation of it, will continue to be relevant well beyond 2015. The framework is important for building public support for development assistance in donor countries and providing a platform for development partnerships. The utility of the MDG framework notwithstanding, there are important areas that must be rethought. For example, the worst off countries are known to make slower progress due to initial starting conditions. One way to account for this would be to steer away from universal goal setting and come up with context specific targets, such as using locally determined poverty lines rather than global measures.

Overall, focus on two overarching goals that are essential for meeting all existing MDG's would address many of the problems associated with the current framework. The two key goals are 1) Promoting growth and 2) reducing inequality. It is broadly accepted that growth is a prerequisite for making progress in health, education, infrastructure, and poverty reduction. Combining growth with reducing inequality ensures that the disconnect between growth and poverty reduction is resolved. Inequality in itself is a

major barrier to wealth creation and poverty reduction. Reducing inequality in all forms including income, health, education and access to resources ensures that the gains from growth are shared across society and regions and fuels further growth. Lower inequality also promotes social justice and stability. Shifting focus to a narrower set of overarching goals will facilitate alignment of policy instruments and goals: reducing the risk of spreading resources too thin along a broad range of goals.

Many countries have undergone MDG costing exercises and found that the MDG's are unattainable without large scale increases in ODA. Abebe Shimeles shared a paper in which econometric modelling was used to determine how much aid would be needed in Africa to reach the poverty reduction MDG. The analysis found that if aid is optimally distributed to minimize global poverty and the efficiency of existing aid utilization is improved through improved governance and institutions, then the amount of aid would not need to be increased to meet the MDG target of halving poverty in the African region. Currently, poverty efficient aid allocation explains only about 20 per cent of aid flows. The recent momentum to reform the aid architecture and to increase aid effectiveness could thus have a significant impact on the financing needs to achieve goal 1 in Africa.

iii. Addressing the special situation of young people

In Tanzania as in many countries youth unemployment is a growing problem. Youth are nearly one and a half times more likely to be unemployed compared to adults. Among working youth, nearly 60 per cent remain in extreme poverty. Youth enterprise groups are one way that youth can join together and foster their own development, growth, and employment opportunities. Young people enter the job market in large numbers each year lacking support services such as loans and credit. Training and mentorship opportunities are almost non-existent. The shift from agricultural to non-agricultural employment has not benefited youth, because they lack skills and education and do not have access to productive assets such as land, finance and property.

The educational systems in East African states are not sufficiently imparting skills on youth adequate to meet the requirements of the available jobs. The skills mismatch problem is accompanied by an insufficient creation of employment to meet the growing number of youth entering the workforce. Despite the formulation of Youth Development policies as early as 1996, implementation is lacking.

These conditions give rise to the reality for youth that entrepreneurship is the only way out of poverty. However, the lack of entrepreneurial opportunities and a supportive environment for self-employment make that route a difficult road. Lack of access to finance and education remain barriers. Youth enterprise groups have mushroomed in the last decade. The formation of these groups represents an enormous potential for job creation and poverty reduction. Many participants are not aware of the resources available to them and many do not have bank accounts. Awareness raising and financial education are two key areas to address to help unleash the potential of Youth enterprise groups.

III. Conclusions and Recommendations

a. Conclusions

Significant poverty reduction has been achieved but much of it was contributed by a few countries. In most cases the pace of poverty reduction falls far behind expectations. While social protection matters, inclusive growth or growth with equity needs to be pursued.

Economic growth is essential for poverty eradication on average but is not sufficient. Therefore the relationship between growth and the pace of poverty reduction is not linear.

- Inequality matters
- The specific macroeconomic regime matters, especially inflation and exchange rates
- Politics of poverty reduction matter
- The initial starting point matters
- Addressing rural-urban difference also matter
- Social policy matters
- Social integration matters
- Full employment and decent work matters

In the specific case of Africa, progress has been made to reduce poverty but challenges remain

- Need to maintain macroeconomic stability and finding the right balance between macroeconomic stability and growth
- Raising small holder agricultural productivity is critical
- Reducing vulnerability to macroeconomic and household level shocks

Global crises

- Crises worsen inequality and increase poverty even after recovery.
- Wages might not recover
- Informality, precariousness of labor markets
- Women and youth disproportionately impacted by crises in terms of employment opportunities and increased burden of unpaid work

- The impact of the global financial and economic crisis varied across countries depending on their degree of integration in the global markets.
- The channels of transmission matter – trade, remittances, FDI, aid, etc.
- Many countries should expect to see a lagged impact of the crisis in terms of aid and FDI flows, remittances, and social impacts.
- Countries with some level of social protection managed to blunt the impact of the crisis, hence social protection matters

Assert building and redistribution are critical for poverty eradication

- Land rights and redistribution, including the necessary public support institutions
- Investment in human capital
- Investment in infrastructure to reduce marginalization and enhance social integration

State, Civil society, NGOs and self-help groups are critical partners for poverty eradication and protecting vulnerable groups during times of crises, including climate change and natural disasters.

b. Recommendations

Job creation key to poverty eradication

- Generating decent productive employment in the informal economy should be a major employment concern
- Focus on social insurance for the working poor
- Critical to build a macroeconomic framework for employment growth

Spending on social protection and education are at risk during crises and need to be protected

Social protection should be a key priority and should be mainstreamed from the current largely project driven initiatives

- Resource constraints remain especially following the global crisis. Poor countries still need donor support to complement local resource mobilization.
- Progressive taxation systems to raise additional revenue

In addition to building state capacity, existing community, faith-based institutions and family support networks should be supported and recognized as important sources of resilience to crises

Within a universal framework of poverty reduction there is also a need to target specific vulnerable groups that do not usually benefit from public programmes. Specific groups include: Women, Children, Youth, Elderly, Persons with Disabilities, migrants, refugees, IDPs, people living with HIV/AIDS, and other marginalized groups likely to experience chronic poverty and social exclusion.

To accelerate progress, mainstreaming gender is a key priority- including things that work like gender based budgeting, including increasing the participation of women in decision making

Policies that will cover the life course and realize the inter-connectedness of life-cycle events and how they affect well being

Need for data that is sufficiently disaggregated to capture gender and scale differences on a continuous basis.

Need to use multi-dimensional understanding of poverty and the need for capturing other dimensions often missed by monetary measures

Reform of global governance structures, particularly those dealing with issues of finance and economic development

National governance systems should allow accountability to local citizens

Food security should be a top priority.

We know what needs to be done. Implementation is key to accelerating progress. Political commitment, will, and adequate funding for targeted groups are critical.

ANNEX 1: Agenda



UNITED NATIONS

Department of Economic and Social Affairs,
Division for Social Policy and Development

And

**Economic Commission for Africa,
Economic Development and NEPAD Division**

**Expert Group Meeting on
POVERTY ERADICATION**

15-17 September 2010
United Nations Conference Centre ▪ Addis Ababa ▪ Ethiopia

-- Agenda --

DAY 1 - 15 September 2010

Opening Session

9:30 -10:00

- Welcome remarks, Division for Social Policy and Development, Social Perspective on Development Branch, UN-DESA
- Opening statement, Economic Development and NEPAD Division, UNECA
- Purpose and background of the meeting, Division for Social Policy and Development, Social Perspective on Development Branch, UN-DESA
- Selection of Chair and Rapporteur

Session 1

Poverty Reduction in Africa: What have we achieved so far?

10:00 -11:00

Facilitator: Adebayo Olukoshi, UN-IDEP

- **Augustin Fosu**, UNU-WIDER, “Africa’s Poverty Reduction in the Global Context: Implications of Growth and Inequality”.
- **Admos Chimhowu**, University of Manchester, “Chronic Poverty in sub-Saharan Africa: Achievements, Problems and Prospects”

11:00 – 11:30 **BREAK**

11:30 – 1:00 General Discussion

1:00 – 2:30 **LUNCH BREAK**

Session 2 Poverty Reduction in other Developing Regions

2:30 – 3:30 Facilitator: **Yusuf Bangura- UNRISD**

This session will discuss success, best practices and lessons learned, obstacles and gaps, as well as key challenges and opportunities.

- **Vanus James**, Jamaica, “Poverty eradication: Small Island States and the Caribbean experience”
- **Sajid Zohir**, Bangladesh, “Poverty eradication: the South Asian experience”
- **Frederico Neto**, ESCWA, “Poverty reduction in Western Asia: Some social considerations”

3:30 – 3:45 **BREAK**

3:45 – 5:30 General Discussion

5:30 **CLOSE**

DAY 2 – 16 September 2010

Session 3 Poverty Eradication: Country Experiences

9:00 – 11:00 Facilitator: **Abebe Shimeles, AfDB**

This session will address national-level experiences in poverty eradication. The country presentations will also address the impact of global crises on social groups.

- **Ethiopia - Alemayehu Geda**, University of Addis Ababa
- **South Africa - Julian May**, University of KwaZulu-Natal "Poverty Eradication: The South African Experience"
- **China - Ou Qingping**, Director, Training Centre of the State Council Office of Poverty Alleviation, China

11:00 – 11:30 **BREAK**

11:30 – 1:00 General Discussion

1:00 – 2:30 **LUNCH BREAK**

Session 4 Panel Discussion - Impact of Global Crises on Poverty Eradication and Lessons Learned

2:30 – 3:00 Facilitator: **Emmanuel Nnadozie**, ECA

This panel discussion session will focus on the impacts of the global crises of food and energy, financial and economic, and climate change on efforts to eradicate poverty and the lessons learned.

- **Duncan Green**, Oxfam UK, "Resilience to Crisis: What have we learned?"
- **Santosh Nandal**, Maharshi Dayanand University, India, "Gender dimensions of the global crises and their impact on poverty"
- **Catherine Ferguson**, UNANIMA International and Chair, NGO Committee for Social Development, "NGOs, Global crises, and Poverty Eradication Efforts"
- **Espen Villanger**, Senior Economist in the World Bank, Ethiopia Country Office

3:00 – 3:45 General Discussion

3:45 – 4:15 **BREAK**

Session 5 **Social and macroeconomic Policies**

4:15 – 4:45 Facilitator: **Augustin Fosu**, UNU-WIDER

This session will address the role of social policy in eradicating poverty

- **Yusuf Bangura**, UNRISD, “The politics of poverty reduction”
- **Roxana Maurizio**, Argentina, “The role of social policy in eradicating poverty: the Latin American experience”

4:45 – 5:30 General Discussion

5:30 **CLOSE**

DAY 3 – 17 September 2010

Session 6 **Accelerating Progress: National, Regional, and Global Efforts**

9:00 – 10:30 Facilitator: **Wenyan Yang**, UN-DESA

- **Mpenga Kabundi**, ILO Regional Office for Africa, “Addressing the employment and social protection imperatives”
- **Abebe Shimeles**, African Development Bank, “Accelerating progress: Financing, technical support and partnerships”
- **Naomi Ngwira**, Malawi, “Accelerating progress: Addressing the gender dimensions of poverty”
- **Humphrey Polepole**, Tanzania Youth Coalition, “Accelerating progress: Addressing the special situation of young people”

10:30 – 11:30 General Discussion

11:30: - 11:50 **BREAK**

Session 7 **Closing Session**

- 11:50 – 1:00
- Wrap up – Conclusions and Recommendations
 - Concluding remarks – UNDESA/UNECA

1:00

Closing of meeting

Annex 2: List of Participants

List of Participants

Expert Group Meeting on POVERTY ERADICATION

15-17 September 2010
United Nations Conference Centre ▪ Addis Ababa ▪ Ethiopia

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