

## **Dimensions of Poverty**

### **Social and Economic Dimensions**

Economic and social development is necessary for achieving poverty reduction. Sustained high rates of economic growth are a prerequisite to this end. The creation of an institutional environment that is conducive to economic and social development is an indispensable part of any strategy for poverty alleviation. This requires a framework in tune with economic and social realities and needs whilst flexible enough to change and adapt to new circumstances. Crucial elements are sound macro-economic policies; an institutional and legal framework that meets the needs and interests of all segments of the economy and society; and transparent governance with effective safeguards against corruption. Ensuring secure property rights, not least for the poor, and removing barriers to graduation from the informal to the formal sectors of the economy deserve particular attention.

The effectiveness of economic growth as a means to reduce material poverty varies between countries and over time. Hence, it is essential to focus not only on growth rates but also to what extent this growth is translated into reduced poverty. The latter depends both on the initial distribution of resources and on the nature of the growth. The poverty-reducing impact of economic growth is higher in countries with an equitable distribution of resources (land, capital, enjoyment of human rights, education, etc.) than in countries with a highly unequal distribution. Thus issues relating to inequalities need to be addressed prior to or in tandem with efforts to achieve economic growth. For instance, if Latin America had the pattern of income distribution found in South-east Asia, the incidence of poverty there would fall to one fifth of its current level. It is also important to consider the quality of growth from the perspective of environmental sustainability. Economic growth must go hand in hand with responsible husbandry of the environment and natural resources in order to have a lasting positive impact on poverty.

Fiscal policies can play an important role in providing poor people with productive resources. Progressive taxation – or, at least, absence of regressive taxation – can ensure that the poor contribute no more than their fair share of public-sector costs. A well-functioning fiscal system is necessary for a pro-poor orientation, as tax evasion and graft adversely affect the poor. The expenditure side of fiscal systems can also have major implications on poverty and inequality. Strong focus on the social sectors is often an important step towards a pro-poor orientation.

Increases in employment and labour productivity provide the main link between economic growth and poverty reduction. In order to reduce poverty, it is essential both to enhance the capacity of the economy to generate productive employment and decent working conditions, and to strengthen the ability of the poor to access these opportunities. Democratic and efficient

organisations (not least trade unions) are important tools to achieve decent working conditions.

The majority of the world's poor live in rural areas where agriculture provides the main economic base. Hence, institutional and legislative frameworks that provide adequate, equitable and secure access to land and natural resources are crucial to pro-poor growth. Yet, comprehensive land reforms are highly politicised processes and difficult to undertake; inevitably, one person's gain is another's loss. In many parts of the world the population pressure on land is high, and efforts must focus on increasing the productivity of land already available and in use.

A pro-poor growth in rural areas necessitates a mutually supportive development of agriculture and non-farm activities. The existence of small- and medium-scale enterprises as well as equitable access to appropriate technologies, markets, extension services and credits plays a key role in this regard.

Education and health are central to a meaningful life. They are also part of the social and economic rights that should be guaranteed to all people. In addition, few things yield higher returns for poverty reduction than investments in and equitable access to education and health. Education has repeatedly been identified as a highly significant factor in reducing poverty. Furthermore, the single most important asset for the majority of poor households and individuals is their labour. This is, moreover, the asset most easily lending itself to improvement. Ill health and poverty are closely linked, and feed on each other. Illness causes poverty while poverty makes people susceptible to disease and disability.

Poor people have an impressive ability to generate savings if given the opportunity. Even though solid evidence shows that many poor people are credit-worthy, they are often denied access to credit and financial services and thus face a strong disadvantage in terms of capital.

The poor also suffer from a lack of access to markets and information and from an inability to enforce their rights and organise themselves. They are often relegated to the margins and outside the formal sector of the economy. The result is high transaction costs, low returns on their productive resources and increased vulnerability. Informal-sector activities with low pay and little or no protection under labour laws are a more important source of livelihood for the poorest groups than for the more well-off, and for women and children more than for men.

Corruption and rent-seeking is not only highly detrimental to economic development; they also have a disproportionately greater effect on the poor. A high degree of transparency, straightforward rules of accountability and strong deterrents to corruption are essential to enhance the opportunities of the poor. Poverty reduction must be interpreted not only as escape from poverty, but also

as protection from the risk of falling into poverty. Transient poverty resulting from shocks and crises risks developing into chronic poverty.

National governments have the main responsibility for social welfare, but most governments in poor countries have limited economic and institutional capacity to tackle social, cultural and economic discrimination and inequalities. Alliances between various power structures and interest groups at different levels are necessary for the formulation and effective implementation of social welfare policies. Such alliances must include the poor and the better-off alike. There is a need to elaborate options for social security that are not exclusively tied to family relations and that foster cohesion, redistribution and gender equality.

Addressing the social dimensions of poverty reduction requires a good understanding of social relations and institutions, as well as promotion of democracy and human rights. Cultural specificity is an important factor in poverty reduction, both in the broad sense (in terms of how people's lives are understood and organised by themselves) and in a more narrow sense (how their understanding and views are expressed). The recognition of pluralism is an essential element in the creation of conditions for improved and sustainable living conditions. Social inequalities – regardless of if their basis is found along gender, ethnicity, disability, age or other lines – hinder the achievement of a pluralistic society.

Gender-based inequalities deprive women of their basic rights (including sexual and reproductive rights), disempower them and constrain their access to resources, opportunities and security. It also impairs overall development. Constraints on women's productive potential reduce individual and household incomes as well as economic growth at national levels. Investments in female education and health care pay particularly high dividends in terms of sustainable poverty alleviation for present and future generations.

The HIV/AIDS pandemic poses a serious threat in many parts of the world. In Southern Africa it has reached such proportions that it endangers not only the lives of those infected but also the livelihoods of everybody and indeed the very fabric of society. Its demographic, economic and social consequences are particularly severe as it primarily affects those at the early stage of their economic and reproductive life. This leads to a contraction of the labour force and shortages of critical skills, severely impairing the economic capacity not just of households but indeed of nations as well. A generation of elderly becomes deprived of the material support of their children yet with no other source of material security in their old age. Large numbers of children are turned into orphans who, deprived of parental care, are destined for a bleak future. The additional demands on health care and social security brought about by the epidemic stand in stark contrast to delivery capacity, even at a very basic level, of the governments of already impoverished countries. Unequal gender relations are a key factor in the spread of HIV/AIDS, including women's lack of power to negotiate about protected sex.

## **Political Dimensions**

Human rights' frameworks provide a normative base for poverty reduction, while democracy organises political and social life to this end. Respect for human rights is first and foremost the responsibility of the State, and is dependent on political will and resources.

A democracy and human-rights approach translates poor people's needs into rights, and recognises individuals as active subjects and stakeholders. It further identifies the obligations of states that are required to take steps – for example through legislation, policies and programmes – whose purpose is to respect, promote and fulfil the human rights of all people within their jurisdiction.

Three principles stand out as particularly important:

- all human beings are born free and equal in dignity and rights
- transparency, accountability and rule of law
- participation and representation in public decision-making

The determination and capacity of the state to guarantee human rights and freedoms for all inhabitants is of central importance. These include political and civil rights, such as freedom of thought and speech; right to a fair trial, to liberty and security; and protection against cruel, inhuman and degrading treatment. They also include economic and social rights, such as those to food, housing, health and education. The right to social security and protection against exploitation and abuse is essential for children. The ability to exercise such rights requires democratic space.

The roots of poverty can often be traced to unequal power relations. The possibility for poor people to participate in and influence the public debate is therefore important. A prerequisite for individuals and groups to have the opportunity to participate in decision-making and conflict resolution is freedom of expression and the right to freely state one's opinions. This concerns all areas of the exchange of ideas and at all levels of decision making: national legislative assemblies, elected councils at district level and village councils at the local level. Other prerequisites are the existence of independent media and the freedom of association that enables poor people to take collective action and organise themselves in pressure groups.

## **Environmental Dimensions**

Poor people are particularly – and directly – dependent on natural resources for their survival (e.g. because of their limited assets and greater dependence on commonly held resources for their livelihoods). Good-quality soils, productive forests and aquatic systems, and clean water and air are necessary assets for ensuring food security, energy, shelter and good health. Sustainable use of natural resources and protection of the environment is therefore a prerequisite for effective poverty reduction. Overuse of natural resources and

environmental degradation not only reinforce today's poverty, but also put the sustainable livelihoods of future generations in peril.

Pro-poor, environmentally sound and sustainable development necessitates a broad outlook and definition. It must focus on the use and management of natural resources for production and consumption, pollution control, and maintenance of ecosystems and their functions. This will safeguard poor people's health and create livelihood capabilities and opportunities (e.g. in small-scale agriculture, forestry and fishing, and in the management of water and coastal/marine areas).

Poor people are especially vulnerable to degradation of the local, regional and global environmental commons. Climate change is projected to cause a significant increase in the scope and severity of famine. Declining biodiversity, unless halted, poses a serious threat for the poorest since their livelihoods depend on a variety of resources rather than on mono-cultures. Genetic diversity among animal and plant varieties and species is critical in food production; in development of new crops, commodities and medicine; in pollination and soil formation. Food security for the poor depends on a functioning basic ecosystem.

Environment-related stress – such as drought, soil erosion and floods, which cause famine and create refugees – contributes to impeding the mental and physical health of poor people, not least children. HIV/AIDS exacerbates existing development problems such as food insecurity. Poverty, health and the environment often interact in a vicious circle: poor people are less capable of coping with stress of various kinds and they lack the means to reduce stress, for instance the cash and labour power needed to prevent soil erosion. Vulnerability increases: diminished agricultural output results in decreasing incomes, poor nutrition and growing health risks; disease and malnutrition make people less able to work.

Resource depletion and environmental pollution are to a large extent caused by actions taken by the non-poor, but it is the poor who have to earn their livelihoods in areas that have the dirtiest water, the poorest soils and distant or degraded forests.

The sustainable utilisation of natural resources also has a gender dimension. Men and women by tradition often use natural resources differently and have different roles in society. While women, through their daily work, generally possess significant knowledge with regard to natural resources, they tend to have weak and insecure rights to these resources.

## **Peace and Conflict Resolution**

Poverty alone is neither a sufficient nor a necessary condition for armed conflict. However, when a specific blend of factors and circumstances coincide – widespread poverty with human rights abuses; a state that is unwilling or

unable to discourage violent behaviour; exploitation of ethnic differences; unequal distribution of natural resources; transition from one kind of governance to another – this can create grievances and feelings of injustice that may lead to armed conflict.

That armed conflict causes poverty is well documented. Economic growth is almost always negatively affected. In addition to the toll of the dead, maimed and injured, there are heavy human costs in terms of increased infant mortality and a deterioration in health, nutrition and educational standards. Conflicts weaken or destroy almost every type of capital: physical (plants, land, human resources), organisational and social; they also discourage new investments in these areas.

The poverty and gender dimensions of armed conflicts are clear. Poor and powerless people, especially young men, are those most likely to volunteer as soldiers or to be conscripted by force. Among civilians, women and children are the main victims of armed violence and are those most likely to become refugees and to be violated, sexually abused and killed. Despite their disproportionate victimisation during conflict, women, children and the elderly are seldom if ever consulted or allowed to participate in conflict prevention or peacekeeping efforts.

Scarce or degraded natural resources, unequal distribution of assets (including natural resources) and high population pressure may also trigger conflict. Hence, a fair distribution and the sustainable use of natural resources are essential for conflict prevention.

Work in post-conflict situations has increased for development organizations, posing new challenges to the organisation and absorbing major resources. The aim of most development organizations, however, is rather to identify potential conflict areas and be engaged in efforts to prevent conflicts.