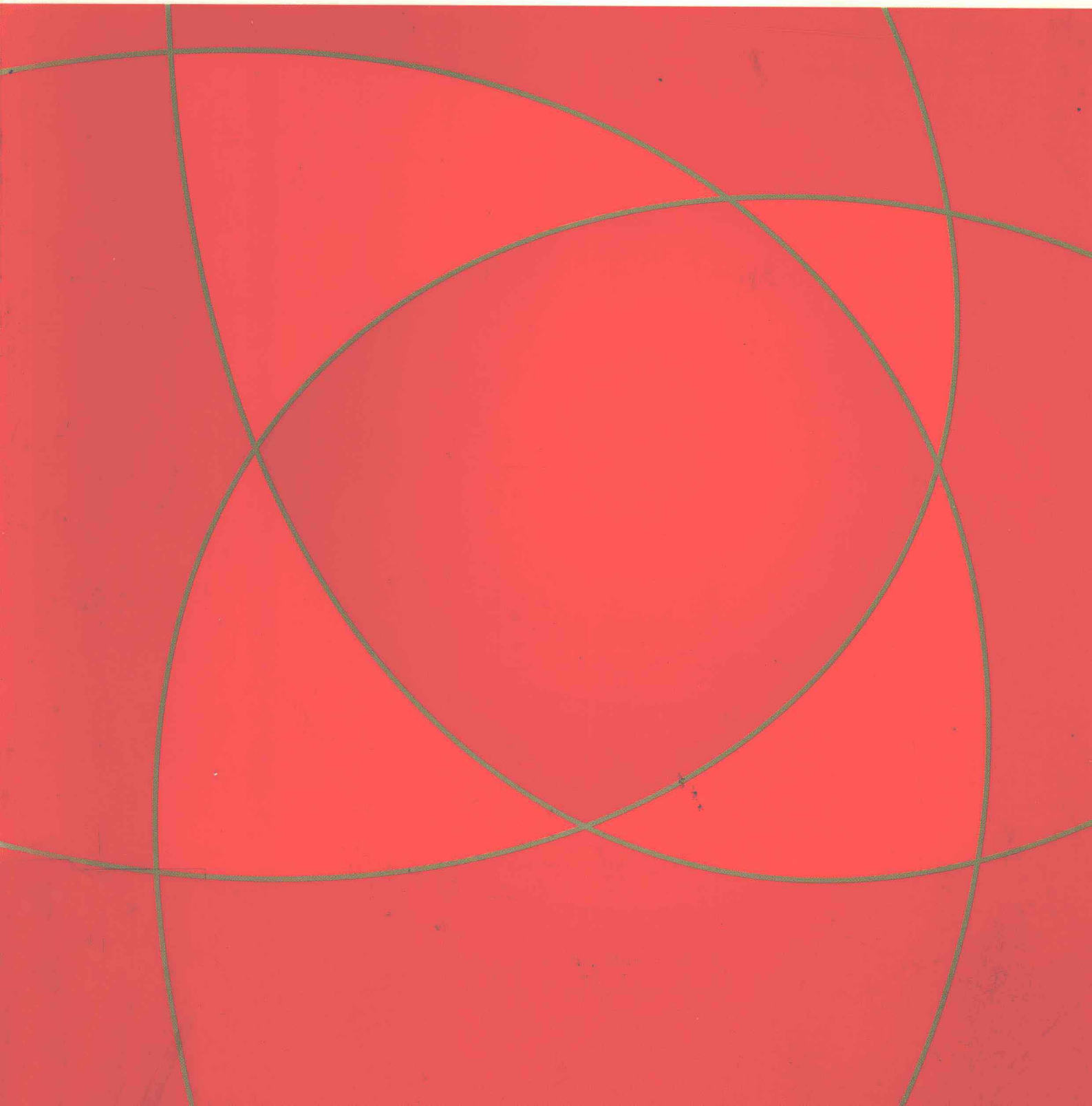
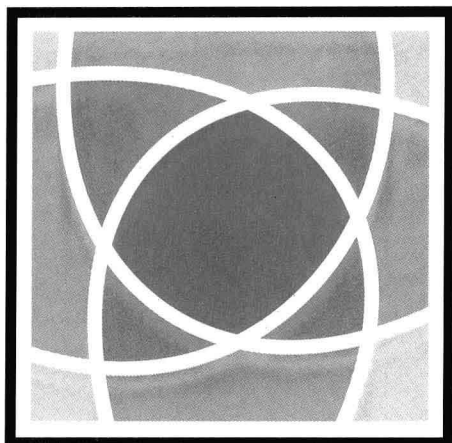


HUMAN DEVELOPMENT REPORT 1997





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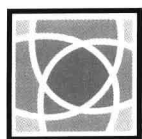
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Foreword

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

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

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

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

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

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

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

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

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

New York
May 1997

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


James Gustave Speth

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*Human Development Report 1997***

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Contents

OVERVIEW

Human development to eradicate poverty 2

CHAPTER ONE

Poverty in the human development perspective:

concept and measurement 15

Defining poverty in the human development perspective 15

Measurement of poverty and the human poverty index 17

CHAPTER TWO

Progress and setbacks 24

Human poverty—progress and deprivation 25

Income poverty 32

The many disparities 38

What the 1997 HDI reveals 43

The changing face of poverty 47

Successes and challenges in human poverty reduction in China 49

Successes and challenges in human poverty reduction in India 51

CHAPTER THREE

Resisting new forces of poverty in a changing world 61

Vulnerability, assets and coping strategies 61

New global pressures, creating and re-creating poverty 65

Failures of economic growth 71

Towards an agenda for poverty eradication 80

CHAPTER FOUR

Globalization—poor nations, poor people 82

Globalization and poor countries 82

Globalization and poor people 87

National policy in an era of globalization 89

Group solutions and concerted action 91

International policy options 91

CHAPTER FIVE

The politics of poverty eradication 94

- A formidable challenge 94
 - The need for collective action 95
 - The need for partnerships 99
 - The need for an activist state 101
 - The need for democratic space 105
-

CHAPTER SIX

Eradicating human poverty worldwide—an agenda for the 21st century 106

- The scale of the challenge 107
 - Six essential actions 110
 - National policy-making 111
 - International action 112
 - Regional action 114
 - Poverty eradication and the United Nations 114
 - The costs of inaction 115
-

Technical notes 117

References 128

HUMAN DEVELOPMENT INDICATORS 135

BOXES

- 1.1 Three perspectives on poverty 16
- 1.2 Criteria of ill-being 17
- 1.3 The HPI—useful for policy-makers? 19
- 2.1 Two great ascents from human poverty 25
- 2.2 Oman—an impressive record of accelerated human progress 28
- 2.3 How Thailand eradicated serious malnutrition in a decade 30
- 2.4 Income poverty in Sub-Saharan Africa 32
- 2.5 *Doi Moi*—eliminating human and income poverty in Viet Nam 38
- 2.6 A bleak future for indigenous people 43
- 2.7 The changing face of income poverty 48
- 3.1 Socially disadvantaged means chronically poor 61
- 3.2 Is time an asset? 62
- 3.3 What does the feminization of poverty mean? 64
- 3.4 Gender, poverty and property rights in South Asia 65
- 3.5 Eradicating poverty—essential for consolidating peace 66
- 3.6 Successes in the response to HIV—Thailand and Uganda 68
- 3.7 The second green revolution—technology for sustainable development on marginal lands 70
- 3.8 The phony war between growth optimists and growth pessimists 72
- 3.9 Growth and poverty—which way round? 74
- 3.10 Malaysia mainstreams poverty reduction 75

3.11	Beyond microcredit to credit reform and a pro-poor financial sector	76
3.12	Pro-poor structural adjustment	78
4.1	The shrinking world	83
4.2	Level playing field?	86
4.3	Winners and losers in Mexico	88
4.4	Global prospects, analytical suspects	90
4.5	UNfair criticism?	93
5.1	Vested interests in perpetuating poverty	95
5.2	Alagamma gains control of her life	96
5.3	Empowering the urban poor in Mumbai, India	97
5.4	Trade unions led poverty reduction in Germany	98
5.5	Environmental protection brings status to Kenyan women	99
5.6	How one campaign helped shape public policy in Brazil	99
5.7	A rural-urban alliance for poverty reduction in Norway	100
5.8	Poverty and corruption	101
5.9	South Africa—the struggle continues	103
5.10	The power of participation	104
6.1	Human poverty is a denial of human rights	106
6.2	Progress and challenges in key areas of poverty eradication	108
6.3	Are global goals ever achieved? Yes	111
6.4	The price tag for poverty eradication	112
6.5	The 20:20 vision	113
6.6	Donor commitments to support poverty reduction	114
6.7	Rio plus five—taking stock of missed opportunities	114
6.8	Monitoring progress in eradicating poverty	115

TABLES

1.1	HPI ranking for developing countries	21
1.2	Trends in HPI for selected developing countries, 1970–90	23
2.1	Trends in income poverty in developing countries	27
2.2	Human poverty in developing countries	27
2.3	Human poverty in selected countries of Eastern Europe and the CIS	35
2.4	Income poverty among children and the aged, 1989–93	35
2.5	Human poverty in selected industrial countries	36
2.6	Income poverty in selected industrial countries	36
2.7	Distribution of income poverty	36
2.8	Gender disparity—GDI and HDI ranks	40
2.9	Gender disparity—GEM, GDI and HDI ranks	41
2.10	HDI ranking for industrial countries, 1994	44
2.11	HDI ranking for developing countries, 1994	45
2.12	Similar HDI, different income, 1994	46
2.13	Countries whose HDI value has decreased since last year	47
3.1	Countries with per capita GDP growth of 3% or more	73
4.1	State and corporate power, 1994	92

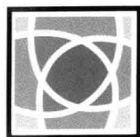
5.1	Big military spenders	103
5.2	Political participation in industrial countries	104
6.1	A few countries have already reached some of the goals for 2000 and beyond	107
A2.1	Profile of human poverty	53
A2.2	Human poverty of women and children	57

FIGURES

1	Progress and setbacks in poverty	4
2	Poverty in the human development perspective	5
1.1	Human poverty and income poverty do not always move together	22
1.2	Human development progress: how pro-poor it has been?	22
1.3	HPI and income poverty incidence	23
1.4	Disparity in human poverty within countries	23
2.1	Poverty in developing countries	26
2.2	The backlog in poverty	27
2.3	Trends in infant mortality	28
2.4	Maternal mortality rate, 1990	29
2.5	Trends in life expectancy	29
2.6	People without access to health services	29
2.7	Adult illiteracy rate	30
2.8	Female illiteracy rate	31
2.9	Income poverty trends in Asia	33
2.10	Income poverty trends in Latin America and the Caribbean	33
2.11	Poverty in transition economies	35
2.12	Poverty in industrial countries	36
2.13	Dynamics of income and human poverty	37
2.14	Urban-rural disparity in access to social services	42
2.15	Regional disparity in Brazil, 1991	42
2.16	Regional disparity in Indonesia, 1993	43
2.17	Similar income, different human development, 1994	46
3.1	Projected reversals in human development due to HIV/AIDS	66
3.2	HIV infection by region, 1996	67
3.3	Poverty increases as rainfall decreases	69
3.4	Fertility rate by region, 1994	71
3.5	Growth—pro-poor or pro-rich?	73
3.6	Similar incomes, different progress in reducing human poverty	74
3.7	Women are more likely to work in low-paid employment	79
3.8	Wages have declined drastically in transition economies	80
4.1	Changes in real trade-GDP ratios	84
4.2	Declining terms of trade	85
6.1	If trends of the past continue . . .	107

ABBREVIATIONS

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



Human development to eradicate poverty

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Some danger signs:

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

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

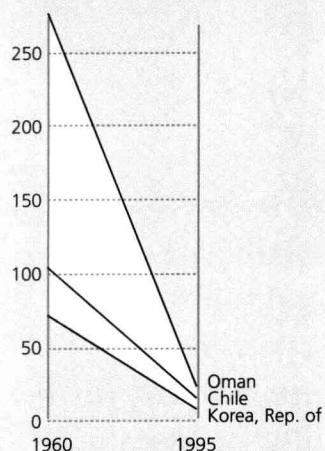
The transition from socialism to democracy and market economies has proved more difficult and costly than anyone imagined. The costs have been not only economic, from the dramatic decline in GDP. They have also been human, from falling wages, growing crime and loss of social pro-

New global pressures are creating or threatening further increases in poverty

POVERTY HAS GENERALLY BEEN REDUCED RAPIDLY SINCE 1950, BUT WITH MANY SETBACKS AND REVERSALS

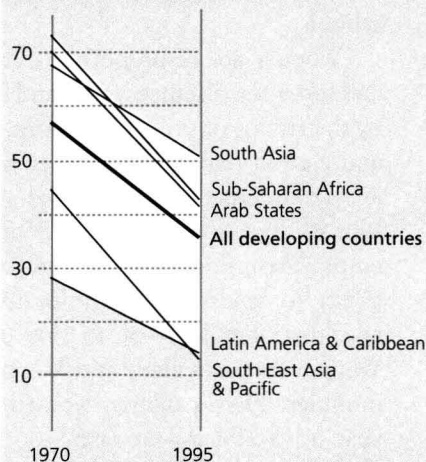
FIGURE 1

Under-five mortality rate (per 1,000 live births)



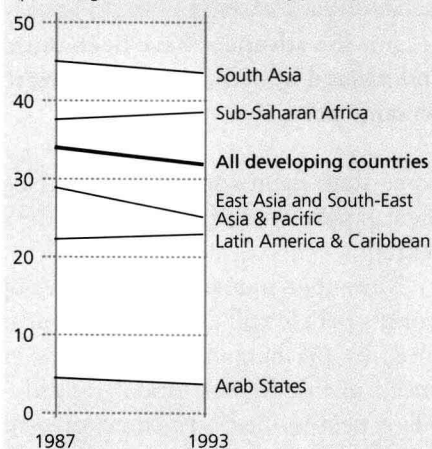
10 largest reductions	1970	1995	% decline
Oman	280	25	91
Korea, Rep. of	71	9	87
Chile	105	15	86
Saudi Arabia	185	34	82
Cuba	54	10	81
Barbados	54	10	81
Singapore	30	6	80
Tunisia	184	37	80
Jordan	123	25	80
Iran, Islamic Rep. of	196	40	80

Adult illiteracy rate (percent)



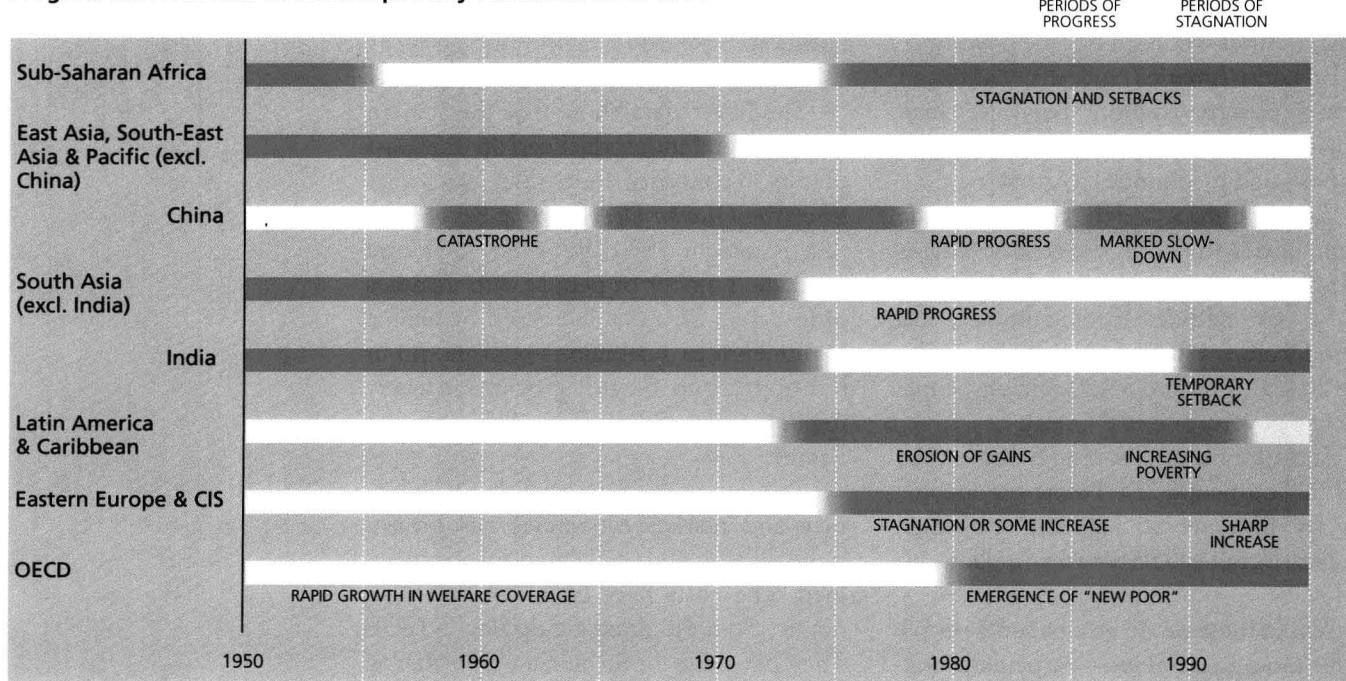
10 largest reductions	1970	1995	% decline
Korea, Rep. of	12	2	83
Lebanon	31	8	75
Jordan	53	13	75
Thailand	21	6	70
Philippines	17	5	68
Kenya	68	22	68
Cuba	13	4	67
Zimbabwe	45	15	67
Ecuador	28	10	65
Indonesia	46	16	65

Income poverty incidence (percentage based on the \$1-a-day poverty line)



10 largest reductions	Period	First year	Last year	% change
China	1978-94	33	7	79
Tunisia	1967-90	33	7	79
Korea, Rep. of	1970-90	23	5	78
Malaysia	1970-93	60	14	77
Indonesia	1970-90	60	15	75
Singapore	1972-82	31	10	68
Morocco	1984-91	6	2	67
Indian states				
Kerala	1974-94	59	26	56
Punjab	1974-94	28	13	54
Haryana	1974-88	34	16	53

Progress and setbacks in income poverty reduction since 1950



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

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

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

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

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

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

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

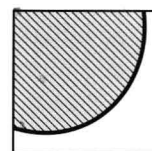
The human poverty index combines basic dimensions of poverty and reveals interesting contrasts with income poverty. This Report introduces a human poverty index (HPI). Rather than measure poverty by income, it uses indicators of the most basic dimensions of deprivation: a short life, lack of basic education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

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

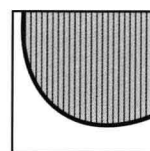
FIGURE 2

Poverty in the human development perspective

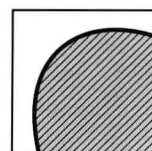
Poverty has many dimensions



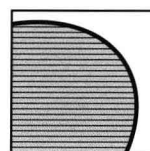
Short life



Illiteracy

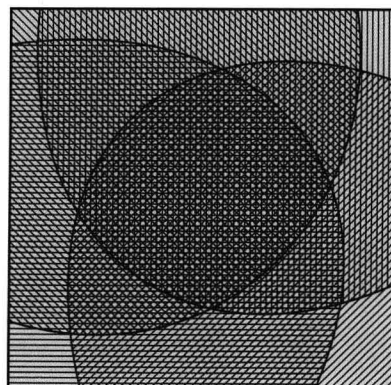


Exclusion



Lack of material means

And these dimensions can overlap in different combinations



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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