

WORLD DEVELOPMENT
REPORT ²⁰⁰⁰/₂₀₀₁

ATTACKING POVERTY

Cover Art

Voyage to the New World, 1999. Mixed media on wood, by Manuel Cunjamá, Mexico. The images used to open the chapters are also taken from this painting and from three others by Cunjamá: *Dialogue with the Universe*, *Magic Kite*, and *Looking for the Cosmic Balance*.

Manuel Cunjamá was born in 1971 in Tuxtla Gutiérrez, Chiapas. He began exhibiting his work in Chiapas in 1992. Currently, Ana Quijano Gallery in Mexico City is representing Cunjamá in traveling exhibits in the United States. Cunjamá's work is included in the collection of the World Bank art program.

In my work I seek and try to incorporate native symbols and elements that would take me to prehispanic issues and all that I consider useful to this effect I show it in my work.

I use the sun, the moon, the night, and the universe as symbols representing the worry and anxiety of the human being for the wholeness surrounding him: The infinite.

—Manuel Cunjamá

The World Bank Art Program makes particular efforts to identify artists from developing nations and make their work available to a wider audience. The art program organizes exhibits, educational and cultural partnerships, competitions, artists' projects, and site-specific installations.

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Foreword

Poverty amid plenty is the world's greatest challenge. We at the Bank have made it our mission to fight poverty with passion and professionalism, putting it at the center of all the work we do. And we have recognized that successful development requires a comprehensive, multifaceted, and properly integrated mandate.

This report seeks to expand the understanding of poverty and its causes and sets out actions to create a world free of poverty in all its dimensions. It both builds on our past thinking and strategy and substantially broadens and deepens what we judge to be necessary to meet the challenge of reducing poverty. It argues that major reductions in human deprivation are indeed possible, and that the forces of global integration and technological advance can and must be harnessed to serve the interests of poor people. Whether this occurs will depend on how markets, institutions, and societies function—and on the choices for public action, globally, nationally, and locally.

The report accepts the now established view of poverty as encompassing not only low income and consumption but also low achievement in education, health, nutrition, and other areas of human development. And based on what people say poverty means

to them, it expands this definition to include powerlessness and voicelessness, and vulnerability and fear. These dimensions of human deprivation emerged forcefully from our *Voices of the Poor* study, conducted as background for the report, which systematically sought the views of more than 60,000 men and women living in poverty in 60 countries.

These different dimensions of poverty interact in important ways. So do interventions to improve the well-being of poor people. Increasing education leads to better health outcomes. Improving health increases income-earning potential. Providing safety nets allows poor people to engage in higher-risk, higher-return activities. And eliminating discrimination against women, ethnic minorities, and other disadvantaged groups both directly improves their well-being and enhances their ability to increase their incomes.

The 20th century saw great progress in reducing poverty and improving well-being. In the past four decades life expectancy in the developing world increased 20 years on average, the infant mortality rate fell more than half, and fertility rates declined by almost half. In the past two decades net primary school enrollment in developing countries increased by 13 percent. Between

1965 and 1998 average incomes more than doubled in developing countries, and in 1990–98 alone the number of people in extreme poverty fell by 78 million.

But at the start of a new century, poverty remains a global problem of huge proportions. Of the world's 6 billion people, 2.8 billion live on less than \$2 a day, and 1.2 billion on less than \$1 a day. Six infants of every 100 do not see their first birthday, and 8 do not survive to their fifth. Of those who do reach school age, 9 boys in 100, and 14 girls, do not go to primary school.

These broad trends conceal extraordinary diversity in experience in different parts of the world—and large variations among regions, with some seeing advances, and others setbacks, in crucial nonincome measures of poverty. Widening global disparities have increased the sense of deprivation and injustice for many. And social mobility and equal opportunity remain alien concepts for far too many people.

Future demographic changes will add to the challenge we face in further reducing poverty. In the next 25 years roughly 2 billion people will be added to the world's population—almost all of them (an estimated 97 percent) in developing countries, putting tremendous pressure on these societies. Clearly, much must be done to reduce poverty in its multiple dimensions and to promote human freedom, today and in the years ahead.

While current and future challenges remain daunting, we enter the new millennium with a better understanding of development. We have learned that traditional elements of strategies to foster growth—macroeconomic stability and market-friendly reforms—are essential for reducing poverty. But we now also recognize the need for much more emphasis on laying the institutional and social foundations for the development process and on managing vulnerability and encouraging participation to ensure inclusive growth. And while domestic action is critical, we have also learned that global developments exert a potent influence on processes of change at national and local levels—and that global action is central to poverty reduction. We have taken a fresh look at our work through the Comprehensive Development Framework, which converges with the views and findings of this report.

Based on its analysis of ideas and experience, this report recommends actions in three areas:

- *Promoting opportunity:* Expanding economic opportunity for poor people by stimulating overall growth and by building up their assets (such as land and ed-

ucation) and increasing the returns on these assets, through a combination of market and nonmarket actions.

- *Facilitating empowerment:* Making state institutions more accountable and responsive to poor people, strengthening the participation of poor people in political processes and local decisionmaking, and removing the social barriers that result from distinctions of gender, ethnicity, race, religion, and social status.
- *Enhancing security:* Reducing poor people's vulnerability to ill health, economic shocks, crop failure, policy-induced dislocations, natural disasters, and violence, as well as helping them cope with adverse shocks when they occur. A big part of this is ensuring that effective safety nets are in place to mitigate the impact of personal and national calamities.

Advances in the three areas are fundamentally complementary—each is important in its own right and each enhances the others. Drawing on this framework, countries need to develop their own poverty reduction strategies, in a manner consistent with preservation of culture. Decisions on priorities must be made at the national level, reflecting national priorities. But action must also take place with local leadership and ownership, reflecting local realities. There is no simple, universal blueprint.

Action at the local and national levels is not enough, however. The evidence of the past decade vividly reveals the importance of global action, both to ensure that the opportunities from global integration and technological advance benefit poor people and to manage the risks of insecurity and exclusion that may result from global change. Five actions are key:

- Promoting global financial stability and opening the markets of rich countries to the agricultural goods, manufactures, and services of poor countries.
- Bridging the digital and knowledge divides, thus bringing technology and information to people throughout the world.
- Providing financial and nonfinancial resources for international public goods, especially medical and agricultural research.
- Increasing aid and debt relief to help countries take actions to end poverty, within a comprehensive framework that puts countries themselves—not external aid agencies—at the center of the design of development strategy and ensures that external resources are used effectively to support the reduction of poverty.

- Giving a voice to poor countries and poor people in global forums, including through international links with organizations of poor people.

Public action must be driven by a commitment to poverty reduction. The public and private sectors must work together—along with civil society—both within and between countries. While we have much to learn, and while the world continues to change rapidly, the experiences re-

viewed in this report show that there is now sufficient understanding to make actions to reduce poverty truly effective. We are living in a time in which the efforts and issues surrounding poverty reduction are subject to great scrutiny. In the aftermath of protests and in the midst of controversy, this report offers real substance to the public debate and brings the dialogue to the foreground, where indeed the goal of a world without poverty belongs.



James D. Wolfensohn
President
The World Bank
August 2000

This report has been prepared by a team led by Ravi Kanbur (director of the team until May 2000) and Nora Lustig (deputy director until May 2000 and director since). Monica Das Gupta, Christiaan Grootaert, Victoria Kwakwa, Christina Malmberg Calvo, and Kevin Morrison served as full-time team members. Other core team members included Alice Sindzingre, Michael Woolcock, and Zainal Yusof. Major contributions to chapters were made by Homi Kharas, Aart Kraay, Peter Lanjouw, and Giovanna Prenushi as well as by Benu Bidani, William Easterly, Enrique Flores, H el ene Grandvoinet, Richard Newfarmer, Gi-Taik Oh, and Mattia Romani. Michael Walton, in his capacity as director, Poverty Reduction, worked closely with the team throughout the process. Shanka Chakraborty and Shahin Yaqub assisted the team. Interns from the Washington Center provided other valuable assistance. The work was carried out under the general direction of Jozef Ritzén and Joseph E. Stiglitz and, in the final stages, Nicholas Stern. The World Bank Development Data Group was responsible for the Selected World Development Indicators. Bruce Ross-Larson and Meta de Coquereaumont were the principal editors of the report.

The team was advised by Anthony Atkinson, Anthony Bebbington, Nancy Birdsall, Fran ois Bourguignon, Angus Deaton, Alain de Janvry, Yujiro Hayami, Emmanuel Jimenez, Grzegorz Kolodko, Michael Lipton, Lant Pritchett, Martin Ravallion, Amartya Sen, Lyn Squire, T. N. Srinivasan, and Mariano Tommasi. Deepa Narayan led the *Voices of the Poor* study. Vinod Thomas led the *Quality of Growth* study, which complements the work of this report. Ariel Fiszbein led the organization of the consultation process. Much insight was gained from the papers and discussions at the Summer Workshop held in Washington, D.C., on 6–10 July 1999, as well as from the background papers prepared for this report. The authors, commentators, and participants, as well as the background papers, are listed in the bibliographic note. Many others inside and outside the World Bank provided helpful comments and other contributions; their names are also listed in the bibliographic note.

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The many contributors to the report may not endorse every viewpoint or assertion in it, and they bear no responsibility for any errors that remain.

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Definitions and data notes

The countries included in regional groupings in this report are listed in the Classification of Economies table at the end of the Selected World Development Indicators. The income groupings in the main text of the report are based on 1998 GNP per capita estimates, while those in the Selected World Development Indicators are based on 1999 GNP per capita estimates (see the Classification of Economies table). The thresholds for the income classifications and the differences between the 1998 and 1999 classifications of countries may be found in the introduction to the Selected World Development Indicators. Group averages reported in the figures and tables of the main text are unweighted averages of the countries in the group unless noted to the contrary.

In addition to the changes in income classifications, recent revisions to data in the Selected World Development Indicators may result in differences with the data in the main text (see the introduction to the Selected World Development Indicators).

The use of the word *countries* to refer to economies implies no judgment by the World Bank about the legal or other status of a territory. The term *developing countries* includes low- and middle-income economies and thus may include economies in transition from central planning, as a matter of convenience. The terms *developed*, *industrial*, or *rich* coun-

tries may be used as a matter of convenience to denote the high-income economies.

Aggregate poverty measures in the report are often based on the “\$1 a day” poverty line. This line is equal to \$1.08 a day in 1993 purchasing power parity terms (for further explanation see box 1.2 in chapter 1).

Dollar figures are current U.S. dollars, unless otherwise specified. *Billion* means 1,000 million; *trillion* means 1,000 billion.

The following abbreviations are used:

AIDS	Acquired immune deficiency syndrome
GATT	General Agreement on Tariffs and Trade
GDP	Gross domestic product
GNP	Gross national product
HIPC	Heavily indebted poor country
HIV	Human immunodeficiency virus
NGO	Nongovernmental organization
OECD	Organisation for Economic Co-operation and Development
PPP	Purchasing power parity
SEWA	Self-Employed Women’s Association
WTO	World Trade Organization