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Poverty eradication

Report of the Secretary-General

Summary

Pursuant to Economic and Social Council resolution 2010/10, in which the Council decided that the priority theme for the 2011-2012 review and policy cycle should be poverty eradication, taking into account its relationship with social integration and full employment and decent work for all, the present report examines challenges to poverty reduction and discusses key policy approaches to poverty eradication. It argues that, for economic growth to contribute to poverty reduction, macroeconomic and social policies should focus on job creation, reducing inequalities and providing social protection. Investing in agriculture, rural development and climate change adaptation and mitigation measures are also necessary to improve food security and reduce poverty.

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I. Introduction

1. Poverty eradication remains the overarching objective of national and international development efforts since the 1995 World Summit for Social Development. As a major step towards this objective, the United Nations Millennium Declaration (see General Assembly resolution 55/2) set the target of halving the proportion of people living on less than \$1 a day between 1990 and 2015. While the target is expected to be met at the global level, despite setbacks resulting from multiple global crises, some regions are likely to fall short.

2. Much of the progress in reducing extreme poverty has taken place in East Asia, particularly in China. Other regions have been less successful: sub-Saharan Africa is not on track to meet the income poverty target. According to the latest poverty projections from the World Bank, 36 per cent of the population in sub-Saharan Africa is expected to be living below the \$1.25 a day poverty line in 2015, falling short of the target of 29 per cent.¹ If the impacts of the global recession and food and energy crises last longer than expected, the modest achievements made since 2000 will be jeopardized.

3. Reaching the poverty target is but one step towards the commitment to poverty eradication made at the World Summit for Social Development. It would take another 88 years to eradicate extreme poverty at the rate of decline observed between 1990 and 2005, when the number of people living on less than \$1.25 a day declined from 1.8 billion to 1.4 billion.² Many individuals live precariously just above the \$1.25 a day poverty line. Increasing the poverty line just slightly to \$2 a day adds over 1 billion people to the ranks of the poor.

4. Despite the global decline in income poverty, the Food and Agriculture Organization of the United Nations (FAO) estimates that the number of undernourished people increased from 817 million in 1990-1992 to over 1 billion in 2009. The number declined slightly to 925 million in 2010. However, this number is still higher than before the food and economic crises, and is rising again owing to renewed surges in food prices since late 2010.

5. In addition, many countries that have succeeded in reducing income poverty face important challenges such as rising income inequality. The distribution of non-monetary productive resources, and of wealth in general, is known to be more unequal than the distribution of income. Inequality in access to education and health is also significant, and often more persistent,

6. At the High-level Plenary Meeting of the General Assembly on the Millennium Development Goals held in September 2010, Governments put forward a road map showing what would be needed to meet the goals by 2015. They committed themselves to adopting forward-looking policies that would lead to sustained, inclusive and equitable economic growth and sustainable development, increase employment opportunities, promote agricultural development and reduce poverty. They also committed themselves to reorienting growth towards job creation within the general framework of the Global Jobs Pact. Governments reiterated their deep

¹ World Bank, *Global Monitoring Report 2011: improving the odds of achieving the MDGs* (Washington, D.C., 2011).

² *A New Era of Social Justice*, report of the Director-General, International Labour Conference, 100th session (Geneva, International Labour Office, 2011).

concern at the multiple and interrelated financial and economic and food security crises, as well as the increasing challenges posed by climate change.

7. With less than four years remaining before the target date of 2015, actions to accelerate progress, building on successes and lessons learned, are especially pressing in those regions that lag behind in reducing poverty and where social and economic inequalities remain strong.

II. Economic and social inequalities and poverty reduction

8. The international community has expressed deep concern over persistent inequalities within and between countries, and recognizes that combating inequality at all levels is essential to creating a more prosperous and sustainable future for all. Income inequality has increased in the last quarter century and poses a serious barrier worldwide to poverty eradication and social integration. Between 1990 and 2005, approximately two thirds of countries with available data experienced an increase in income inequality, with the income gap between the wealthiest and poorest 10 per cent of income earners increasing in 70 per cent of countries.^{3,4} Today, the richest 1 per cent of the world's population receives 14 per cent of global income, while the poorest 20 per cent receives just over 1 per cent. The gap between indigenous peoples, other ethnic minorities and the rest of the population has also grown over time.⁵ In Latin America, poverty rates for indigenous peoples are substantially higher than for non-indigenous: in Paraguay, poverty is almost eight times higher among indigenous peoples, in Panama almost six times higher and in Mexico three times higher.⁶ Persons with disabilities face a similar predicament. In a study covering 13 developing countries, disability was found to be associated with a 10 percentage point higher chance of falling into the poorest 40 per cent of the population.⁷ Such levels of inequality hamper growth and contribute to financial instability. Economic inequalities are increasingly recognized as a causal factor in the current economic crisis.⁸

9. Growing inequality is attributed to several factors, including the reduced power of trade unions, the uneven distribution of the benefits of globalization, the growing disadvantage of marginalized groups such as young people, and inadequacies of institutional frameworks and policies such as redistributive policies. The financial and economic crisis, volatile energy and food prices and the increasing challenges posed by climate change and the loss of biodiversity have increased vulnerabilities and inequalities and adversely affected development gains, in particular in developing countries.

³ International Institute for Labour Studies, *World of Work Report 2008: Income Inequalities in the Age of Financial Liberalization* (Geneva, International Labour Organization (ILO), 2008).

⁴ Francisco H. G. Ferreira and Martin Ravallion, "Global poverty and inequality: a review of the evidence", in Policy Research Working Paper Series, No. 4623 (Washington, D.C., World Bank, 2008).

⁵ *Global Monitoring Report 2011*, note 1 above.

⁶ *The State of the World's Indigenous Peoples* (United Nations publication, Sales No. E.07.II.C.1).

⁷ Deon Filmer, "Disability, poverty, and schooling in developing countries: results from 14 household surveys", *World Bank Economic Review*, vol. 22, No. 1 (2008), pp. 141-163.

⁸ Raghuram Rajan, *Fault Lines: How Hidden Fractures Still Threaten the World Economy* (Princeton University Press, May 2010).

10. Until recently, it was thought that inequality would increase in the early stages of development and decline as countries advanced. This perspective has not been borne out in recent national experiences. It has become clear that the benefits of growth have not been shared equitably. In the high-growth period preceding the crisis, between the early 1990s and the mid-2000s, gains benefited high-income groups more than middle- and low-income groups; the income gap between the highest and lowest earners grew.⁹ Many advanced countries have continued to experience worsening inequality despite growth. Fast-growing developing countries such as China, India and Viet Nam have also experienced growing inequality.

11. Government interventions can help stabilize or reduce inequality. Progressive taxation, social transfers and increased access to social services, especially quality education, can counteract the trend towards growing inequality. Anti-poverty strategies that encompass redistribution through taxation and transfers are associated with contentious political choices, such as the nature and level of public support provided to beneficiaries, the way minimum wages are determined or the establishment of a threshold beyond which eligibility for public funds is withdrawn. However, in the light of the ongoing economic crisis, the opportunity to pursue inequality-reducing policies is opening up.

III. Social inclusion and poverty reduction

12. Social inclusion is a means of achieving social integration and is crucial for fostering stable, safe, harmonious, peaceful and just societies. However, inequalities among groups and regions remain a serious concern in many countries. Inequalities between men and women, younger and older persons, and marginalization of indigenous peoples and persons with disabilities are not only an ethical challenge but also pose a barrier to the achievement of internationally agreed development goals, including the eradication of poverty and hunger. This kind of horizontal inequality can also lead to social conflict.

13. Social unrest has grown throughout the world in response to growing vertical and horizontal inequalities. The impact of the economic crisis on employment, especially on youth unemployment, the food and energy crises, the imposition of austerity measures and a perceived lack of political responsiveness to the needs of marginalized groups are all factors that have heightened awareness of the injustice of inequality.

14. Socially inclusive policies, by addressing the needs of excluded groups, can help to avert political instability and create favourable conditions for reducing poverty and hunger. Specifically, guaranteeing access to essential social services such as basic health care and education, clean water and sanitation, and social transfers in favour of the unemployed, the aged and the infirm, which are not exclusively linked to formal sector employment and that constitute a social protection floor, are well-established means of creating inclusive societies.

15. While the experiences and needs of different groups vary considerably according to national and regional contexts, among other factors, for marginalized and excluded social groups, poverty serves to exacerbate other disparities such as educational enrolment and attainment, which creates a poverty trap by passing on

⁹ *World of Work Report 2008*, note 3 above.

cumulative disadvantages from one generation to another. As the world continues to struggle against long-standing cleavages of exclusion, new challenges continue to emerge. The digital divide, that is, the gap in access to modern information and communication technologies, is becoming increasingly salient. Access to those technologies is increasingly recognized as an important means of improving the situation of excluded groups by reducing poverty, improving health and mitigating the impact of geographical isolation. A recent study in East Africa found that access to such technologies, particularly mobile phones and the Internet, helped to reduce poverty among the poorest populations.¹⁰

IV. Sustained, inclusive and equitable growth and job creation

16. Sustainable and equitable economic growth is a necessary condition for poverty reduction. In China, Malaysia, Thailand and Viet Nam, strong growth during the last 20 years has helped reduce poverty significantly, even though income inequality has risen in China and Viet Nam. In the least developed countries, low and volatile growth has gone hand in hand with stagnant and varying levels of poverty.

17. However, poverty levels vary even among countries with similar income levels and comparable rates of economic growth. In the least developed countries, for example, estimated income poverty in 2005 ranged from 13.1 per cent in Mauritania to 86.1 per cent in Liberia. The percentage of people living in poverty was more than twice as large in Zambia (65 per cent) as in Gambia (31 per cent) even though gross domestic product (GDP) per capita was close to \$350 in both countries.¹¹

18. The impact of growth on poverty reduction depends on the composition of that growth and the distribution of its benefits among the various segments of society. In countries where the poor have been excluded from economic growth processes, or trapped in low-productivity jobs, the gains from growth have gone disproportionately to those who were already wealthier. Growing inequalities have made it more difficult for those who already lack access to productive resources, and assets such as health and education, to emerge from poverty.

19. In addition, countries that have experienced spells of strong growth have very often failed to sustain it. Commodity export-led growth, vulnerable to external shocks and pressures, has been particularly volatile. Even before the global recession, countries relying on a few export commodities did not achieve significant increases in agricultural productivity, capital formation or the development of productive capacities that would have made them more resilient to shocks. In resource-exporting countries, the growth of oil and other extractive industries, besides having a weak impact on employment, has often resulted in increases of real exchange rates — the so-called Dutch disease. This undermines the competitiveness of other sectors of the economies concerned. In fact, dependence on food imports increased markedly in the least developed countries between 2000 and 2008, and

¹⁰ Julian May and Edith Adera, "The ICT/Poverty Nexus", *UN Chronicle*, vol. XLVIII, No. 3 (2011).

¹¹ GDP per capita at constant 2000 United States dollars. From World Bank Development Indicators Database, <http://data.worldbank.org/indicator>, accessed on 27 May 2011.

manufacturing output as a share of GDP declined in 27 of those countries, mostly in Africa.¹²

20. Employment is a crucial driver of inclusive and equitable economic growth and an essential means of social integration. In order for employment to effectively contribute to sustainable growth and poverty reduction, jobs must bring adequate remuneration and income security. Further, workers must be protected by international labour standards.

21. During the period of expansion that preceded the current economic crisis, employment growth was not sufficient to absorb the growing labour force: global unemployment grew from 160 million in 1996 to approximately 177 million in 2007.¹³ In addition, employment growth occurred alongside a redistribution of income away from labour, with the share of wages in total GDP declining by the largest margin in Latin America and the Caribbean (13 percentage points between 1990 and 2007), followed by Asia and the Pacific (10 points) and developed countries (9 points).¹⁴

22. The economic crisis has so far led to sharp falls in employment. Globally, the number of jobless persons reached 205 million in 2010, an increase of 28 million since 2007.¹⁵ In countries of the Organization for Economic Cooperation and Development alone, there were still 44.5 million unemployed persons in July 2011, some 13.4 million more than before the crisis.¹⁶ Increasing long-term unemployment stands in stark contrast to the global recovery of real GDP and other key macroeconomic indicators since 2010, and continues to raise fears of a jobless recovery.

23. However, changes in unemployment do not reflect the full impact of the crisis on workers and households. In poor countries, workers laid off from the formal sector have turned to the informal economy, where salaries are lower and working conditions poorer. The number of workers in vulnerable employment, which had been declining prior to the crisis, increased in Latin America and the Caribbean, North Africa, South Asia and sub-Saharan Africa from 2008 to 2009.¹⁷ The recession, by decreasing demand and increasing competition for informal jobs, has subjected workers in the informal sector to even lower earnings. Consequently, progress in reducing working poverty has slowed. The estimated number of workers living on less than \$1.25 a day declined from 660 million in 2007 to 631 million in 2009. If poverty had continued declining at pre-crisis rates, the number of working poor would have fallen by an additional 40 million in 2009.¹⁸ In fact, the number of working poor has increased across Africa and Latin America and the Caribbean.

¹² *The Least Developed Countries Report 2010: Towards a New International Development Architecture for LDCs* (United Nations publication, Sales No. E.10.II.D.5), available from www.unctad.org.

¹³ ILO, *Global Employment Trends 2008* (Geneva, International Labour Office, 2008).

¹⁴ World of Work Report 2008, note 3 above.

¹⁵ ILO, *Global Employment Trends 2011: The challenge of a jobs recovery* (Geneva, International Labour Office, 2011).

¹⁶ Organization for Economic Cooperation and Development (OECD), *OECD Employment Outlook 2011* (Paris, 2011).

¹⁷ *Global Employment Trends 2011*, note 15 above.

¹⁸ *Ibid.*

24. Youth are disproportionately affected by unemployment and overrepresented in the informal sector and among the working poor. In 2010, the unemployment rate among young people (aged 15 to 24) was 12.6 per cent, as compared to 4.8 per cent for adults, and 152 million youth were living on less than \$1.25 per day. The number of discouraged young workers, who are not counted among the unemployed because they are not actively seeking employment, has increased sharply in many countries. As early labour-market experiences tend to be strong predictors of future earnings potential, this trend does not bode well for the well-being of the current and future generations of young people. Not only do the idle young suffer deterioration in their skills set and motivation, and physical and mental well-being, but the loss of human and productive potential undermines social cohesion and stability. The longer the distress in labour markets persists, the more the affected workers, their families and their communities run the risk of being trapped in long-lasting poverty.

25. Overall, the economic development path followed by many developing countries has not resulted in a sustained improvement in productive employment and decent work. Where employment has grown, jobs have not been a reliable basis for income security. Workers pushed out of agriculture by low productivity and population pressure have often gone into low-value-added activities, mostly in the urban informal sector, where the scope for sustained productivity growth and upward mobility is limited, while farm productivity has remained stagnant in many rural areas. In some African countries, an estimated 90 per cent of workers are in the informal sector, with the percentage exceeding 90 per cent among working women and youth.¹⁹ In India, 90 per cent of the working population belongs to the informal sector despite the growth of the high-value-added services sector in recent years.

V. Policy approaches to poverty eradication

26. The way societies think about poverty has important implications for the set of policies pursued to address its eradication. Failure to acknowledge the multidimensional nature of poverty and the social impact of economic policies during the last three decades partly explains why poverty reduction efforts have been insufficient. Deregulation, liberalization, privatization and restrictive macroeconomic policies pursued by many countries at the advice of international financial institutions have failed to address the root causes of poverty and their linkages to inequality. These shortfalls have been further compounded by the unequal distribution of the benefits of globalization and cuts in public provisioning of social services. Unequal social relations and processes of economic, social and political exclusion and marginalization compound the poverty predicament faced by many.

27. Public policies that rely on the poor to work harder and save their way out of their predicament, as well as those that exclusively target the poorest of the poor, will not address the structural factors that keep large numbers of people in poverty. For Governments and their development partners to effectively help people escape poverty and hunger permanently, the existence of structural barriers to poverty eradication must be acknowledged. This will facilitate the design and

¹⁹ ILO, *Growth, Employment and Decent Work in the Least Developed Countries* (Geneva, International Labour Office, 2011).

implementation of policies that not only stimulate growth, but also build up the capabilities and asset base of the poor and open up opportunities for large numbers of people, in particular the most disadvantaged.

28. The effects of global economic shocks and the globalization of labour markets point to the important role that internationally coordinated policy interventions must play in reducing inequality, promoting inclusion and eradicating poverty. Specifically, international financial market regulation would reduce the risk of economic crises. Adherence to international labour standards would help to protect workers and ensure progress towards full employment and decent work, essential for reducing inequality, poverty and hunger.

A. Achieving inclusive, equitable economic growth for poverty reduction

29. Achieving the broad-based and inclusive economic growth that is necessary for poverty reduction constitutes a significant policy challenge, particularly for poor countries. It entails generating sufficient productive jobs and livelihoods for a labour force that is growing rapidly. It also requires strategies to promote economic diversification and improve access to markets, credit and other productive resources.

30. In countries that have experienced sustained periods of growth, progress in reducing poverty has been faster where economic growth has been accompanied by gains in agricultural productivity, growth of manufacturing industries and sustained increases in decent work in both urban and rural areas. These countries have benefited from complementary policies in the economic and social sectors, with Governments promoting industrial development and investing heavily in infrastructure development, social protection and social services that helped to raise productivity and reduce vulnerability. Closing the infrastructure gap, in particular, can have a substantial impact on the incomes of the poor in developing countries. Admittedly, infrastructure needs are large in developing countries and meeting them will require domestic resource mobilization and significant international assistance. Without basic infrastructure, social stability and social transfer schemes that foster access to health care and adequate levels of nutrition, a country cannot unlock its full productive potential.

31. Macroeconomic stabilization policies aimed at keeping inflation at a very low level and controlling fiscal deficits have increased volatility in the real economy and in the labour market. The liberalization of international capital flows has further increased such volatility, destabilizing real exchange rates as well as the pace of productive investment, capital formation and employment. Emphasis on balancing public budgets has often resulted in declines in social spending and in public investment in infrastructure, technologies and human capital, all of which are critical for inclusive and sustained growth.

32. Sustaining economic growth and reducing poverty require orienting macroeconomic policy towards the creation of more and better jobs. In general, countries that have fared better through economic cycles, reducing the fluctuation of output, investment and employment, have been able to implement a consistent set of countercyclical fiscal and monetary policies, increasing spending during downturns, strengthening the regulation of capital flows and managing exchange-rate volatility.

33. Early policy responses to the economic crisis showed political will to incorporate social objectives into economic recovery strategies. Most Governments implemented expansionary policies, and about one quarter of all fiscal stimulus funds was allocated to social protection programmes. However, the current move towards fiscal tightening in several countries suggests that the crisis is not being used as an opportunity to review the adequacy of existing macroeconomic frameworks. While reducing the public debt at this early stage is seen as necessary for stronger growth and job creation, a historical analysis of fiscal consolidation programmes shows that cutting the budget deficit by 1 per cent of GDP typically reduces demand by 1 per cent, reduces GDP by about 0.5 per cent within two years and raises the unemployment rate by 0.3 percentage points.²⁰ Such cuts bring about long-term declines in wage incomes, while declines in profits are relatively smaller and more short-lived.²¹

B. Promoting job creation and decent work

34. Since job growth before the crisis was insufficient to absorb a growing labour force, employment goals should be set above pre-crisis levels. However, economic policies alone may not be sufficient to ensure the creation of productive employment for all, as the pre-crisis experience of growing inequalities in both income and access to decent jobs demonstrates.

35. Labour market policies such as the provision of minimum wages and employment protection can be important tools for an equitable distribution of productive opportunities and inclusive growth. In countries that have managed to maintain relatively low unemployment since the crisis started, for instance, spending on labour market programmes at the start of the jobs crisis was higher than in those countries where the labour market has been hard-hit. In many countries, unemployment benefits and other social protection measures were complemented by the temporary expansion of “last resort” measures. Public employment programmes, in particular, have been used during the crisis to tackle unemployment and underemployment in several countries. However, many of these programmes have been withdrawn prematurely. Experience in developing countries that suffer from shortages in infrastructure and other goods and services suggests that a longer-term approach to employment-guarantee programmes can be an effective strategy for inclusive economic growth.

36. Strategies to address the labour market impacts of the crisis have focused on the employment crisis in the formal sector, while little attention has been paid to the informal economy. If economic growth is not associated with a move towards decent work, and away from the informal sector, growth will have an insignificant impact on poverty reduction. The ongoing cuts in social spending in a growing number of countries will only serve to increase vulnerability and working poverty.

37. The challenges facing the informal sector must be addressed from the perspective of fostering long-term, competitive productive capacity and improving

²⁰ International Monetary Fund (IMF), *World Economic Outlook October 2010: Recovery, Risk and Rebalancing* (Washington, D.C., 2010).

²¹ Prakash Loungani, “Will it hurt? Who will it hurt? The macroeconomic and distributional effects of fiscal austerity”, paper prepared for the United Nations-ILO expert group meeting on the challenge of building employment for a sustainable recovery, Geneva, 24 and 25 June 2011.

the income security and working conditions of informal workers by, among other things, expanding the coverage of social protection. In developing countries, small and medium-sized enterprises, which employ a large share of both the rural and urban labour force, often operate informally and are characterized by low pay, income insecurity and lack of benefits. Enhancing the ability of such enterprises to generate decent work by building management capacity, improving access to credit and technical assistance, streamlining procedures for business formation and regulatory oversight, and balancing the need to safeguard and improve the protection of workers, will play a large role in reducing poverty.

38. More also needs to be done to tackle the exclusion of certain groups, particularly youth, from the labour market. Policies aimed at dealing with the structural lack of employment opportunities for young people have usually focused on increasing their employability by improving the quality and quantity of formal education and the availability of apprenticeships and other vocational programmes, and by reducing the mismatch between skills acquired and those needed in the labour market. During the crises, the implementation of job-search assistance programmes and temporary extensions of social safety nets have also proven vital to preventing poverty among unemployed youth.

39. While training and intermediation services are an important component of youth employment strategies, sustainable solutions will require the creation of additional decent employment opportunities for young people. An initial step towards more and better work for youth is to remove barriers to their employment, particularly in highly segmented labour markets where young people remain trapped in low-end jobs. Doing so will require a change in attitude towards youth, who should be seen as active participants in the development process. Given the high cost to society of the unemployment and underemployment of young people, Governments should pursue macroeconomic policies that foster structural change and invest in the maintenance and expansion of physical and human infrastructure by establishing public employment-guarantee programmes focusing on youth.

C. Measures to reduce poverty through improvements in agricultural productivity

40. As countries continue to struggle to feed growing populations, particularly countries heavily dependent on food imports, the role of agriculture in reducing extreme poverty, hunger and malnutrition has regained policy attention. Price volatility in global food markets remains high owing to a complex combination of factors that includes drought-induced poor harvests, growing demand for biofuel feedstock, higher energy prices and increased demand for grains, meats and dairy products from rapidly growing economies. Recent spikes in global food prices have been further compounded by the imposition of export bans by some countries in an attempt to control domestic food costs, and by financial speculation in agricultural commodities by major investors. These developments, coupled with decades of under-investment in agriculture, have contributed both to the price increases of agricultural commodities during the 2007-2008 period and to recent rises in food prices.

41. Since 2008, there have been notable declines in the international prices of commodities like oils and dairy products, but various indices show that food prices

have climbed again. In August 2011, the FAO food price index was 26 per cent higher than in August 2010, largely owing to a rise in the international prices of rice and corn. Prices were close to the 2008 peak levels. While the overall supply of food has improved, uncertainty remains, as both global and domestic food prices remain volatile. The same set of factors that triggered the food price crisis of 2007-2008 is responsible for the current rise.

42. Surging food prices and global food insecurity are sparking renewed concerns over increased poverty and hunger. Since poor people spend large shares of their income on food, even short-lived price increases can have a significant impact on their real income levels. Thus poverty tends to increase when food prices rise. The World Bank estimates that 44 million people were pushed into poverty by the rise in food prices from June to December 2010.²² FAO has warned that the number of people suffering from chronic hunger, estimated at 925 million in 2010, may rise again owing to the increase in food prices.

43. In order to ensure that poor countries attain food security and are better equipped to fight extreme poverty, hunger and malnutrition, countries that pledged their support for food security at the Group of Eight Summit in L'Aquila, Italy, in 2009 must honour their commitments. Greater efforts should be expended to improve the functioning of derivatives markets for agricultural commodities in order to smooth price fluctuations.

44. Countries should formulate and implement policies linking food security to improved agricultural production systems, poverty eradication and climate change adaptation and mitigation. Key among these is improving yields by ensuring that farmers have better access to high-yielding crop varieties, fertilizers, credit, markets and rural infrastructure. Where agriculture is heavily reliant on rain-fed systems, efforts are needed to improve irrigation systems and foster better water-conservation techniques.

45. Some countries have taken steps to enhance food security by leasing land to sovereign wealth funds and other investors. But few have put adequate mechanisms in place to protect the land and water rights of poor farmers, and more importantly to ensure that the food produced is sold domestically at an affordable price and food crops are not displaced by high-profit cash crops. The wages of workers on these farms should be decent and help families escape poverty.

46. African countries, to underscore the close linkages between food security, poverty and climate change, have launched a call to action that focuses on climate-smart agriculture. This approach aims at integrating green growth, food security, adaptation and mitigation.²³ Some of its key components include practices that increase organic matter, improve the water-retention capacity of soils, make yields more resilient, reduce soil erosion and help mitigate climate change.

47. Investments in other rural, non-farm sectors should also be undertaken, given that agriculture is becoming an insufficient basis for viable livelihoods for the poor in rural areas. Countries should explore ways to boost non-farm activities, such as small businesses and cooperatives, that create jobs and allow rural households to have alternative sources of income. Besides moving more households out of

²² World Bank, *Food Price Watch*, February 2011.

²³ The Johannesburg Communiqué as agreed at the African Ministerial Conference on Climate-Smart Agriculture: "Africa: a Call to Action", 14 September 2011.

poverty, these activities tend to be more popular among young people, whose interest in agriculture as a career is declining in many countries. Political commitment is needed for these policies to succeed, as is public investment in research and development, rural infrastructure and services, and in advisory services to help improve productivity and secure land and water entitlements for poor farmers.

48. The role of the State is crucial to ensuring long-term support for agriculture. While public support for agriculture has declined in most developing countries over the last few decades, international support and private investment have not yielded any significant improvements in agricultural productivity. Hence, the construction of roads and bridges, investments in research and development and broadening access to credit and markets cannot be left to the private sector. However, State efforts should not exclude policies that attract and foster the flow of private capital into agriculture. Indeed, investments in public goods should be aimed at making private investments in the rural economy financially viable.

49. A comprehensive policy agenda is also needed to sustain poor rural women and men, including youth. Policy measures are also necessary to mitigate the risks that poor rural people face and reduce their vulnerability by strengthening food and nutrition security and safety nets. This shift requires joint action across line ministries, levels of government, and stakeholder groups. It requires a focus on agriculture, but in the broader context of improving the economic and social environment of rural areas, mitigating the risks and strengthening the ability of poor rural people to exploit opportunities in or outside agriculture.

D. Social protection

50. Social protection measures shield individuals and families from economic shocks as well as social and economic changes, and enhance their capacity to manage and overcome situations that affect their well-being. They are therefore essential to reducing vulnerability and preventing deterioration in living conditions. In the long term, social protection can help individuals and families build human and social capital and improve their livelihood prospects, thereby addressing some of the underlying causes of poverty and unleashing the productive potential of the workforce.

51. Countries that have developed comprehensive, universal social protection policies covering the majority of the population have successfully reduced poverty and improved social conditions on a broad scale. While the impact of social protection programmes varies according to their design and level of implementation, evidence worldwide, including from high-income countries, demonstrates the potential of such programmes to reduce poverty and inequality and stimulate economic growth. For countries at a given income level, higher levels of expenditure on social protection are correlated with lower poverty levels.²⁴

52. Some 75 per cent of the world population is not covered by adequate social security. The development of social insurance programmes, in particular, has been

²⁴ Armando Barrientos, "Social protection and poverty reduction" (2008), background paper commissioned for the report of the United Nations Research Institute for Social Development, *Combating Poverty and Inequality* (September 2010).

uneven in developing countries. Where these exist, unemployment benefits, old-age pensions and other benefits cover only certain categories of workers in the formal sector, leaving those in the informal economy with no or little protection.

53. While universal social protection is still lacking across the developing world, many countries have been able to reduce income poverty and improve social conditions through the provision of targeted social assistance. Cash transfer programmes conditional on education, health and other human capital investments, such as *Bolsa Família* in Brazil, *Oportunidades* in Mexico, *Familias en Acción* in Colombia, and those conditional on work, such as the Mahatma Gandhi National Rural Employment Guarantee Act in India and the Productive Safety Net Programme in Ethiopia, are now widespread and cover significant proportions of the population in several countries. Social grants have also become an important anti-poverty tool in Namibia and South Africa. The number of beneficiaries in South Africa alone jumped from 2.9 million people in 1994 to 13.4 million in 2009.

54. Over the last three decades, the concept of social protection has frequently given way to a targeted set of non-contributory, often transitory transfers. Targeting focuses on eligibility and hence involves means-testing to determine who can be a beneficiary. The effectiveness and legitimacy of targeting specific groups has been questioned. Targeting is found to require strong administrative capacity and to entail significant errors of inclusion and coverage, especially where informality and poverty are widespread. Moreover, poverty is not an attribute of a fixed group of individuals, but rather a situation that everyone is at risk of experiencing at some point. Focusing on a specific group of individuals ignores the dynamic nature of poverty, unemployment and other life cycle and work-related contingencies. The right to social security calls for a progressive move towards universal social protection to ensure the basic well-being of all individuals, regardless of where they work and live, or of the state of the economy.

55. In April 2009, the United Nations System Chief Executives Board for Coordination endorsed the Social Protection Floor Initiative as one of its nine system-wide joint crisis initiatives. This initiative promotes a coherent vision of national social protection as a key component of national development strategies and seeks to support countries in identifying and closing crucial protection gaps. While alleviating the social impacts of the crisis is one of the objectives of the initiative, its role is not transitory, as the initiative aims to provide a rights-based, systemic “insurance” against poverty for all residents at all times.

56. The report of the Social Protection Floor Advisory Group²⁵ states that, in most countries, the progressive implementation of social protection floors is affordable. Studies in Asia and Africa show that the initial gross annual cost of a basic social transfer package (excluding access to basic health) lies in the range of 2.2 to 5.7 per cent of GDP.²⁶ Individual elements appear even more affordable. The annual costs of providing universal basic old-age and disability pensions, for example, are estimated at between 0.6 and 1.5 per cent of GDP in the countries considered. Extensive targeted and conditional cash transfer programmes like *Bolsa Família* can be implemented at a cost of about 0.5 per cent of GDP, while universal pension

²⁵ ILO, *Social Protection Floor for a Fair and Inclusive Globalization* (Geneva, International Labour Office, 2011).

²⁶ ILO, *Extending Social Security to All: a Guide Through Challenges and Options* (Geneva, International Labour Office, 2010).

schemes like those in Namibia, Nepal and Mauritius can be financed by about 1 to 1.5 per cent of GDP.

E. Social policy for social transformation

57. Investing in people and protecting them from shocks should constitute the main objectives of social policy. The growth in poverty, hunger, widespread income inequalities and social exclusion underscores the need for social policies that ensure sustained public investment in education, health and the provision of social protection. Such investment raises productivity and hence incomes.

58. Thus, the key policy question facing most Governments is how to ensure that a growing population acquires the skills and education that would allow people to move out of the agricultural or informal sectors and participate in the formal sector. In most cases, acquiring these skills and education costs money, which is often beyond the reach of the poor and other marginalized groups. Recent efforts to eliminate school fees in a number of countries underscores the importance that these countries attach to ensuring that the long-run goals of successful development and poverty eradication are achieved by involving everyone in the development process. In addition to shrinking the share of the population that earns an unskilled wage from the agricultural sector, the expansion of education contributes to poverty alleviation through its widely recognized impact on the status of women. Female education has been shown to reduce fertility, improve women's labour force participation rates and enhance their capacity to exert greater control over the use of household resources. In many cases, female education results in improved education and health outcomes for children.

59. Hence, the process of shifting workers from the unskilled to the skilled sector and providing them with basic health care cannot be left to markets alone. The State has a responsibility to ensure that those segments of society that do not have adequate resources to pay for schooling or health-care services receive some form of public assistance. While everyone will not end up in the skilled category, the process of expanding schooling opportunities and investing in skills and education ensures that a broader swath of society participates in, and benefits from, economic growth. Greater effort should also be expended in enhancing public-private partnerships to increase investment on the supply side and improve educational facilities and the quality of teaching. On the demand side, such public-private partnerships can focus on the provision of scholarships, hardship allowances, school meals and similar schemes to enable students from poorer or marginalized backgrounds to avail themselves of the opportunity to enrol in and graduate from school. For this to succeed, the private sector should have corporate social responsibility, while public investments should target areas of education or health where private investment is particularly lacking or that need promotion for reasons of social justice and equity.

60. Furthermore, social policy must be an integral part of a broader development strategy if it is to address the conditions that cause and perpetuate poverty, including society-wide patterns of inequality and discrimination. While universal access to basic social protection and to social services is necessary to break the intergenerational cycle of poverty, maintain social cohesion and strengthen the social contract, social protection measures must be complemented by broader

interventions that address access to resources and their redistribution. Measures to ensure that poor women and men have access to land, credit, education and other productive resources, fair inheritance rights and justice are critical for poverty eradication. Financial solidarity mechanisms, including progressive taxation, are also necessary.

61. Participation of all members of society in social, economic and political life is important to ensure that Governments respond to social needs, including those of the poor. Even progress in improving access to resources and their distribution will not succeed in eradicating poverty if discrimination against individuals and social groups precludes their participation. Social movements have traditionally given poor people and excluded groups a stronger voice and greater representation in articulating their interests. They also have the ability to hold the Government and other actors to account. Creating an enabling environment for social movements and taking public action against discrimination are important to balance the inequitable distribution of power, promote participation and thus advance social integration.

F. Measures to reduce poverty through climate change mitigation and adaptation

62. Climate change is a major threat to sustained economic growth, agricultural productivity and poverty eradication efforts, particularly in developing countries. The poor and vulnerable tend to live in areas dominated by climate variability and extreme weather events, such as frequent drought spells and floods, which tend to erode the resilience and asset base of smallholder farmers and all those who depend on rain-fed agriculture, livestock rearing and the exploitation of natural resources. Smallholder farmers often have low adaptive capacity to external shocks. Therefore, the negative effects of climate change are likely to fall disproportionately on the poor and other vulnerable groups.

63. For instance, the incomes of dryland farmers in Andhra Pradesh, India are likely to drop by 20 per cent, as crop yields are expected to decline.²⁷ The famine and humanitarian crisis that has put more than 13 million people in the Horn of Africa in danger of starvation is partially attributed to drought. FAO estimates that the crisis, besides raising food prices in the region, has already resulted in the deaths of more than 30,000 children since May 2011. Stunting and cognitive losses among undernourished children may further undermine the prospects of future prosperity for the region. Droughts have also severely affected major grain producers such as the Russian Federation and Australia, contributing to a major spike in global food prices. In several other countries, social cohesion and political stability have been undermined following food-related social unrest.

64. Therefore, a key challenge facing the international community is to adopt sustainable development policies and adaptation and mitigation measures that address the many challenges posed by climate change. Efforts to reduce poverty should invest in climate-change measures, particularly in low-cost adaptation and risk-reduction techniques. These include the adoption of drought-resistant crop varieties, greater protection of land and water resources, increased irrigation and

²⁷ The World Bank, "Climate change impacts in drought and flood affected areas: case studies in India", report No. 43946-IN, 2008.

changes in farming systems such as shifting planting dates. Consideration must be given to implementing weather-based crop and livestock insurance. Fostering non-farm rural economic activity is also crucial to reducing the number of people and the share of income that are directly dependent on climate-sensitive dryland and wetland agricultural systems.

65. Effective adaptation policies should be mainstreamed and integrated into all development activities, including poverty eradication strategies. Measures that promote a green economy and create green jobs while fostering structural transformation are equally critical if developing countries are to leapfrog dirty energy technologies associated with high greenhouse gas emissions.

66. Given that poor countries have little adaptive capacity and few resources to respond to the many challenges posed by climate change, international development partners should support their efforts through financial assistance and the transfer of appropriate technologies. Technical cooperation activities should be strengthened in areas such as capacity-building, knowledge generation and policy and regulatory reforms.

V. Governance, State capacity and poverty reduction

67. While many countries have been able to increase their fiscal space and implement a variety of policies designed to reduce poverty, progress in eradicating poverty has been limited. This is partly due to weak State capacity to pursue development goals and failure to muster the requisite political will and material support. Weak institutional structures also hamper the ability of poor countries to pursue knowledge-based development strategies or meet the challenges posed by globalization.

68. Weak State capacity has resulted in failure to stimulate broad-based growth and invest in broad human capital accumulation. This can often be seen in the inadequate design of poverty alleviation strategies and the ineffective efforts to redistribute land, provide basic services such as education to poor and underserved areas and create employment opportunities through public works programmes.

69. While weak State capacity, unstable property rights, lack of accountability and transparency, the inefficient allocation of public resources and corruption are often associated with constrained development, some major emerging economies have been able to attain strong growth and reduce poverty without establishing robust good governance structures. These countries focused on improving those governance capabilities that enhanced the ability of the State to address market failures directly and formulate and implement specific policies.

70. Therefore, while developing countries should remain committed to good governance, it is also imperative to make incremental improvements in selected aspects of governance that directly enhance inclusive growth, create jobs and reduce poverty. The choice of growth-enhancing policies should be guided by each country's development priorities and unique circumstances. At the same time, the State must have the vision, leadership and strategic planning to strengthen the common-interest orientation of State institutions and service-delivery programmes.

71. The experience of many emerging economies indicates that the State can play an active role in driving long-term economic expansion. National Governments

must be active and pragmatic, not crowding out or replacing the market in the development process. There is scope for regulating markets and providing the necessary incentive structure for the private sector to invest and create jobs. During crises, Governments can stimulate demand by implementing countercyclical policy measures.

VI. Conclusion and recommendations

72. Eradicating poverty and ensuring a sustainable recovery require coordinated responses that lead to sustained, inclusive and equitable economic growth. In this regard, macroeconomic and social policies that promote the creation of decent work and support stronger social protection are of critical importance. Investing in agriculture, rural development and climate change adaptation and mitigation measures are necessary to improve food security and reduce poverty. Crises also call for sustained and increased social spending. The trends towards austerity in response to the debt crisis, if not reversed, will worsen inequality and exclusion and ultimately dampen prospects for economic recovery. Without basic social transfer schemes that foster access to education, health care and adequate levels of nutrition, countries cannot unlock their productive potential. Social spending is an essential investment in future growth.

73. In many cases, the scale of investment required to eradicate poverty exceeds the capacity of Governments, civil society organizations or the private sector working alone. All stakeholders have to be part of the solution. Truly transformational public-private partnerships have become increasingly important in the formulation and implementation of development programmes. Besides creating greater buy-in, the involvement of all partners improves the quality of policies and strategies and facilitates their implementation. Partnerships also enhance the financial and technical resources available to national Governments.

75. The Commission for Social Development may wish to consider the following recommendations:

(a) The creation of full and productive employment and decent work for all should be at the centre of policies for sustained, inclusive and equitable growth. In this regard, countries are encouraged to implement the principles and objectives of the Global Jobs Pact, and reorient macroeconomic policy towards the creation of more and better jobs and poverty eradication, instead of just focusing on inflation or budget deficits;

(b) Countries with large agricultural sectors should focus on raising smallholder agricultural productivity and output quality in a sustainable manner. Increasing the productivity of smallholder farmers requires enabling their access to fertilizers, high-yielding seeds, infrastructure, information and markets. Additionally, the promotion of small and medium-sized enterprises, especially in rural areas, can facilitate diversification from agriculture towards other rural activities that contribute to poverty eradication;

(c) Recognizing that universal access to basic social protection is necessary to break the cycle of poverty and reduce inequality, Governments may wish to consider implementing national social protection floors consistent with national priorities and circumstances;

(d) **In strengthening social protection systems, and reducing intergenerational transmission of poverty, Governments should actively pursue family-focused social transfer programmes, paying particular attention to women, children, the elderly, persons with disabilities and indigenous groups;**

(e) **Countries must address society-wide patterns of social and economic inequality and discrimination by ensuring that poor women and men have access to land, credit and other productive resources, housing, fair inheritance rights and justice, and that all segments of society participate in decision-making processes;**

(f) **The international community should support national efforts to eradicate poverty by creating a favourable international environment and ensuring greater coherence among macroeconomic, trade and social policies.**
