

# ONE BILLION POOR: AUSTRALIA'S RESPONSE TO WORLD POVERTY

Opening address by Senator Gareth Evans, Minister for Foreign Affairs and Trade, to the World Development Debate, Canberra, 13 August 1990.

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The theme of this conference, the fifth in AIDAB's annual World Development Debate series, is world poverty. This is a topic which goes to the very heart of any consideration of development assistance policies and programs.

However much the pessimists - or the self-consciously tough-minded - may insist that the "poor are always with us", world poverty is not an issue about which we can afford to be blase. The consequences, in humanitarian, social, economic and political terms are just too immense. The struggle against poverty must be sustained as vigorously as possible. Certainly it has been a long struggle - as old as mankind itself - punctuated with both successes and failures. But the longer it goes, the more we learn about the nature of poverty - how it impacts upon individuals and societies, and, most importantly, how to tackle its root causes.

In opening up this debate, then, I want to do three things: describe, in outline, what we know about the extent, nature and implications of world poverty; describe what I believe to be the emerging international consensus as how best to tackle the problem; and describe what we as a Government are doing to incorporate anti-poverty objectives into the Australian aid program.

## The Nature and Extent of World Poverty

When talking about the extent of world poverty, the numbers of people living in poverty or absolute poverty, it is unhappily the case that talk of millions, billions and percentages tends to transform the grim reality into safe abstract packages, still remote from tangible comprehension. The material advertising this conference uses one of these statistics: "One billion people live in absolute poverty", the brochure says. But what this number means is that one in five people in the world today live in such poverty. And in the developing world the figure is one in every three.

What do we mean when we talk about "absolute poverty"? Can we attach a useful meaning to the term? The World Bank sets the poverty line on purely economic criteria: the income below which it is not possible to meet basic needs of nutrition, clothing and shelter - assessed at around \$US370 per person per year.

Useful as the World Bank definition is, it does not tell us enough about the immediate impact of absolute poverty on the quality of life. James Ingram, Executive Director of the World Food Program - who I am delighted to welcome to this Conference - puts it starkly when he describes absolute poverty as constant, chronic hunger: when you wake up each morning worrying not about what to eat, but whether you will eat.

But even this focus needs broadening, to capture all the dimensions involved: not only the economic basics, but also the impact on longevity, child mortality, school enrolments and the like. The United Nations Development Programme (UNDP) has recently come up with a new Human Development Index which takes three particular elements - life expectancy, literacy and income purchasing power - into account. These indicators, although themselves still abstract and impersonal, can nonetheless give us a glimmer of what the experience of 'absolute poverty' means for real people. For instance:

- . Every year in developing countries fourteen million children - virtually the equivalent of Australia's population - die before they reach five.
- . If you are born in a developing country, you will be lucky to live longer than 62 years.
- . Nearly 900 million adults - particularly women - never learn to read and write.
- . Around 100 million people - men, women, children - are without homes, without decent shelter.
- . About 800 million people will go to bed tonight without having eaten adequately.
- . For every single Australian, there are ten children in the developing world under five who suffer malnutrition.

Contrary to the popular assumption that poverty is concentrated mostly in Africa, as AIDAB's Working Paper on Poverty shows, about half the developing world's poor - 520 million - live in South Asia, mainly in India and Bangladesh, while a further 280 million live in East Asia, mainly in China. These people are especially concentrated in rural areas with high population densities. In fact, only about 180 million of the world's poor live in Sub-Saharan Africa. Here again, the poor are mostly found in rural areas. But while it is the case that three quarters of the developing world's poor currently live in rural areas, there is also a disturbing trend towards the urbanisation of poverty, with urban slums and squatter settlements estimated to be expanding by about 7 per cent a year.

In Africa, as in South Asia, about half the population live in poverty. Elsewhere in the developing world, the proportion is as low as 20 per cent.

At first glance, the countries of the South Pacific seem to have escaped the problems of absolute poverty. Yet pockets of real need exist in the South Pacific as well. Papua New Guinea, Vanuatu and Western Samoa are not widely regarded as nations with this kind of problem, but their social indicators reveal areas of real concern. In these countries, five or more of every hundred children born die before reaching the age of one. The comparable figure for Australia is one in every hundred. Average life expectancy in Papua New Guinea is only 54 years - about the same as it was in England in Shakespeare's time. Today in Australia we can expect to live to around 76 years of age.

A further unhappy characteristic of world poverty is that it has a pronounced gender bias. A large proportion of the poor households across the world are headed by women. Indeed, one international agency has recently emphasised this by preparing a report entitled the "Feminization of Poverty". The situation of women in many cultures makes them particularly vulnerable to poverty. To be successful anti-poverty strategy must give special attention to the needs and effective participation of women. Otherwise women and children are likely to be marginalised by the processes of economic growth.

One effect of this huge world poverty problem, often overlooked, is its impact on the environment. Unhappily, the capacity of the environment to sustain increasing levels of human activity is threatened not only by industrial processes. In many countries, lack of development, and in particular widespread poverty and concomitant rapid population growth, pose serious environmental risks.

In poverty-stricken rural areas environmental awareness is simply not an option. There, the struggle to obtain sufficient food, warmth and shelter to stay alive forces people to destroy the very land on which their longer-term survival depends. The UNDP estimates that three quarters of the poor in the developing world live in "ecologically fragile areas" which are being degraded at an increasing rate.

The problem, moreover, is going to get worse with the likely impact of population increase in coming decades. The UN estimates that about 90 per cent of future population increase will occur in developing countries. Most of the increase will occur among the poor. Poverty alleviation programs are therefore central to efforts to stem the devastation of vast areas in developing countries.

### Tackling World Poverty: Growth with Equity

It is easier to find acceptable definitions of poverty than to agree upon strategies for

alleviating it. The nub of the debate is reflected in the title of this conference: "Ending Poverty: Grassroots or Growth?". I think the answer lies in a proper mix of policies which emphasises the importance of both growth and equity. Finding this mix is often easier said than done. In practice, it is often a process of trial and error in development policy.

We now know that growth alone - measured as the rate of increase in GDP - does not guarantee substantial benefits for the poor, but we were not always so wise. The "growth first" philosophy pervaded many of our policies in the 1950s and 1960s. In those days aid was mainly directed to supplementing domestic savings and supporting investments in infrastructure and capital intensive projects. The benefits of resulting growth were meant to trickle down to the poor - too often they failed.

We now understand that there is no automatic link between economic growth and human progress. The UN argues that, taken by itself, the economist's measure of income is an inadequate yardstick of development.

Economic growth is essential for human development and poverty alleviation. But to exploit the opportunities for improved well-being that growth offers, the development process must be properly managed. Some developing countries, especially in Southeast Asia, have been very successful in managing their growth to reduce poverty, others less so. Far from being automatic, then, the link between GNP growth and human development is a matter of both good economic management and targeted social spending.

If we apply the UNDP's Human Development Index to different countries we see that there is considerable variation in the way in which economic growth has been translated into human development. The contrast is clearest in rankings of developing countries by the human development index and their GNP per capita. Some countries - such as China, Tanzania and Thailand - do far better in human development terms than on an income measure, showing they have directed a good share of their economic resources towards human progress. Other countries - such as Saudi Arabia, Algeria and Mauritania - do considerably worse.

With the benefit of hindsight, I think we can say that during the 1970s the international community tried to compensate for earlier zeal in promoting growth by targeting the poor. Greater emphasis was placed on employment and redistribution through the so called "Basic Human Needs" approach. Popular programs included integrated rural development projects, the targeting of public services on poor groups, and reform of fiscal systems and land ownership to redistribute resources to poorer people.

However the Basic Human Needs approach fell far short of expectations. "Targeting the poor" proved to be a deceptively simple phrase masking the difficulties which underlie attempts to focus on the poor. Like growth, targeting alone will not provide long term

benefits for the poor, although it can provide immediate relief from the worst deficiencies in health, nutrition and basic education. Targeting will not offer sustained improvements in living standards unless there exists a sustainable economic environment in which people can participate. There are policies and programs which must be implemented in all areas of government administration which ensure that administrative systems support social and economic development.

This year's World Development Report from the World Bank argues that rapid and politically sustainable progress on poverty has been achieved by pursuing a strategy that both promotes economic growth and provides basic social services to the poor. I think this is sensible. The returns on social investments can be surprisingly high. One World Bank study has shown that private returns to primary education are as high as 43 per cent in Africa and 31 per cent in Asia. Social returns from female literacy (reflected in reduced infant mortality, improved family nutrition, and lowered population growth) are even higher. The UNDP estimates that an additional investment now of \$5 billion per year would see universal primary school education available across the developing world by the year 2000. In the longer term, the social and economic benefits from such investment would be very high indeed.

Most budgets could, moreover, accommodate substantial additional spending on human development and poverty relief by a reallocation of priorities to reflect genuine development needs. In too many developing countries more than half the spending by governments goes to the military. When debt repayments, inefficient state enterprises, and mistargeted social subsidies are added, little remains for effective development. A shifting of the priorities, so as to balance economic and social spending, should be at the top of the policy agenda in developing countries in the 1990s.

### Australia's Policy Approach

As far as our own approach is concerned, it seems to me clear enough that the goal of poverty alleviation sits squarely within the broadest humanitarian objectives of the Australian program. I see no need to debate this point. But while the goal of poverty alleviation is of major importance for the aid program, it is not the only goal. As I have made clear on other occasions, the Australian development cooperation program is both altruistic and in our own interests. Our program, as is the case with most such government programs in most countries throughout the world, serves a multiplicity of objectives. The promotion of equitable development - which I regard as simply an alternative way of talking about the elimination of poverty - is the most important goal, but other goals include political and strategic objectives, and the promotion of Australia's economic interests overseas. The important point is that these various objectives can be implemented in a way that involves complementarity rather than conflict between them. In the development field there is so much that needs to be done that it is easy in practice to find worthwhile activities that bring mutual benefits.

In the practice of delivering Australian aid, our approach to poverty alleviation is broadly consistent with the international consensus on anti-poverty strategies. That consensus is based primarily on the promotion of the economic growth, participation by the poor themselves in the development process, and the achievement of environmentally sustainable outcomes. Attention to all these parameters is necessary to ensure a comprehensive approach to poverty alleviation.

The promotion of economic growth helps to eliminate the structural factors that keep people poor. These factors include, for example, inadequate physical infrastructure, low levels of human resource development, and weak government institutions. These considerations are at the heart of many of our country and sector programs. Good examples include the major river improvement and irrigation project at Bah Bolon in North Sumatra, or the Integrated Rural Development project in Northern Samar in the Philippines.

Another example is a steel bridging project which we are supporting in Indonesia. This project shows how infrastructure projects, while not necessarily providing immediate and direct benefits to poor people, can have important indirect effects on poverty. Improved road transport in Indonesia is crucial for growth, because better roads mean that farmers have better access to markets. Reliable studies have shown that the new and improved bridges provided by Australia have reduced travel times, led to lower bus fares, opened up markets for farmers, and increased labour mobility. All of these things have brought substantial benefits for millions of ordinary people in Java - and in other parts of Indonesia as well. And I might add that the Australian steel industry has not done too badly either!

The second element of our anti-poverty strategy is the emphasis on participation by the poor in the development process through specifically targeted projects. This is often easier said than done. Nevertheless, it is important because, first, experience demonstrates that development programs are likely to fail unless there is good community involvement in the design of the programs, and second, it hardly makes sense to talk about effective development unless there is a human resource development dimension involved, with the people who are affected being genuinely involved in the development process.

One example of how this approach works in practice is the Australian Rural Water Supply project on the island of Lombok in Indonesia. In 1985 AIDAB began the first phase of a \$3 million rural water supply and sanitation project in central Lombok. To ensure a sense of ownership of the facilities, community participation was actively encouraged in the project. Indonesian community organisers, trained and supervised by an Indonesian non-government organisation, lived in rural areas to help villagers plan the installation of new water facilities. A health education scheme was an integral part of the project as well.

The Lombok project was a success. Safe drinking water was supplied to over 100,000 people. Improved sanitation and bathing facilities were built with the full involvement of people in village areas. This project is a good example of how "bottom up" development co-operation can work. As a result of the original success, the project has been carried through to a second phase. We expect that similar facilities will be provided to around 175,000 people in other parts of Lombok.

Both economic growth and participation must be complemented by an environmentally sustainable approach to development. In Papua New Guinea and Indonesia in particular - the Australian aid program is now working closely to the principle of sustainability. In Papua New Guinea, we are giving strong support to the management and conservation of that country's forests through the implementation of the Tropical Forestry Action Plan. And in Indonesia, the second phase of the Lombok water supply project will cover all six districts of West Nusa Tenggara, overcoming environmental degradation caused by the disposal of human wastes. It will also curb the loss of water which is currently being wasted or illegally tapped.

If environmentally sustainable development is to be achieved, there are few more important elements in poverty alleviation strategy than bringing population growth under control. I have developed this theme on other occasions, and will say no more here than that family planning programs will rank increasingly high in Australia's development co-operation priorities.

There are some other dimensions to our aid program which I should refer to in the present context. One is the provision of direct assistance - direct transfers to the poor - when there is an acute need for immediate help. Such assistance - although only a small part of Australia's overall development co-operation program - can be crucial in not only the timely alleviation of human suffering but also, in this context, in poverty prevention. Dealing with natural disasters - such as the recent earthquakes in Iran and the Philippines, and the regular cyclones which sweep across small Pacific countries such as Western Samoa, the Solomon Islands and Tonga - is an unhappily recurring necessity.

Refugees and displaced people also present similarly acute and immediate problems. Overall, a total of about \$55 million was spent on feeding, doctoring and housing refugees last financial year. I think it was money well spent - a modest but worthwhile contribution that provided direct assistance to some of the poorest and most needy people on our planet.

Another dimension of our development co-operation program with a particular impact on poverty alleviation is the support we give to the activities of non-government organisations in developing countries. Both Australian NGOs, and indigenous NGOs within developing countries have achieved a good deal of success in implementing anti-

poverty programs in developing countries. NGOs have the advantage of being small, flexible, and cost-effective. They show empathy in their dealings with individuals and communities. They are effective in encouraging genuine participation in development. They have excelled in many activities, particularly in delivering adult education and family planning practices. My own hope is that during the next few years, it will be possible to increase the amounts of our aid which are spent through these indigenous NGOs within the developing countries.

I also want to draw your attention, finally, to the Australian food aid program. In recent years, around 10% of the Australian aid program has been spent on food aid. Food aid is a very effective anti-poverty mechanism. A small part of our food aid is given for direct relief purposes, such as for the provision of emergency food supplies in Ethiopia. But the main part of our food aid is used for so-called "development food aid", which consists of activities such as Food For Work schemes which create jobs in developing countries for people to work on projects such as rural roads and irrigation canals. These activities combat poverty in two ways: directly, by creating jobs, and indirectly by stimulating investment in much-needed development schemes.

### Cooperating in Development

I hope I have said enough about the Australian development co-operation program to show that poverty alleviation is already a central goal of our efforts. The record of the Australian aid program is delivering benefits to the poor is manifestly good. But we need to do more where we can. To encourage wider discussion, AIDAB has prepared a paper for this conference which provides a useful detailed survey of the impact of the Australian program on poverty.

For the benefit of the lingering few who continue to believe that our approach just reflects middle class values of the "warm inner glow" variety, I should make my own position absolutely clear. I am interested in aid not as charity but as development co-operation, which should be undertaken in pursuit of serious political and economic policy objectives which are shared by developing countries and ourselves. In fact, I think we should use the phrase "development co-operation" a lot more, and "aid" and "development assistance" a lot less. This is consistent with other elements in the Government's foreign policy, particularly in our immediate region.

We need to remember that Australia and New Zealand are unique amongst OECD nations in that we are located amongst developing countries. A good many of these have political and economic institutional structures which are still fragile. Their internal stability is often threatened by the very demands of having to deal with poverty. We have a basic stake, in terms of Australia's national interests, in their stability and successful development.

Although many lessons have been learnt about development, world poverty remains an enormous problem, especially in our region. Ultimately the battle must be fought and won by developing countries themselves. But development co-operation can help. The major challenge for countries like Australia in the 1990s is to ensure that our co-operation programs maximise our contribution towards the alleviation of poverty. Our programs must reinforce the broad and equitable participation of the poor in the development process. And they must support national policies in developing countries which are aimed at integrating economic, social and environmental objectives into comprehensive strategies for sustainable development.

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