

Distribution and Causes of Poverty and ways to address it

'More than eight million people around the world die each year because they are too poor to stay alive.'

Jeffrey Sachs, Special Economics Advisor to the United Nations

Definition of poverty

Poverty is a global problem. Every single country, whether MEDC or LEDC, has its fair share of poor people. It is important, however, to make distinctions between different types of poverty. In rich countries, for instance, we can talk about relative poverty by referring to a level of household income below a given proportion of the national average. The relative poor may not be able to obtain consumer goods, use recreation and entertainment facilities or access the best private health care and education, but they are very rarely starving to death or unable to afford housing or clothes.

The vast majority of the world's poor (around 1.6 billion people) live in moderate poverty. These are the people who can meet their basic needs such as shelter, clothing, food and water, but only just. The United Nations defines moderate poverty as having an income between US\$1 and US\$2 per day. Almost 90% of the world's moderately poor live in sub-Saharan Africa, East Asia and South Asia. The latter two regions have recently seen an increase in this

category but, surprisingly, this is good news – many of the moderately poor have improved their circumstances and were previously living in extreme poverty.

Extreme poverty – the study of which makes up the bulk of this article – is defined by the United Nations as having a household income of less than US\$1 per day. The calculation is based on purchasing power, so takes into account the different costs of food and household necessities between, say, London and Lagos in Nigeria. Even so, on no account could it be deemed enough to provide a good quality of life. Extreme poverty means people are unable to meet the basic needs for survival. They are chronically hungry, unable to afford medicines or health care, and lack safe drinking water and means of sanitation. They cannot pay for their children to go to school, may not have proper shelter with solid walls and a roof, and cannot buy shoes and clothing (Figure 1).

Based on the above definition, Figure 2 shows the global distribution of those suffering from extreme poverty. It can be seen that all of the world's extreme poor live in LEDCs but, across the continents, there are vast differences. South America

has relatively few extremely poor people, while there is a huge range in percentages across Asia – from less than 2% in countries such as Thailand, to between 41 and 60% in India. With a population approaching 1.2 billion, the latter figure equals a lot of extremely poor people.

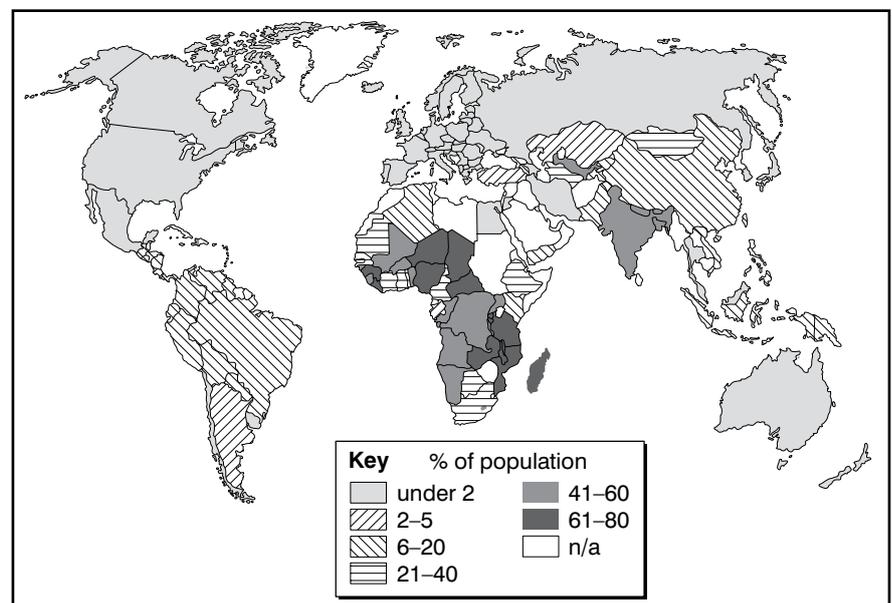
By far the highest number, relatively speaking, live in Africa. Almost 50% of the population of the continent are estimated to be living in extreme poverty. More concerning is the fact that this is one of the few regions of the world where extreme poverty is on the increase – from around 160 million people in 1981, to over 300 million two decades later. The reasons why there are such huge numbers of people living without basic needs, and what can be done to help them, will be discussed below. There is a need for a small note of caution, however. In some countries, the figure of US\$1 a day hides the truth behind day-to-day life. On the islands of São Tome and Príncipe, for instance, 200km off the coast of West Africa, the population is poor but, with fertile soil and seas full of fish, the islanders are mostly self-sufficient and rarely, if ever, go hungry. Unfortunately, this is not the case for the majority of the world's extremely poor people.

Figure 1: Living in extreme poverty – children and open sewer in Kibera, Nairobi



Source: Chris Johnson/Wikimedia Commons

Figure 2: Percentage of population living on less than US\$1 day per day



Source: Waugh D. (2009) *The New Wider World* (3rd edn), Nelson Thornes, p 326 fig 20.6/United Nations, 2006.

Figure 3: How to become rich or poor

How to become rich

A family has a harvest of four tons of maize, eats three during the year and sells one at market. They invest the profit in machinery or livestock to improve diet and family income. More profit is made and, over time, the household moves into growing cash crops, moving to a larger farm. They can afford medicines to keep the family members fit and well and working in the fields and some or all of the children will be sent to school, eventually gaining better jobs in the city and investing their money in the family farm.

The cycle continues, prosperity and opportunity increases and the family income grows.

How to become poor

A family is chronically hungry and needs to eat all the food it produces. There is no money to invest in their farm. During the year essential equipment, such as a plough, breaks. As a result, the following year's crop yield falls. Malnutrition results and the father of the household dies. The oldest child takes charge but does not have the expertise to farm properly and yields continue to fall. When the mother dies, the farm is split between the surviving male members of the family but the amount of land available is too small to feed all the people who depend on it.

The cycle of chronic hunger continues, there is no opportunity for improvement and income continues to decrease.

Source: Sachs, J. (2005) *The End of Poverty*, Penguin

Rural poverty vs urban poverty

There are huge differences in levels of poverty between continents and between countries, but also between different rural areas, between rural areas and urban areas, and between different parts of towns and cities within the same country.

In Kenya, for instance, the most fertile agricultural land is used for cash crops such as tea and coffee, while subsistence livestock farming predominates in the semi-arid north. The rural areas are often neglected compared to the major cities such as Nairobi and Mombasa and are poorly served by health and education services. Meanwhile in the cities themselves there are huge differences

in wealth – Nairobi's Kibera slum (Africa's biggest) is home to an estimated one million people living in appalling conditions, with little food to eat or safe water to drink, and minimal services.

The reasons for these differences in poverty and wealth within countries are very similar to the ones that exist across borders and in different parts of the world.

Causes of poverty

The causes of poverty are many, interrelated and often very complex. To show how easy it is for households to become (and stay) poor, Jeffrey Sachs, a special advisor on economics to the Secretary-General of the United Nations, has looked at the problem by focusing on an individual family in Africa (Figure 3).

Families affected by this so-called 'poverty trap' find it almost impossible to escape. Chronically hungry, all their resources and any money they gain must be used to feed the family. Any new problem can mean a sharp decline in circumstances. If a family member becomes ill, there is no money available to pay for medical care and the sick person is unable to work or contribute to the household income. Drought or natural disaster cause problems that cannot be recovered from. Meanwhile, families cannot afford to send their children to school and, without education, successive generations are forced into the same subsistence lifestyle as their parents. The cycle of poverty that results is shown in Figure 4.

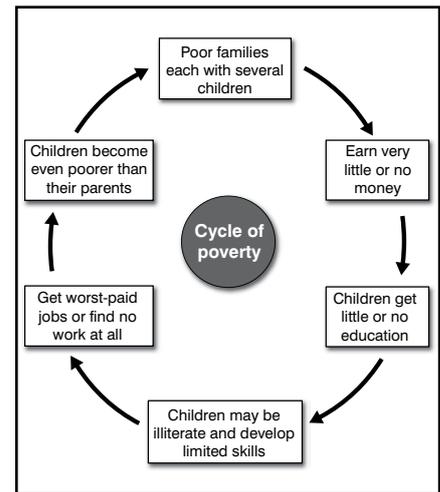
The above examples show how poverty affects individual families, but there are many underlying causes that influence the economic development of whole countries. Three are particularly serious.

1. Health

Good health is often denied to those living in extreme poverty. This can be due to malnutrition, a lack of clean water and sanitation, or insufficient money to pay for medical services. These factors lead to an increase in diseases (such as malaria, cholera and typhoid) that cause death or debilitate the population, leaving them unable to work.

Pandemics also have devastating effects, perhaps none more so than that of HIV/AIDS. In many countries

Figure 4: The cycle of poverty



Source: Waugh D. (2009) *Geography: An Integrated Approach* (4th edn), Nelson Thornes, p 609 fig 21.6

of southern Africa, including Botswana, Swaziland and Lesotho, rates of infection lie at 20% or more of the population. In Botswana life expectancy dropped from 65 years in 1995 to less than 40 years a decade later. Many children have been left orphaned by HIV/AIDS. They have been forced to live with other relatives, including elderly grandparents, who then find themselves having to feed increasingly large families. Household expenditure on education and medicine starts to decline and, countrywide, the working age population, who should be contributing to economic growth, starts to decrease.

2. Clean water

One in eight of the world's population – 884 million people – do not have access to safe water, while 2.5 billion lack adequate sanitation. At any given time, almost half of the population of LEDCs is suffering from one or more of the main diseases caused by dirty water, poor sanitation or water-borne parasites (resulting in 4000 deaths each day). Health problems from water-related illnesses place a huge burden on a country's resources, as hospital beds and medication have to be supplied to sufferers to help them get fit enough to work.

3. Availability of food

People in extreme poverty are often chronically hungry and unable to maintain an adequate diet. Many suffer from dietary diseases caused by malnutrition. Recently, rising food prices have compounded the problem because:

- worldwide population increase has meant more mouths to feed

- demand for cereals and meat from the emerging economies of China and India has led to shortages in other countries
- agricultural land has been used to produce biofuels for export
- governments in many LEDCs have encouraged farmers to grow food for export rather than for home consumption.

A hungry population is less able to work and must devote more of its time to pure survival. Governments and individuals have to search for ways to improve food security rather than spending scarce funds on initiatives that could lead out of the poverty trap.

Other causes of extreme poverty include:

- physical geography – landlocked and mountainous countries such as Bolivia and Nepal find it hard to trade with the outside world, while other countries (Chad and Mali, for instance) are very arid and have prolonged droughts
- government failures – corrupt politicians may line their own pockets, rather than trying to help the people of their country. Most of the population of oil-rich Equatorial Guinea is extremely poor, but the family of President Teodoro Mbasogo lives a life of luxury
- lack of government funds – even in areas where governments try to do the best for their people, they may be thwarted because they have no money. A poor population means little revenue gained in taxation and little to spend on health, education and infrastructural improvements.

In addition, in some other regions, refugees and civil strife (e.g. Congo and Rwanda), drought (e.g. Ethiopia) and economic crisis (e.g. Zimbabwe) have all had devastating effects on increasing poverty.

One final problem is the demographic trap. While fertility rates are decreasing in many parts of the world, the poorest countries still have families with five, six, seven or more children. As infant mortality rates have decreased, this has led to unsustainable population growth. More money has to be spent on food and other necessities, at the expense of healthcare and education – again, the cycle of poverty continues.

Ways to address poverty

There are a number of different ways that could help end extreme poverty – on a global, a countrywide and a local scale.

1. The Millennium Development Goals

In the year 2000, global leaders committed their countries to reducing extreme poverty through a series of targets that became known as the Millennium Development Goals (MDGs) (Figure 5).

It was hoped these targets would be achieved by 2015 and, by the first report in 2006, there was evidence that significant progress was being made in some parts of the world. The number of people living in extreme poverty had decreased by an estimated 130 million, average overall incomes had increased by 21%, infant mortality had fallen from 103 per 1000 live births to 88, life expectancy had risen from 63 to 65 years, and an extra 8% of people living in LEDCs had access to clean water and 15% to improved sanitation.

These global averages, however, hid some big problems. Asia has made the most progress, but many countries in Africa, especially those south of the Sahara, have seen conditions either stand still or worsen. The latest way of measuring poverty adopted by the United Nations – the multidimensional poverty index – shows the six poorest countries in the world (bottom first) to be Niger, Ethiopia, Mali, Burkina Faso, Burundi and Somalia. All are in Africa.

Many governments, organisations and individuals around the world recognise there is still work to be done and, despite the recent economic recession, remain committed to the MDGs. For instance, in October 2010, the global fund, a worldwide campaign to fight the three main diseases of HIV/AIDS, tuberculosis and malaria pledged an extra £7.3 billion to try to complete the MDGs on health by 2015.

2. Free and fair trade

World trade is not fair. Farmers, workers and countries at the beginning of the chain do not see enough of the benefits of trade – much of this goes to the purchasers (normally MEDCs), who control the price and the amount they buy from the people who grow or make it. To make more profit and protect their own workers and factories, they keep the prices they pay as low

Figure 5: The Millennium Development Goals



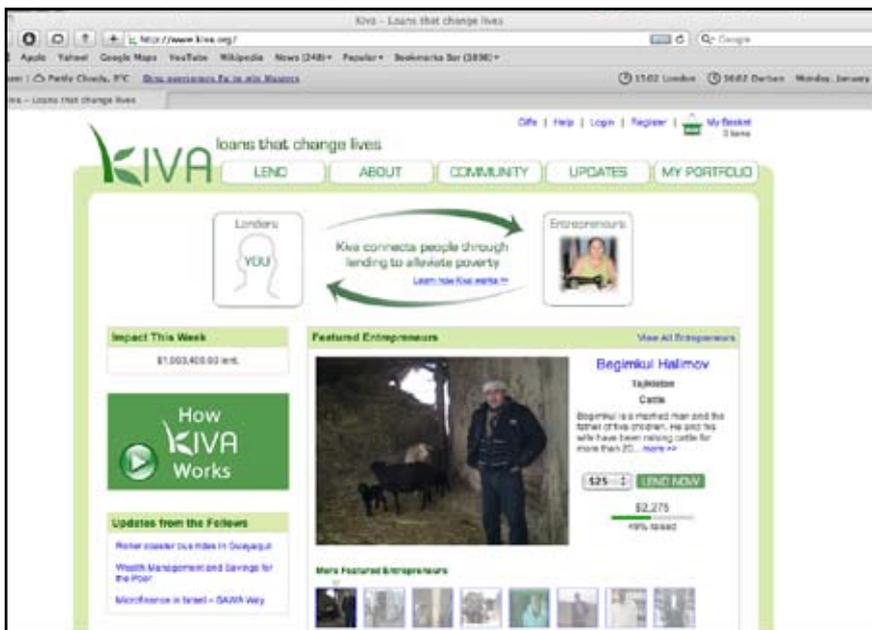
Source: United Nations

as possible. They place quotas and restrictions on manufactured goods coming from LEDCs, making it even more difficult for them to sell. Revision of global trade laws, including the removal of all such trade barriers to ensure completely free trade, could help improve levels of poverty in LEDCs.

Another way to address the inequalities and ensure producers get a fair price for the goods they sell is by applying fairtrade principles. Organisations promoting fairtrade ensure workers have a decent wage and standard of living. In many cases this has enabled them to send their children to school – a vital first step in lifting successive generations out of poverty. In Bolivia, for example, the Toledo Cacao Growers Association has more than 120 members in one of the poorest regions of the country. Working with fairtrade buyers has given them the stability of long-term contracts, and access to credit has improved the efficiency of their farming.

An increasing number of transnational companies including Starbucks, Nestlé and Cadbury are buying their goods from fairtrade producers, while supermarkets such as Asda and Sainsburys are responding to customer demand and stocking more and more fairtrade products on their shelves.

Figure 6: Entrepreneurs waiting for investment at kiva.org



Source: www.kiva.org

3. Microfinance initiatives

Governments and international organisations can go some way to helping people but it is better for those who are suffering to be given control of their own destiny. Many are resourceful, innovative people who can take themselves out of extreme poverty with just a little help.

In many countries it is impossible for people to improve their economic circumstances because they are outside the traditional banking system. In 1976, Bangladeshi Professor Mohammed Yunus saw this deficiency and set up the Grameen Bank to provide 'micro-credit' to those who needed it. Starting with around £16 of his own money, he lent cash to village women to invest in livestock and other material they needed to start making money. The Grameen Bank is now a £1.25 billion operation, with 1128 local branches serving almost half of Bangladesh's 80,000 villages. The average loan is just over £100 and the bank has set the country well on the way to decreasing its previously extreme levels of rural poverty. In a recent initiative it has enabled local women to buy mobile phones, which they then rent to fellow villagers on a call-by-call basis. Empowering women in this way has enabled them to take control of family finances and helped them buy medicines, health services and education to care for the next generation.

The Grameen Bank's model of microfinance has now been adopted in many countries, including Brazil and Indonesia. Microfinance websites such as kiva.org (Figure 6) have built on

this idea by letting local entrepreneurs in LEDCs appeal directly to richer (mainly) westerners to invest small amounts of money in their businesses. For as little as £16, people can have a stake in hairdressing enterprises in Ecuador, taxi firms in Uganda or grocery stores in the Philippines. The businesses involved undertake to pay back the loans on a periodic basis and are given the funds to buy the equipment they need to improve their economic status and finally escape from the poverty trap.

Conclusion

Extreme poverty affects many millions of people around the world, condemning them to a poor quality of life with little hope for advancement for themselves or their families. There are simple ways however to improve their condition, by:

- investing in basic health to maintain a fit working population
- ensuring safe drinking water and

sanitation to improve health and lower levels of disease

- investing in education to expand knowledge and opportunities for the very poor
- improving agricultural production to help end chronic hunger and let families start to trade.

While some of these measures have to be tackled at a governmental level, many rely on the local people who will benefit most from their implementation. Providing them with the means to do so does not have to cost a great deal of money and, if achieved, could provide benefits worldwide with an increased global economy and a decrease in the conflicts and strife often caused when people struggle to survive.

Further reading

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www.kiva.org, grameen-info.org
www.fairtrade.org.uk
www.avert.org
www.theglobalfund.org
www.dfid.gov.uk
www.ophi.org.uk.
 Excellent sources of facts and figures on everything to do with the millennium development goals are available at www.un.org/millenniumgoals and www.endpoverty2015.org.

Focus Questions

1. Describe the global distribution of extreme poverty and comment on the differences that exist between and within countries.
2. Using specific case study examples, outline the causes of extreme poverty.
3. Explain how the Millennium Development Goals are working to address extreme poverty and comment on their effectiveness.
4. Show how the Grameen Bank has helped to reduce poverty in Bangladesh. Using the internet (or other research tools), find and give details of other microfinance initiatives from around the world.