

# Reducing Poverty

## The continuing need for international commitment

Excerpts from a speech by World Bank President **A. W. Clausen** in April 1983 in Bonn

The global recession has brought development to a virtual stop; and none have suffered more than the low-income countries. To meet this crisis, the international community needs a strategy framed with ingenuity, generosity and determination. A strategy for a better future, built on the realities of the present and the lessons of the past. . . .

While faster growth of average incomes is essential to reducing poverty, it should be remembered that in many developing countries there is a sizeable gap between average income and the incomes of the poorer groups. Therefore the particular problems of those poorer groups must be addressed directly within the framework of an overall strategy to promote growth.

The key to that poverty reduction lies in raising the productivity of the poor themselves. Welfare programs aimed at the poor without corresponding increases in the productivity of the recipients can only be short-lived and even counterproductive.

Governments have to take measures to ensure that the employment opportunities and earning power of the poor are not limited by sickness, insufficient food and lack of education. They have also to consider that high fertility and large family size mean that an adult's earnings will be spread thin to support more dependents than in richer families.

These non-income aspects of poverty call for a commitment on the part of governments to human development programs on a wide scale. The choices facing countries, who have to choose at the margin between human development and other activities are not as easy. Policy decisions will be affected by the relative emphasis each government attaches to increasing growth, raising the incomes of the poor, and attacking the non-income aspects of poverty. The economic payoff to human development certainly eases the tradeoffs between growth and poverty reduction. But the difficulty of quantifying the costs and benefits of a human development program often compounds the problem of deciding the size of its budget and the allocation of its resources among education, health, nutrition and family planning. . . .

How the dilemmas surrounding the raising of the productivity of the poor are resolved will vary from country to country. Differences in political and social priorities, in income levels and growth prospects, will suggest different approaches. But in all developing countries, steps to reduce poverty and promote human development must inevitably put strong emphasis on economic returns.

However well-chosen the policy mix, widespread poverty is not going to disappear overnight. It is going to be a very long haul indeed. But progress can be made less agonizingly slow if the international community brings active and enlightened support to the effort. . . .

### The Bank's role

More than a decade has passed since the Bank decided to place special emphasis on direct measures to alleviate poverty, both in

its lending operations and in its economic research and analysis. The Bank was not alone in this; a general consensus had emerged among bilateral and multilateral aid institutions, and among many developing countries, that greater efforts should be directed toward increasing the productivity of the poor.

This resulted in an expansion of lending by both the Bank and the International Development Association to low-income countries, and to those sectors and subsectors where assistance could be brought directly to large numbers of poor people. The focus of the Bank's attention was to be more concentrated on rural and urban development, primary education, population, health and nutrition, small-scale industries, and water supply. Bank and IDA commitments to low-income countries increased from 37 per cent of the total program during the years before 1968 to 58 per cent in the current 1979-83 five-year lending program.

In our last fiscal year, when we reviewed this new approach, we concluded . . . that . . . a strategy embracing the twin objectives of growth and poverty alleviation seemed to be the key to securing stable and sustained development. . . .

By and large our projects have been effective in directly increasing the productivity of small farmers. They have also enhanced productive capacity through investments in human development, in education, health and nutrition, and population programs. We also know now that these new-style projects can have rates of return as high as other projects. And once they are seen to work, they are replicated by the borrowing governments, thus multiplying the benefits.

We believe that through our policy dialogue with member governments and our country economic work, we are having some success in incorporating poverty concerns into the policy-making process. . . . [Yet] there is still a huge distance to go, and . . . a vast amount still to be learned about poverty alleviation. . . .

It is a tragedy, therefore, that continuing efforts to alleviate poverty are now threatened by a shortage of concessional funds to help finance them. These countries need more desperately than ever the type of development aid that IDA offers. But aid budgets face fierce competition for public funds during the current recession. . . .

IDA funds are now almost completely restricted to borrowers among our low-income member countries, and they continue to prove an excellent investment. While helping to raise the living standards of hundreds of millions of people through its projects, those projects have been recording average rates of return near 18 per cent. . . . Fifty-one low-income countries, among them 28 Sub-Saharan African countries, depend on those concessional funds. Now more than ever. . . . It will take a vigorous and sustained international cooperative effort to help them move forward again towards their twin objectives of accelerating growth and diminishing poverty. And it is entirely in the interests of the industrial nations that that effort be made. . . .