

Module 8

Poverty and Human Development

1. Definitions

Poverty: Condition where people's basic needs for food, clothing, and shelter are not being met. Poverty is generally of two types: (1) Absolute poverty is synonymous with destitution and occurs when people cannot obtain adequate resources (measured in terms of calories or nutrition) to support a minimum level of physical health. Absolute poverty means about the same everywhere, and can be eradicated as demonstrated by some countries. (2) Relative poverty occurs when people do not enjoy a certain minimum level of living standards as determined by a government (enjoyed by the bulk of the population) that vary from country to country, sometimes within the same country. Relative poverty occurs everywhere, is said to be increasing, and may never be eradicated¹.

Human Development: The process of enlarging people's choices to lead a long and healthy life, to be educated, to enjoy a decent standard of living, as well as political freedom, human rights and self-respect.²

Sustainable Development: Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.³

Welfare: The provision of a minimal level of well-being and social support for all citizens, sometimes referred to as public aid. In most developed countries welfare is largely provided by the government, and to a lesser extent, charities, informal social groups, religious groups, and inter-governmental organizations. The welfare state

¹ Read more: <http://www.businessdictionary.com/definition/poverty.html#ixzz3RX6fLNA9>

² [http://en.wikipedia.org/wiki/Human_development_\(humanity\)](http://en.wikipedia.org/wiki/Human_development_(humanity))

³ <http://www.un.org/documents/ga/res/42/ares42-187.htm>

expands on this concept to include services such as universal healthcare and unemployment insurance.⁴

2. Introduction

Despite the progress that the world has achieved in the last 15 years by cutting the poverty rate in half in 2010 compared to 1990, the number of people living in extreme poverty remains unacceptably high. Some 1 billion people will still live in extreme poverty in 2015 and progress has been slower at higher poverty lines; 2.2 billion people lived on less than US \$2 a day in 2011, which is only a slight decline from 2.59 billion in 1981. Opportunities to access good schools, healthcare, electricity, safe water, and other critical services remain elusive for many people as the gap between the rich and poor is still widening in some developing countries.

However, there is a strong relationship between countries that are witnessing high economic growth rates per capita and reduction of poverty. The annual Human Development Report of the UNDP considers two additional factors, health and education, when measuring the human development index (HDI). Furthermore, the HDR 2014 report argues that vulnerability threatens human development, as every society is vulnerable to risk due to natural or human induced disasters and crises. The report advocates that unless such risks are systematically addressed, by changing policies and social norms, progress will be neither equitable nor sustainable.

A closer look at the Arab world shows that the Gross National Income per Capita has raised the bar of the HDI in the Arab countries making it above the average of the world. However, it varies from \$119,000 in some of the Gulf countries to less than \$7,000 in Palestine, Syria, and Morocco and even less than \$4,000 in Yemen and Sudan. Moreover, the highest levels of education inequality are still found in the Arab states in addition to South Asia and Sub-Saharan Africa.

Economists tend to believe that successful countries draw their policies on two parallel tracks: building broad capabilities in the form of “Human Capital and Effective Public Institutions”, while making a “Structural Transformation” to its economy through the emergence and expansion of modern industries. Economists argue that countries should focus its national policies on both tracks equally as the first fundamental driver takes time and requires substantial investments, while the other driver allows for quick jumps in economic growth due to its ability to absorb unemployment. Nonetheless, both tracks are needed to guarantee lasting and sustainable growth.

Moreover, they argue that a country won’t be able to make a breakthrough without an enabling global business environment. Hence, a balance between national and global policies is needed to ensure that the intended sustainable growth will lead to equality and less poverty. The graph below illustrates this argument, which is based on Dani Rodrik’s lecture on the Global Civic.

Economic Growth

