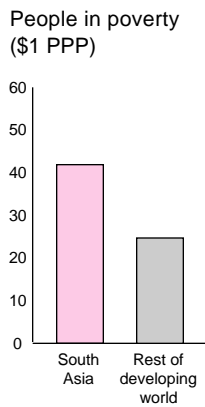
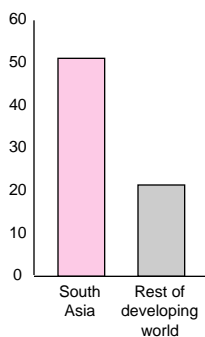


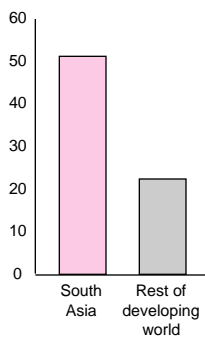
Figure 1.1
Backlog of poverty
in South Asia, 1995
(%)



Adult illiteracy



Malnourished children under 5



Source: UNDP 1998a.

The challenge of human development in South Asia has continued over the last year against a backdrop of rapid political change, large-scale natural disasters, expanding nuclear capabilities, and global economic slow-down. The unfolding consequences of these events have raised fears of the poorest region in the world slipping into even greater poverty, with worsening nutritional, health, and educational outcomes. It is these human development issues which must be at the core of regional policies and actions. Ultimately, the real victims of economic and social turmoil are ordinary people, not governments. It is their concerns which are the focus of this Report.

Human deprivation

The sheer scale of human deprivation in South Asia is underpinned by the absolute number of people afflicted by poverty. Accounting for nearly half of the total world population living in poverty, over 500 million people in the region suffer from severe deprivation, with little or no access to adequate nutrition, health, housing, water, sanitation, education, and employment. Illustrative of the state of the region's poor is their lack of access to basic facilities. For example, one in two South Asians is illiterate, one in five lacks access to safe water and health services, over three out of five do not have access to sanitation, one in two children under five is malnourished, and four out of five have no access to financial services.

Figure 1.1 compares human deprivation in the region with the rest of the developing world. Among the developing countries, South Asia's share of human deprivation is almost twice its share in the population. In South Asia, a staggering 45 per cent of the population lives below the income required to meet

minimum daily needs, compared to 24 per cent in the rest of the developing world. Similarly, the illiteracy rate in South Asia is two and a half times the rate in the rest of the developing world; the proportion of malnourished children under five is almost three times as high; and access to health facilities one and a half times as low. If South Asia is to achieve sustainable human development, it will need to make substantial progress in expanding both human capabilities and opportunities.

As the 1998 Report on *Human Development in South Asia* observed: 'What is critical for human progress is to address poverty of opportunity, and not just poverty of income. Poverty of income is often the result, poverty of opportunity is often the cause.' To capture the multiple dimensions of poverty, the Human Poverty Index (HPI), developed by UNDP in 1997, uses indicators for measuring basic dimensions of deprivation: a shorter life span, illiteracy, and lack of access to safe water, health, and nutrition. The Poverty of Opportunity Index (POPI), developed by Mahbub ul Haq, broadens the definition of human poverty by including an income component. Table 1.1 shows the incidence of poverty in South Asian countries based on three definitions: one dollar a day (World Bank definition), HPI (UNDP definition) and POPI (Mahbub ul Haq definition). Except in India, poverty in all other South Asian

Table 1.1 Poverty profile of South Asia

	\$ 1 a day (1989-94)	HPI (1995)	POPI (1995)
Pakistan	12	46	44
Nepal	53	-	52
Bangladesh	29	47	46
India	53	36	38
Sri Lanka	4	21	27
South Asia	45	38	39.5

Source: Haq 1998a; UN 1994; UNDP 1998a; UNICEF 1999; World Bank 1998q; and HDC staff calculations.

countries is higher as measured by HPI and POPI than by income poverty alone. The most striking comparison between POPI, HPI, and income poverty can be noted for Pakistan. POPI and HPI are almost four times as high as the income poverty, underscoring the chasm between income and opportunities.

The poverty profile of Pakistan was examined in the 1998 Report on *Human Development in South Asia*. The Report underlined the growing poverty and increasing gap between income and deprivation in Pakistan. According to its findings, 30 per cent of Pakistan's population were poor in 1995—an increase of 50 per cent within a period of five years. This rise, in the context of rapid population growth, resulted in a two fold increase in the absolute number of poor compared to 1965. The results captured the inability of governments in Pakistan to translate higher income levels into a better life for the vast majority of their people.

Poverty profile of South Asia

Several recent studies indicate an alarming increase in absolute poverty in some South Asian countries over the last decade. Despite continued efforts of governments, civil society organisations, and international agencies, poverty persists in South Asia. The region has the largest number of people living in poverty. According to World Bank \$1 a day estimates, out of 1.3 billion poor people in the world, 515 million (40 per cent) live in South Asia, even though the region accounts for only 23 per cent of the global population. There are more people living in poverty in South Asia than the combined population in poverty in Sub-Saharan Africa, the Arab States, East Asia and the Pacific (excluding China), and Latin America and the Caribbean.

Poverty trends

Through the mid-1970s and the 1980s, South Asia saw a remarkable reduction in poverty. But the last decade witnessed

either a reversal of this trend or a slow-down in poverty reduction in all countries, other than India. Poverty rates have gone up in Bangladesh, Pakistan, Nepal, and in urban sectors of Sri Lanka. Even though poverty rates have declined sharply in India, the proportion of South Asia's population earning less than one dollar a day has remained stagnant at 43 per cent.

Table 1.2 Rural and urban poverty in Bangladesh by basic needs method

Year	Head Count Measure of Poverty (Basic Needs Method)		
	National	Rural	Urban
1973/74	70.5	71.3	63.2
1981/82	63.5	65.3	48.4
1985/86	43.9	45.9	30.8
1988/89	47.8	49.7	35.9
1991/92	49.7	52.9	33.6
1995/96	47.0	51.1	26.3

Source: Abu-Abdullah 1999.

Bangladesh's early success in reducing poverty has reversed since the mid-1980s. Bangladesh Household Expenditure Survey data shows that by 1991, poverty incidence both in rural as well as in urban areas, had risen compared to 1985. Though poverty rates have since improved, they were still higher in 1995 than those a decade earlier (see table 1.2). The absolute number of poor rose by 1.2 per cent annually during this period—faster than any historically observed rate. The depth and severity of poverty also increased, demonstrating the worsening condition of the poor. At the same time in Sri Lanka, though national poverty estimates showed an improvement, urban poverty estimates indicated a worsening condition. Lastly, Nepal's case also showed resembling evidence. In fact Nepal fared even worse than the other cases cited, as poverty rates increased from 36 per cent to 49 per cent between 1977 and 1992.

Contrary to these regional trends, poverty rates continued to decline in India. Since 1970, poverty has declined by almost 18 percentage points. During

South Asia has the largest number of people living in poverty

The most glaring levels of poverty of opportunity in South Asia are found among women and girl children

the 1990s, other than the year immediately following the liberalization reforms of 1991, the steady decline in poverty has been maintained (table 1.3). Even so, India has been unable to reduce the its absolute number of poor—remaining between 294 to 315 million from 1970 to 1994—leaving India with the largest backlog of poor people in the world.

Survey Period	Head Count Index		
	National	Rural	Urban
1970/71	52.9	54.8	45
1977/78	48.4	50.6	40.5
1987/88	38	39.2	36.2
1993/94	35	36.7	30.5

Source: World Bank 1997a.

Regional profile

Inter-regional comparisons within countries are equally disturbing. In India, five states—Bihar, Orissa, West Bengal, Assam, and Maharashtra—account for 56 per cent of rural poverty while containing only one-third of the total rural population. In Bangladesh in 1991, the Divisions of Rajshahi, Barisal, and Dhaka had the highest incidence of rural poverty (at around 60 per cent), whereas urban poverty in Chittagong and Dhaka was less than 15 per cent.

However, there are some success stories as well. For instance, Kerala's decline in poverty, despite slow economic growth rate, is noteworthy: income poverty in Kerala declined from 48 per cent in 1984 to 29 per cent in 1994. Kerala's rate of lowering poverty was four times that of Bihar and three times that of Rajasthan. Kerala's success is explained by a firm commitment by the state and civil society to expand infrastructure, to promote education, and to further health services.

To formulate effective poverty alleviation programmes, it is important to collect disaggregated data on poverty. This helps in identifying areas where poverty is most pervasive: such as the

rural areas of Bangladesh, Pakistan, and Nepal, and the Eastern and central states of India.

Gender profile

Besides regional differences, poverty also varies on the basis of gender, ethnicity, and religion. The most glaring levels of poverty of opportunity in South Asia are found among women and girl children. This is reflected in the gap between male and female literacy rates of 26 percentage points: female adult literacy rate is a dismal 36 per cent as compared to 62 per cent for males (see table 1.4). Of the 50 million out-of-school children, 28 million are girls. This gap can be traced to discrimination against girls and women, which begins at home, and extends to the preferential treatment of boys in the provision of food, nutrition, health care, and education at the community and national levels. In its most extreme form, discrimination turns into direct violence against women: ranging from infanticide to child abuse and from rape to dowry death. The fact that there are only 93 women for every 100 men in South Asia, against the global norm of 106 women for every 100 men, reflects their low status.

Multiple forms of discrimination faced by women severely limit their opportunities for leading productive lives. Women's share in private sector employment in South Asia is about 30 per cent and their wage rate is approximately three-fourths the male rate. They comprise about 3 per cent of managers and administrators, hold about 5 per cent of government posts and about 6 per cent of the cabinet positions. The challenge for South Asia is clear. Not only should the gender gap in education, health and nutrition be bridged, but better economic and political opportunities must also be afforded to women. The 2000 Report on *Human Development in South Asia* will bring these challenges to the forefront, highlighting areas that policymakers must confront if they are to reduce vast gender disparities.

The reasons behind the diverse experiences of South Asian countries lie in the different strategies employed for poverty eradication. In the case of India, where the gap between poverty of opportunities and income poverty is the least in South Asia (tables 1.1 and 1.3), poverty has declined from 53 per cent in 1970 to 35 per cent in 1994. Poverty alleviation is a part of the national policy agenda in India. These policies have been bolstered by the favourable economic conditions of the early nineties. Research suggests that economic growth has been an overwhelming engine of poverty reduction in India. Since 1994, India's growth rate has been higher than in any previous phase in its history. In the face of this rapid economic growth, the head-count index of poverty was expected to decline by a further 6 percentage points by 1997.

To spread the benefits of higher growth more evenly, Indian policy-makers have concentrated on rural areas, providing food security to the poor through the Public Distribution System (PDS)—which supplied 18.4 million tonnes of food-grain in 1990-2. Other initiatives include self-employment and wage employment programmes concentrated in rural areas, such as the Integrated Rural Development Programme and Jawahar Rozgar Yojana.

On the other hand, the rising poverty level in Pakistan during the 1990s is partly a by-product of the slow-down of the economy, and partly due to successive governments' inability to translate the economic growth of the 1980s into a better life for the poor. Governments have played a marginal role in transferring income to the needy. Currently, only 0.22 per cent of GDP is transferred to the poor as *Zakat*; less than 3 per cent is spent on education; and a meagre 1 per cent on health services. There are, however, positive initiatives underway: encouraging examples are the recently initiated 2010 Vision that aims at ambitious advances in human develop-

ment; the Social Action Programme's increasing allocation to social sectors, from 1.96 per cent of GDP in 1992 to a projected 2.7 per cent in 1998; and the Poverty Alleviation Fund.

Bangladesh and Nepal's relative failure to reduce poverty can be partly attributed to low per capita growth rates.

Table 1.4 Capabilities and opportunities of South Asian women

	South Asia	Sub-Saharan Africa	East Asia (excl. China)	All Developing Countries
CAPABILITIES				
Education Profile				
Adult female literacy rate	36.0	44.6	71.0	62.0
<i>Female as % of male</i>	58.0	66.0	80.0	78.0
Primary school enrolment				
<i>Female as % of male</i>	79.0	85.0	96.0	88.0
Tertiary school enrolment				
<i>Female as % of male</i>	48.0	46.0	73.0	44.0
Mean years of schooling	1.2	1.3	6.2	3.0
Health Profile				
Female life expectancy at birth 1995	61.6	52.4	69.2	84.0
Maternal mortality rate (per 100,000 live births) 1990-96	479.8	739.98	264.4	n/a
Total fertility rate 1996	3.5	5.9	2.6	3.2
Women using contraceptives (%) 1990-5	39.3	14.4	58.2	56.0
OPPORTUNITIES				
Economic Opportunities				
Earned income share (%) 1995	24.7	35.5	33.2	32.4
Economic activity rate (% age 15 and above) 1995	48.0	73.4	67.5	64.0
<i>Occupation</i>				
Administrative and managerial (%) 1992-6	2.7	6.1	13.7	n/a
Professional and technical (%) 1992-6	21.4	17.2	45.0	n/a
Political Opportunities				
Share of females in Parliament (%)	6.8	3.9	9.5	8.6
Share of females at ministerial level 1995	4.2	6.8	4.5	5.0
Human Development Indicators				
Human Development Index (HDI) 1995	0.445	0.385	0.739	0.588
Gender-Related Development Index (GDI) 1995	0.415	0.371	0.707	0.564
Gender Empowerment Index (GEM) 1995	0.226	0.339	0.381	n/a

Source: Haq 1997 and 1998a; UNDP 1995a and 1998a; UNICEF 1998; and World Bank 1998q.

Sri Lanka would have made even more impressive progress on the poverty front had it not suffered from civil unrest

Recently, Bangladesh has taken considerable measures to address poverty through building a larger human capital base. The total allocation to social sector development in 1998-9 was 18 per cent of total government expenditures. Complementing this is the wide network of non-governmental organisations (NGOs). The provision of micro-credit by Grameen Bank, other NGOs, and government organisations benefited almost 8.8 million people in 1998. However, the geographical location and climatic conditions in Bangladesh, causing severe catastrophes (1987, 1988, 1998 floods and the 1991 cyclone), have continually disrupted the fight against poverty. A series of natural disasters over the last year has increased levels of poverty. The estimated cost of the 1998 flood was an enormous \$2 billion. Box 1.1 shows the massive human and social costs of the recent natural disasters in the region.

In Sri Lanka, despite low growth, significant advances have been made in improving income distribution and general living standards. The incidence of poverty in Sri Lanka is lower than that in other South Asian countries. This has been achieved by a strong commitment to the social sectors. This was possible through political will to target policies effectively. Undoubtedly, Sri Lanka would have made even more impressive progress on the poverty front had it not suffered from civil unrest.

Poverty redressal: the way forward

From the above analysis, a number of key insights for devising poverty reduction strategies emerge.

First, the evidence indicates that equitable patterns of growth are essential for sustainable poverty reduction. This requires a two-pronged approach consisting of broad-based economic

Box 1.1 Coping with catastrophe: natural disasters and human development

Natural disasters – floods, earthquakes, cyclones, land-slides – have affected the well-being of many South Asians. Besides the loss of human lives, such disasters have caused extensive damage to livestock, housing, roads and infrastructure, standing crops, and therefore, the livelihood of the people. These translate into colossal economic and social costs that reach far beyond the immediate havoc they cause. They decrease growth prospects, increase unemployment, and play havoc with the lives of the poor and the vulnerable.

The most recent floods in Bangladesh have highlighted their impact on human development. Feared as one of Bangladesh's worst floods this century, the flood of 1998 inundated two-thirds of the country. 33 million people were marooned, of which 18 million needed emergency food and health services. The prolonged flood caused unemployment, leaving daily-wage workers and disadvantaged groups (female-headed households and children) with no income support and no food. The food shortage and assistance required for their subsistence was estimated at 14,000 metric tonnes over a six-week period. The flood also brought

associated concerns of health and disease, as diarrhoea and hepatitis spread through contaminated water usage. More than 1 million hectares of cropland was damaged, raising fears of famine.

Similar natural catastrophes in other South Asian countries have undermined efforts to alleviate poverty and human deprivation. In Nepal, for example, periodic landslides and floods have remained a threat to people. Each year, over 350 people fall victim to natural disasters. Similarly, in India floods and cyclones cause immense human distress. Every year, more than 1,400 human lives are lost, over 7.5 million hectares of land is affected, and, almost Rs 10 billion worth of damage is done (Dwivedi et al. 1998).

But nature is not always to blame – some disasters are man made. For example, Nepal is experiencing deforestation at an annual rate of 2 per cent. Besides altering the ecosystem, such developments increase the risk of landslides through soil erosion. This further increases the rubble that is carried down by rain and river water to riverbeds in the plains, thereby decreasing the river depth and increasing risk of floods.

Climatic change and rising sea levels are also partly man-made. It is thus important to address the causes behind these unfolding environmental problems in order to limit the human costs of disasters.

Effective post disaster measures are necessary to limit the impact of such catastrophes. To provide income support to the affected poor, micro-credit programmes have to be initiated. Citizen and NGO initiative can help in this respect. At the same time, state and international agencies can be active in rebuilding infrastructure and initiating rehabilitation programmes. Undoubtedly, in the case of Bangladesh's recent floods, it was the presence and timely action of civil society and the government that was most effective in curtailing the extent of the fallout.

In order to minimize the costs of these catastrophes, South Asian governments need to chalk-out both response plans, as well as preventive strategies. Pre-disaster preparedness requires forecasting and warning systems to be in place. Timely delivery of information is vital. Governments and media should ensure expeditious action and raise awareness in risk prone areas.

Source: Bangladesh Flood 98 (website); Dwivedi et al. 1998; *Rising Nepal* (various issues); *The Hindu* (various issues); *The Statesman* (various issues).

growth and improved access to social services. Thus, policies supporting economic stability, as well as embedded safety nets, are necessary to reduce poverty and protect the poor. Since it is always social expenditures that are cut back under unforeseen circumstances and adjustment, there should be both flexibility and rigidity in the allocation of budgets: flexibility to extend greater support to the poorest sections while rigidity in terms of fixing minimum support to social sectors and development even during recessions.

Second, separate strategies are required for tackling poverty in rural and urban areas. This is since the factors augmenting poverty are vastly different in these areas. Rural poverty requires more immediate attention, as four out of five poor people live in rural areas. Elimination of urban bias in public expenditures and redirection of resources to rural development and agricultural support programmes are essential to address rural poverty. Strategies to reduce poverty must be situation specific, directly addressing the realities on the ground. These should concentrate on building local capacities, improving asset distribution (including land reforms), and providing micro-credit.

Third, since the region has variable experiences in poverty reduction, it is important for policy-makers to draw upon success stories from within their own countries as well as from their neighbours. Experience shows that effective poverty redressal requires the active involvement of local governments. Local governments must prioritise poverty alleviation in order to serve people's needs and respond to their immediate concerns. This can increase participation, making development more people-centred. Kerala presents one positive example of community and state participation in the implementation of effective poverty alleviation programmes. There is a strong local ownership of poverty programmes, made possible through the transfer of administrative and financial powers to the local tiers of government.

Clearly, South Asia has much to learn in its fight against poverty. Despite considerable progress in some countries in expanding basic human capabilities, the absolute number of poor in the region has continued to increase. It is evident that the challenge of poverty alleviation in South Asia has only just begun. The immediate task facing policy makers is to address basic human concerns in times of regional military escalation and global economic crisis.

Human security under siege

South Asia is one of the most militarised regions in the world (see table 1.5); it is also one of the poorest. Yet South Asian governments continue to redirect scarce resources toward building new weapons of mass destruction. Such non-productive investments, in the name of national security, are taking a high toll on human security while people's lives, the means as well as the ends of all development concerns, are left unheeded.

An alarming development for South Asia is the open nuclearisation of an already vulnerable and volatile region. India's three nuclear tests on the morning of 11 May 1998 and two on May 13, near the Rajasthan village of Pokhran, heralded a new age of nuclear politics for South Asia and a seismic shift in the region's relations with the outside world. Pakistan's six nuclear counter-blasts fifteen days later (on 28 and 30 May) in Chaghai, Baluchistan further shattered the global nuclear non-proliferation framework under the Nuclear Non-Proliferation Treaty (NPT), sharpening tensions between the two South Asian rivals. India and Pakistan's overt nuclear capabilities have undermined the 'security in ambiguity' surrounding the subcontinent's nuclear deterrence. Military expenditures, already high in the region, are projected to increase considerably with the advent of full-scale nuclear programmes. The implications for promoting human security and human development in South Asia are disturbing. Due to the dangers, as well as large

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