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Last September, the United Nations Millennium Assembly of more than 160 world leaders put ending poverty at the center of their goals for the next century—the foremost goal being to halve the proportion of people living in extreme poverty by 2015. At present, nearly one in five people (some 1.2 billion people) lives in extreme poverty, subsisting on the equivalent of less than a dollar a day. This number remains broadly unchanged from a decade ago. And while there has been enormous progress in some parts of the world, notably in Asia, the fact is that in more than 50 countries, mainly in Sub-Saharan Africa, per capita incomes are lower now than they were a decade ago (United Nations Conference on Trade and Development, *The LDC Report 2000*).

Poverty, however, is more than the deprivation of incomes. It is a denial of rights, of opportunities, of hope for the future. Poverty is reinforced and reflected in the fact that the poorest 20 percent of the global population is 14 times more likely to die in childhood than the richest 20 percent, and that 113 million primary school age children, the majority of them girls, are still denied an education.

For these reasons, the Millennium Declaration also set out a range of poverty targets for the next 15 years—from stemming the spread of HIV/AIDS, malaria, and tuberculosis; to cutting rates of infant and maternal mortality; and to increasing access to primary and secondary education, particularly for girls.

These targets now give the world a shared destination and a timetable for tackling global poverty. But we need a clearer vision and map of how to get there. And to get there, we must avoid past mistakes and learn from successful experiences. Take the case of East Asia and the Pacific, where, for instance, the proportion of extremely poor people has plummeted from 28 to 15 percent in just the last 10 years (World Bank, *World Development Report 2000/01*). In fact, continued improvements on this scale in Asia alone, where two thirds of the world's very poor people currently live, would have a significant impact on global poverty by 2015.

The challenge facing us now is to accelerate and widen this circle of successful poverty reduction, and if we understand and listen to the economic and political lessons of the past, they provide us with the key starting points:

- selecting, pacing, and sequencing policies capable of fostering equitable economic growth;
- establishing and increasing the efficiency, transparency, and accountability of institutions that manage economic reforms;
- fostering country ownership of the reform process;
- reducing national inequalities;
- ensuring that adequate resources are mobilized for poverty reduction; and
- harmonizing national poverty reduction strategies with more equitable global economic and financial regimes.

Let me expand on these points and in so doing present the views of the United Nations Development Programme (UNDP) on Poverty Reduction:

1. Widening the Circle of Successful Poverty Reduction

a. Select, pace, and sequence appropriate macroeconomic policies that promote and sustain equitable growth

Typically, macroeconomic policies such as fiscal, monetary, and exchange-rate policies have been used as instruments to stabilize and adjust economies, and to lay the conditions for economic growth. The essential objective of stabilization policies is to manage inflation and the fiscal deficit. However, does this preoccupation with fiscal deficits lead to the adoption of macro policies that are pro-poor? We know from the experience of many countries that national budgets and essential poverty-related expenditures are often squeezed because reducing fiscal deficits and controlling inflation acquires a higher priority.

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Further, with the simultaneous liberalization of various sectors of economies, we have also witnessed crises and dislocations—and we have seen that it is the poor who bear the costliest burden of such adjustments. Take, for instance, the relation between trade and financial liberalization. The Asian financial crisis demonstrated clearly how trade liberalization policies in the context of financial liberalization could severely exacerbate poverty and inequality. In Indonesia, the severe devaluations of the rupiah meant that basic food and medicine became unaffordable and unavailable to a large majority of the poor.

What this has taught us is that the links between macroeconomic policies and poverty reduction are critical and must be developed, keeping in mind the country's specific development needs. The selection, pacing, and sequencing of macroeconomic policies is therefore extremely important if poverty reduction is truly the overarching objective.

And if poverty reduction is a priority, then assessing the impact of proposed reforms on poverty must be a priority too. Such impact assessments could ensure that where the proposed reforms have potential negative effects on poverty reduction, the reforms could be redesigned, sequenced differently, delayed, or even halted.

Recently, this objective of aligning the macroeconomic framework with a country's poverty reduction strategy has been established as the blueprint for a new international development initiative—the Poverty Reduction Strategy Paper (PRSP)—an initiative led by the World Bank and the International Monetary Fund for countries seeking debt relief or concessional finance from the International Development Association or the Poverty Reduction Growth Facility. In the next two years, 70 countries (including 10 in the Asian region) will prepare PRSPs.

However, a preliminary review of the first set of interim PRSPs indicates that the concern with fiscal deficits and inflation continues to be at the core of the macroeconomic framework being adopted. Although the PRSPs were to assess the impact of proposed reforms on poverty before they were undertaken (ex-ante assessments), this has not yet happened. Consequently, there is not much discussion on realistic policy choices and tradeoffs.

b. Establish and increase the efficiency, transparency, and accountability of institutions to manage macroeconomic reforms

For macroeconomic reforms to succeed, developing countries need effective and functioning institutions. Indeed, an important lesson of the crisis in Asia was the caution to policymakers that developing countries should not liberalize their capital accounts until their core economic and financial institutions are more mature. Building capacity for public sector management is thus critical, and a high priority should be placed on strengthening countries' macroeconomic institutions, especially the central banks and finance ministries, and on making such institutions more transparent and accountable to their citizens and parliaments.

c. Foster ownership of the reform process

Emphasis should also be placed on bringing the main elements of macroeconomic policies and tradeoffs into the public domain. This would allow a public discourse on the full consequences of these policies, including their social dimensions, and could help achieve a balance between economic and social priorities and enhance the acceptance of the chosen macroeconomic policies—even facilitate their implementation. Indeed, one reason why reforms have been derailed in some countries is the lack of ownership of the reform process. It is not sufficient to have governments and parliaments endorse policies. It is extremely important to build a domestic constituency for reform and bring in other voices and stakeholders, such as civil society groups, nongovernment organizations, and private sector actors, to inform the decision-making process.

d. Focus on inequality and distributive policy

In the past, policies to stimulate economic growth were considered adequate to meet poverty reduction targets. However, evidence shows that inequality is a major impediment to poverty reduction. Growth alone, in many countries, will not be sufficient to halve income poverty by 2015. In some very poor countries, too many people are too deeply poor. In some middle-income countries, initial inequality is too great. Inequality works against poverty reduction in two ways: it slows growth, and it increases the difficulty of channeling the benefits of growth to the poor. Recent studies have shown that countries with high inequality will need a rate of growth more than twice as high as that for countries with low inequality if they are to meet the benchmark target of halving the proportion of the population that is poor by 2015. In short, these results underscore the importance of addressing inequality as an obstacle to reducing poverty.

This reduction in inequality may be achieved through the redistributive empowerment of the poor through higher shares, access, and control of appropriate assets (such as land and education), institutions, technologies, and markets. Fiscal policies can be used to shift expenditures for poverty-related programs to lessen the degree of inequality in countries.

e. Ensure adequate resources for poverty reduction

In a fundamental sense, success in poverty reduction will depend on the availability of adequate resources to finance poverty-related expenditures. For the heavily indebted poor countries and the least developed countries, debt relief and concessional finance are not the answer, even though they are critical in the short term. We must also be vigilant about the use of additional lending as the principal means by which to finance poverty-related expenditures, especially since this can increase these countries' future indebtedness and debt service obligations.

Further, we must be cautious about international capital flows, especially portfolio flows. As the world learned after the recent shocks in Asia, the former Soviet Union, and much of Latin America, such money is fickle. Large inflows one year can be followed a year later by panic-driven outflows, wreaking a devastating effect on the economy and particularly on the poor. The fact is that long-term dependence on external financing is not healthy. Poor countries need to refocus attention on domestic capital formation and credit provision. Effectively, much more attention needs to be paid to encouraging domestic savings. This is a daunting task, especially for very poor countries with undiversified economies, but we cannot shy away from it. We need to explore innovative proposals for mobilizing domestic resources for poverty reduction, such as those advocated by the Peruvian economist Hernando de Soto, to legalize informal sector ownership as a means of giving the poor real assets against which they can raise capital.

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f. Harmonize national strategies for poverty reduction with the global context

In an increasingly interdependent and integrated world, national poverty reduction strategies must be harmonized with global trading and financial regimes. Asymmetries in the global trading regimes can impact significantly on countries' efforts to reduce poverty. Last year, for example, the price of the world's second most widely traded commodity, coffee, plunged nearly 50 percent, and other key products such as timber and coconut oil fell 40 percent or more, while oil prices soared. Oil-importing developing countries consequently suffered a double shock. These problems were exacerbated by the fact that most rich countries are still very reluctant to open their own markets, particularly in agriculture and textiles. Developing countries as a whole would stand to gain as much as an extra $150 billion (three times the total flow of aid) if all developed countries' tariffs were cut in half.

In developing countries, even those with a low exposure to international trade, the opportunities and risks of globalization can overwhelm rational decision making. Developing countries need a global strategy, not just a national one, and we need to ensure that the opportunities offered by globalization are harnessed by developing nations. In this context, we must encourage faster and more effective global technology flows to poor countries, and much better application of those technologies to real development needs. The most important of these are information and communication technologies (ICTs). Through strategic use of wireless communication, Internet, and other applications in areas from health care to education to service provision to business development, there is for the first time the real potential for very poor countries to leapfrog into a new dynamic path of economic development.

2. The Role of the United Nations and the United Nations Development Programme

As the developing countries' development agency, UNDP is taking the lead within the United Nations system in tackling the overarching target of halving world poverty. But given such a multifaceted challenge, we are also carefully rethinking our direct role in development. Where can we make the best and most effective contribution, drawing on our strengths while leveraging our comparatively limited resources to play a properly catalytic role in developing countries?

The answer lies in sharply narrowing our focus, moving out of lower-impact projects done better by others, building on our critical assets of developing country trust and expertise in the human development area. In this way, we can make a pivotal contribution to meeting the development targets, by undertaking the following:

- Helping stimulate debate at the global level on policy alternatives to create a more inclusive global economy; taking a more aggressive advocacy role to push for wider, deeper, and faster debt relief and trade access; and providing concrete support to developing countries to build their national capacities in this critical area by working with the World Trade Organization and other partners on initiatives like the Integrated Trade Framework.

- Drawing on the unmatched data and ideas contained in our global, subregional, and national *Human Development Reports* to help support a new *State of the World Report*, to be published annually by the Secretary General, which will detail and benchmark progress toward the Millennium Declaration development targets.
- Combining this information with our support to national poverty surveys to analyze trends and recommend key policy remedies to governments, and using that information to help them build capacity in critical areas, such as more accountable public resource management and direct assistance in drawing up national poverty strategies—the latter something more than 80 of our country offices around the world are already working on.
- Using this platform to expand our support and involvement in the PRSP process—but making sure that our role is to help keep country interests front and center, while bringing human development issues to the heart of the process; and where appropriate, offering alternative macroeconomic policies and scenarios, while constantly reviewing results from pioneering early initiatives.
- Ensuring that this support and analysis is used to help integrate related development issues, most notably empowerment of women and protection of the environment, which are much talked about in principle but in practice often sidelined at critical policy decision points.
- Engaging in direct promotion of human development, by helping governments create an enabling environment for the spread of new technologies like ICT.
- Promoting access to sustainable energy sources, something that not only benefits the environment but has a liberating impact on poor women by reducing the amount of time they are forced to spend foraging for firewood and other fuel.
- And last, but certainly not least, strengthening and expanding our democratic governance programs to increase participation of and protection for the poor at all levels of society, by helping governments establish human rights programs, strengthen parliamentary operations and oversight, and improve the policy environment for civil society and the media to boost accountability.

But to make this combination of cutting-edge advice and strategic advocacy successful, we need a critical ingredient: partnerships. That means working closely with our program countries, our partners in the United Nations Development Group, the World Bank, regional development banks, bilateral partners, regional and national policy institutions, civil society, and the private sector. Indeed, only by combining our collective energies, commitment, and resources can we hope to attain the Millennium Summit targets.