The OXFAM POVERTY REPORT

Kevin Watkins
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Introduction

The battle for peace has to be fought on two fronts. The first is the security front, where victory spells freedom from fear. The second is the economic and social front, where victory spells freedom from want.

US Secretary of State, Cordell Hull, 1945

Our common humanity transcends the oceans and all national boundaries ... Let it never be asked of any of us — what did we do when we knew another was oppressed?

Nelson Mandela, President of South Africa, 1992

Were all humanity a single nation-state, the present North–South divide would make it an unviable, semi-feudal entity, split by internal conflicts ... a world so divided should be regarded as inherently unstable.

The South Commission, 1992

The vision that faded

Half-a-century ago, the United Nations emerged as a beacon of hope out of the darkness of the Second World War and the years of economic depression, social dislocation, and international tension which preceded it. The institutions of global governance which emerged alongside the UN in the post-war period were partly a response to the failures of the 1930s, and partly the product of an inspired vision for the future. The resolve which underpinned that vision was rooted in the two simple words 'never again'. Never again should violence and conflict be allowed to destroy the lives of the world's people. Never again should poverty and mass unemployment be tolerated. And never again should governments relinquish responsibility for protecting the most basic social and economic rights of their citizens.

The UN Charter and the Universal Declaration of Human Rights provided the moral framework for a new system of rights and obligations upon which the new order was to be built. Far from being empty rhetorical flourishes, these documents were statements of intent. As President Roosevelt wrote: 'this is no vision of a distant millenium. It is a definite basis for a world attainable in our own time and generation.'

The five decades which have elapsed since the UN was founded have witnessed some remarkable changes. Global economic wealth has increased sevenfold and average incomes have tripled. The record of advancement in human welfare, measured by increased life
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expectancy, falling infant mortality, improved nutrition, and increased educational attainment, has been unprecedented. Yet in the midst of this progress, the basic rights enshrined in the UN Charter are being violated on a massive scale. For the millions of women, men, and children whose lives are being destroyed by armed conflict, the Charter's pledge to 'save succeeding generations from the scourge of war' offers a cruel parody of reality. As we near the beginning of the twenty-first century, genocide, systematic attacks upon civilian populations, and mass rape, are claiming unprecedented numbers of victims.

But no combination of war or natural disaster inflicts suffering or destroys human potential on the scale of the 'silent emergency' of poverty. Today, one in four of the world's people live in a state of absolute want, unable to meet their basic needs. Millions more live close to this perilous condition on the very margins of survival. In a world where technological frontiers are being pushed back at a breathtaking rate, 35,000 children die every day from diseases which could be prevented through access to adequate nutrition and the most basic health provision. Meanwhile, one half of the world's population is systematically discriminated against and denied opportunity, for the 'crime' of having a female chromosome.

Even stated in cold figures, the scale of global deprivation retains the power to shock. But facts and words alone can never capture the suffering inflicted by poverty. They cannot, for example, convey the tragedy of the one in six African children who will not live to see their fifth birthday; or of the half a million women who die each year from causes related to pregnancy and inadequate health care. Nor can they capture the vast wastage of potential represented by the 130 million children who do not attend primary school.

Working together for change

Local initiatives of this type provide a powerful force for change. So, too, do the growing number of community groups and non-governmental organisations (NGOs) which have emerged in response to the deepening development crisis. New alliances for change are emerging. In Brazil, a mass campaign against hunger has brought together churches, trade unions, NGOs, the private sector, and local government, involving millions of people in practical local-level action to raise awareness of the causes of extreme poverty. This is a powerful example of co-operation between different layers of civil society in response to an erosion of social and economic rights.

Alliances are also emerging on the international stage. Many of Oxfam's partners were among the thousands of NGOs which lobbied the Earth Summit in 1992 and the World Summit for Social Development in 1995. The communiqués agreed at those Summits bear the imprint of their influence. Some NGOs are now working to encourage the public pressure
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for change which will be needed to translate the agreed principles into practice. Others are working together in regional and international networks to address human development problems associated with conflict, trade, and finance, in an attempt to force the interests of the poor on to the agendas of the world’s governments.

The new global alliances which are emerging reflect a growing recognition of the challenges created by the globalisation of the world economy. Foreign investment and international trade flows are creating a world of increasingly porous borders, in which governments are being superseded by enormously powerful transnational companies (TNCs). The deregulation of markets and the growing power of international financial institutions have contributed to this trend. Yet there have been no countervailing measures to protect global citizenship rights in the manner envisaged by the UN. In a small way, the international alliances of citizen’s groups which are now emerging are starting to fill this gap, building bridges between local action and international policy debates. Once again, this is a positive contribution towards the creation of the type of world envisaged by the United Nations.

Rich and poor: the widening gap

But while local communities and citizens’ groups have emerged as a powerful force for positive change, the same cannot be said for governments. If poverty were an infectious disease, which could be caught by the rich as well as the poor, it would have been eradicated long ago. Political will and financial resources would have been found in abundance, just as they were to develop instruments of mass destruction during the Cold War. Yet governments, North and South, have been willing to tolerate and acquiesce in the steady marginalisation of the poor.

Fifty years ago, the post-war settlement sought to establish a framework for shared prosperity. Markets were to play a central role in expanding that prosperity. But the extremes of poverty, inequality, and instability associated with uncontrolled markets were to be avoided through state regulation, in the public interest, at both national and global level. Today, however, most governments and the international financial institutions created at Bretton Woods to oversee the new order, place far too much faith in laissez-faire economic policies. Poverty reduction is supposed to emerge principally as a by-product of market deregulation, with the benefits of growth gradually trickling down to the lowest strata of societies. In reality, the divergence in living standards between rich and poor is assuming ever more significant proportions.

Economic growth is imperative if poverty is to be reduced. But the distribution of wealth is as important as its creation. At an international level there is a gross maldistribution, with the structures of world trade and finance supporting an increasing concentration of wealth in the industrialised world. In 1960, the richest fifth of the world’s population living in the industrially advanced countries, had average incomes 30 times greater than the poorest fifth, living in the developing world. By 1990, they were receiving 60 times more. Calculating real purchasing power differences, as the International Monetary Fund now does, reduces the disparity — but it is still greater than 50:1. While it is true that the Third World is not a homogeneous bloc, and that some countries, notably in East Asia, have increased their share of world income, the poorest countries are falling further behind. The poorest 50 countries, mostly in Africa, have seen their incomes decline to the point where they now account for less than 2 per cent of global income. These countries are home to one-fifth of the world’s people.

The persistence of poverty

Developments within countries have mirrored the trends in the international economy, with the poorest sections of society becoming increasingly marginalised. In most developing
countries, the poorest fifth of the population share between them, on average, little more than 5 per cent of national income, while the wealthiest fifth claim over half.

Nowhere in the developing world are the contrasts between poverty and national wealth more striking than in Latin America and the Caribbean. While average incomes are six times those in Africa, some 200 million people live in poverty. Inequalities are widening across the region. Despite its financial crisis, Mexico has achieved one economic distinction: it has the world's fastest growing number of billionaires, with 13 in 1994. The combined wealth of these individuals is more than double the combined wealth of the poorest 17 million Mexicans, whose share of national income is falling. More generally, while the middle and upper classes of the region enjoy living standards comparable to those of the industrial world, millions of families — from the Altiplano of Bolivia to the slums of Peru and Brazil — are no better off than Sub-Saharan Africans. Almost one million children in the region die each year from causes which are largely preventible, and another seven million are malnourished.

Left unchecked, poverty will continue to claim victims on a growing scale. On present trends, the number of people living in poverty could rise to 1.5 billion by 2025. In South Asia, home to the world's largest population of poor people, the proportion of people living below the poverty line is falling, but the absolute number is rising. Sub-Saharan Africa is a special source of concern because poverty is increasing not only in terms of the total numbers affected but also as a proportion of the population. By the end of the decade, the ranks of the 218
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million Africans living in poverty will have swelled to 300 million, with the downward spiral in human welfare indicators likely to continue into the next century. Sub-Saharan Africa is now the only part of the developing world in which infant mortality rates are rising and literacy levels falling. For Latin America, growth patterns imposed on the region's grossly unequal social structures offer a future of increased marginalisation for the poor.

The tendency towards increased poverty and inequality is not confined to developing countries. In the United States an additional four million children fell into poverty during the 1980s, even though the wealth generated by the country's economy expanded by one-fifth. By 1992, child poverty affected 22 per cent of all children, and infant mortality rates for black children were more than double those for white children. In the European Union, the number of people living in poverty grew from 38 million to 52 million between 1975 and 1988. Several countries experienced a dramatic increase in poverty and inequality. For example, until the mid-1970s, income inequality in the UK was in steady decline as economic growth increased general prosperity. However, over the period 1979-1992, the poorest quarter of the population failed to benefit from economic growth. As a result, the proportion of the population with less than half the average income has trebled since 1977. Today, 12 million people live on less than half the average income, more than double the number in 1979; and the number of individuals living below the poverty line has increased from 5 million to almost 14 million.

The 'culture of contentment'

Of course, poverty in the industrialised world is not in the same category as poverty in the developing world, being measured in terms of relative deprivation rather than absolute want. However, the willingness of governments in the world's richest countries to tolerate the exclusion of so many people from an acceptable way of life at home, speaks volumes about a wider indifference to poverty.

Writing about his own society, the American economist JK Galbraith has described a 'culture of contentment', in which governments representing a prosperous majority are willing to maintain an economic system which disenfranchises a large 'underclass'. The enjoyment of prosperity for the contented majority is disturbed only by a continuing threat of 'underclass' social disorder, crime, and conflict. The role of the state, in Galbraith's account, is becoming similar to that of a security firm, containing social tensions within urban ghettos at minimal cost. The alternative of raising taxes to address the underlying causes of social marginalisation, is ruled out on the grounds that it would alienate the prosperous majority upon whom re-election depends. Yet it is in this tension between security and the suppression of the 'underclass' that Galbraith identifies a force for change. He writes: 'The age of contentment will come to an end only when and if the adverse developments that it fosters challenge the sense of comfortable well-being.'

Most people in the industrial world will find a resonance between Galbraith's sobering description of US political life and their own experience. While the majority of people in most industrial countries have attained levels of affluence which would have been unthinkable even 20 years ago, insecurity has also reached record levels. Drug dealing, inner-city crime, family disintegration, mass unemployment, are now all aspects of everyday experience. The most immediate costs are borne by the poor, but there is a deep and pervasive sense of society breaking down in a manner which threatens everybody. There is also a deepening sense of unease at the social and moral implications of allowing poverty, homelessness, and widening inequality to destroy the lives of vast numbers of people, and at the waste of human potential caused by poverty. The ethos of the 1980s, when the pursuit of individual advancement was presented as a form of inadvertent altruism, is now questioned both on grounds of self-
interest and out of moral concern. The new ethos of enlightened self-interest was reflected in one recent report on inequality in Britain, which concluded:

*Failure to reintegrate (the) excluded minority into the mainstream of society will leave the well-to-do majority with a heavy price to pay in terms of increased public spending, wasted economic resources and social dislocation.*

The challenge is to extend this enlightened self-interest and moral concern to the international stage and to developing countries. There, too, a culture of contentment is much in evidence. Northern governments, which control the governance of the world economy, are content to tolerate and maintain trade and financial structures which concentrate wealth in the industrialised world, while excluding the poorest countries and people from a share in global prosperity.

For their part, most Third World governments have their own culture of contentment. They maintain systems of income and land distribution which exclude poor people; they concentrate public investment in areas where it maximises returns to the wealthy and minimises returns to the poor; and all too often they waste vast sums on armaments, creating military machines which are as impressive as their country's human welfare indicators are depressing. One aim of Oxfam's campaign is to build a bridge between citizens in the North and the South who are working to challenge the forces which deprive people of their rights at local, national, and international levels.

**Shutting out the problems**

Underpinning the global culture of contentment is a presumption on the part of Northern governments that the social problems associated with international deprivation can be 'ring-fenced', or contained within discrete boundaries; but this is not possible. Deepening poverty is one of the main driving forces behind the civil conflicts which are creating unprecedented numbers of refugees and displaced people. It is also causing the growth of sprawling urban slums, which have become focal points for social tension, and political disaffection. Migration to these slums is being enforced by environmental degradation, linking town and country in a vicious circle of social decline.

The consequences of such trends cannot, as Northern governments appear to imagine, be contained by border controls. Social collapse and the disintegration of states has been accompanied by the mass migration of refugees, the increase in international drug trafficking and organised crime, the spread of regional tensions, and recourse to violence. Just as crime and social breakdown in the industrial world will not respect the boundaries of affluent middle-class suburbs, so the forces unleashed by conflict and global poverty will not respect national borders, however well-defended they may be; and however restrictive the immigration policies of the states which control them.

The architects of the UN system, with the experience of the Great Depression a vivid memory, recognised that real security could never be built upon poverty. That was the overwhelming lesson of the 1930s which they took with them into the San Francisco conference which established the UN. Without peace, the UN Charter recognised, there could be no lasting social progress; but without social progress there could be no lasting peace. Thus 'freedom from want' and 'freedom from fear' became the rallying calls for a new order to be built upon the foundations of international cooperation and shared prosperity. Fifty years on, there is a new crisis in human security every bit as threatening as that which gave rise to the UN.

People are desperate for alternatives which offer hope, instead of a world scarred by deepening poverty, inequality, and insecurity. Yet the institutions created 50 years ago to win the peace are failing, with governments, to offer alternatives. In large measure, this can be traced to a vacuum in political leadership. Indeed, at no stage in post-war history have the
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challenges facing humanity been so great and the political vision of world leaders so myopic.

The need for a renewed vision

The anniversary of the UN provides an opportunity for governments and citizens' groups to provide a new vision for human security and poverty eradication into the next century. In the past, moments of crisis in the twentieth century have brought forward acts of great political courage and imagination. The New Deal of the 1930s and the Beveridge Report which founded the British welfare state are two examples. Writing in the 1940s, William Beveridge defended his declaration of war against the 'five great evils' of ignorance, disease, squalor, idleness, and unemployment, by emphasizing the scale of the challenge to be confronted. 'A revolutionary moment in world history,' he wrote, 'is a time for revolutions, not for patching.' A similar sense of purpose underpinned the UN Charter, which established in embryonic form an international charter of citizenship rights. The challenge today is both to develop and to implement new social compacts at the national and international level through which these rights can be realised. This will require institutional change as well as reforms in economic policy. Weak institutions which are loosely connected to civil society cannot oversee the effective implementation of strategies for achieving social and economic rights, however well-intentioned governments may be. That is why transparent and accountable government, popular participation in decision-making, and investment in institutional reform are essential to genuine development.

Much of the overall framework for translating social and economic rights from principle into practice already exists. The International Covenant on Economic, Social and Cultural Rights, which came into force in 1976, enshrines most of the social and economic rights contained in the UN Charter and the Universal Declaration, including the rights to adequate nutrition, basic education and health care, shelter, and non-discrimination. Most of the world's governments have signed this Covenant. Unfortunately, they have done so without any serious intention of implementing it. This reflects a wider debasement of the currency of social and economic rights.

In 1993, the world's governments adopted a communiqué at the Vienna Conference on Human Rights confirming that all rights, social and economic as well as civil and political, were 'indivisible, inter-dependent and universal'. Yet they continue to tolerate violations of social and economic rights which, if repeated in the sphere of civil and political rights, would provoke international outrage. One of the underlying reasons for this discrepancy is a view, widespread among governments, that the extension of human rights provisions into the social and economic sphere is misplaced. In particular, many governments claim that full social and economic rights are unattainable, especially in the poorest countries, because of inadequate financial resources. This is at once partially true and totally irrelevant.

It goes without saying that not all countries can immediately provide universal health care, education, and secure employment for their citizens from their own resources. But the purpose of the UN's social and economic rights provisions is to secure the progressive achievement of rights through international cooperation. That is why the International Covenant on Economic, Social and Cultural Rights does not demand that states immediately provide for all citizenship rights. Rather, it calls on them to:

take steps, individually and through international assistance and cooperation, especially economic and technical, to the maximum of available resources, with a view to achieving progressively the full realisation of rights recognised in the present Covenant.16

In other words, there is a collective obligation on governments to adopt policies aimed at enhancing, within the limits of the resources available, the most basic rights of the world's citizens. Regardless of whether or not the full
citizenship rights envisaged by the Covenant are ever realised, the moral entitlements it establishes must remain a guide to action. Writing over 60 years ago in an appeal for greater social equality, RH Tawney faced criticism similar to those levelled at the International Covenant. He responded in the following terms:

*The important thing, however, is not that it (i.e. equality) should be completely attained, but that it should be sincerely sought. What matters to the health of society is the objective towards which its face is set, and to suggest that it is immaterial in which direction it moves, because, whatever the direction, the goal must always elude, is not scientific, but irrational. It is like using the impossibility of absolute cleanliness as a pretext for rolling in a manure heap.'*7

**An end to poverty**

What is vital for the health of our global society today is that governments and citizens set their faces towards global poverty eradication. Inevitably, there are limits to what governments can do for people. But there are no limits to what people can do for themselves when they are given the opportunity to realise their potential. Providing that opportunity within the broad framework of human rights principles established by the UN should be a shared objective for governments, citizens' groups and individuals worldwide.

This is not an argument for the recitation of yet more vacuous statements at the UN, more 'high-level' conferences, or new layers of UN bureaucracy to monitor and oversee the non-performance of governments in protecting the social and economic rights of their citizens. Indeed, the focus should be firmly upon making existing UN machinery for monitoring social and economic rights work more effectively (an issue which we address in our recommendations). For example, the various bodies which monitor compliance with UN human rights conventions should have a strengthened role in monitoring and reporting on the performance of government and international financial institutions in relation to their obligations under the Covenant on Cultural, Economic and Social Rights. Similarly, the Economic and Social Council of the UN, which is becoming increasingly marginal, should be responsible for public debates on the impact of macro-economic trends and policies on social and economic rights.

What is required to translate UN principles into action is the adoption by governments of tangible targets for creating opportunities and, through international co-operation, for them to embark on the task of poverty eradication 'to the maximum of available resources'. There have already been steps taken in the right direction. One of the most encouraging developments in recent years has been the preparation of national programmes of action to achieve the targets set by the 1990 World Summit for Children. These targets include a reduction by one-third in child mortality; a reduction by half in maternal mortality; the provision of universal primary education; and the provision of safe drinking water for all. One advantage of such targets is that they serve as a benchmark against which government policies can be measured. Another is that they expose the fallacy behind the argument that poverty eradication is not affordable. For example, can we really talk about the non-affordability of social and economic rights when:

- Governments can find $800bn a year in military expenditure to finance the acquisition of the means of destruction, but claim to be unable to find the $5bn a year which would provide basic education to all children, helping to release their creative potential for the benefit of all.
- African governments spend more in repaying debts than they do on the health and education of their citizens.
- The costs of meeting the health and education targets agreed at the World Summit for Children represent around 16 per cent of what developing countries currently spend on weapons.
Creating an enabling environment

In this report, we outline some of the wider policy and institutional reforms needed to create an enabling environment for poverty reduction. The starting point, as we stress throughout, must be that of involving men and women in the design of policies which affect their lives. When it comes to understanding poverty, the real experts are the poor themselves. Popular participation, improved accountability, and transparency must be central to any project for poverty reduction which is to have a chance of success.

At a national level, as we argue in Chapter 1, governments in developing countries could do far more to give the poor a stake in society if they were to abandon their preference for defending vested interests. Land redistribution and wider agrarian reform, including the protection of common property resources, is long overdue in Latin America, parts of Africa, and much of Asia. There is also scope for wider redistributive measures, especially in Latin America. According to the World Bank, raising all the poor in that continent above the poverty line would cost the equivalent of only 0.7 per cent of GDP — the approximate equivalent of a 2 per cent income tax increase on the wealthiest fifth of the population.18

Public spending priorities are in urgent need of reform in much of the developing world. At present, social sector spending is concentrated in areas which maximise the benefits to the wealthy, while bypassing the poor. The focus should be firmly upon providing primary health care and basic education. Resources for investment in these areas could be released by a reduction in military spending and more effective regulation of state finances to prevent large-scale corruption. Contrary to the claim that there is a trade-off between economic growth and redistribution, the high-performing economies of South-East Asia have built their high growth rates upon redistributive land and income policies, and the provision of universal primary health care and basic education.

Armed conflict, which we discuss in Chapter 2, is a major source of vulnerability and poverty in many of the countries in which Oxfam works. Increasingly, the victims of these conflicts, whether in Bosnia, Rwanda, or Afghanistan, are civilians. The picture is this area is not entirely bleak. If the peace settlement in Angola holds, southern Africa will be free from war for the first time since the 1960s. Long-running conflicts in Central America have been brought to an end. The durability of peace in these regions will depend critically upon international support for post-conflict reconstruction. In the case of Central America, it will also depend upon the willingness of governments to address the long-standing social inequalities which gave rise to armed conflict in the first place.

But while there are opportunities for peace which must be grasped, the spread of conflict is a source of mounting concern. Deep-rooted ethnic tensions, separatist ambitions, widening social divisions, social disintegration, and environmental degradation are all fuelling armed conflicts. It is increasingly clear that conflict prevention must start, as the UN Charter envisaged, with investment in human development and poverty eradication. More immediately, governments should establish restrictions on arms transfers and a comprehensive ban on the production, storage and sale of a weapon which has come to symbolise the gruesome reality of modern conflict: the land mine.

As we suggest in this report, the UN has suffered from a surfeit of expectation and a deficit in financial resources and leadership. However, more effective forms of UN intervention must be developed to resolve conflict before large-scale violence breaks out, and to provide more responses to the inter-related tasks of peace-making, peace-keeping and delivering humanitarian relief.

The Bretton Woods institutions — the IMF and the World Bank — were created to provide the framework for post-war global economic governance. Their aim was to facilitate full employment and shared prosperity. Today,
both institutions publicly proclaim poverty reduction as their central priority. As we argue in Chapter 3, however, their policies have evolved in a manner at variance with that objective. Instead of promoting full employment and the regulation of markets in the interests of social welfare, both agencies place their faith in the type of laissez-faire prescriptions and deregulated labour markets which their founders saw as directly responsible for the crisis of the 1930s. Moreover, while advocating universal primary health care and basic education, the Bretton Woods agencies have encouraged governments to introduce user-fees for social welfare provision. The result of this incursion of 'market principles' has been to deny vulnerable communities access to health and education. To make matters worse, the economic policies associated with the structural adjustment programmes of the World Bank and the IMF have comprehensively failed to bring economic recovery to many of the world's poorest countries. Even where growth has been achieved, it has been built upon the increased marginalisation and exclusion of the poor. New forms of adjustment are needed to translate any commitment to poverty reduction into practice. Nobody today questions the case for economic reforms aimed at reducing destabilising budget deficits, establishing realistic currency alignments, and restoring balance-of-payment viability. The challenge is to reach these objectives in a manner which protects the vulnerable, is socially inclusive rather than exclusive, and which establishes a foundation for sustainable economic growth.

International trade is one of the main threads of global interdependence. However, as we show in Chapter 4, the benefits of international trade have been disproportionately concentrated in the industrialised countries and a relatively small group of developing countries. The Uruguay Round agreement will do little to change this balance. Nor will it address two deeper problems which have emerged with the accelerating movement towards a globalised economy. First, it is now clear that the relentless expansion of trade has placed an unbearable strain on the natural resource base of many countries, undermining environmental sustainability. Reconciling global commerce with the higher claims of sustainable resource management must occupy a central place on the international trade agenda of the twenty-first century.

Second, globalisation has been accompanied by a formidable increase in the power of TNCs. Increasingly, these companies are able to exploit national differences in social and environmental standards by locating their investment in the sites of maximum profitability. The GATT Uruguay Round will further strengthen their position by limiting the right of governments to regulate foreign investment. The danger which this creates is that of a downward spiral in standards towards the lowest common denominator. Reversing that spiral will require a social clause in international trade rules to enforce compliance with minimum standards.

As we suggest in Chapter 5, the Earth Summit increased public awareness of the formidable threats posed by over-consumption and pollution in the industrial world. While the world's poorest countries account for the bulk of world population, their citizens walk more lightly on the planet and leave a smaller ecological footprint. The average American citizen has an environmental impact on the planet some 140 times greater than the average Bangladeshi, and 250 times greater than the average African. These differences are rooted in the galloping consumerism upon which Northern prosperity has been built. That consumerism imposes a huge strain on the world's resources. With 16 per cent of the world's population, the industrialised countries generate two-thirds of its industrial waste, over one-third of the greenhouse gases responsible for global warming, and they consume over one half of its fossil fuels. Were the developing world to follow the same path to economic growth as the industrial world it would destroy our planet's biosphere, with unthinkable consequences.

Governments and citizens in the industrial world have a responsibility to adopt life-styles
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and energy-conservation measures more compatible with a sustainable future for the planet. That means regulating markets in a manner which ensures that prices reflect more accurately the environmental costs of production. And it means investing in technologies which will lower the pollution associated with production. Such technologies must also be transferred to developing countries on affordable terms.

In Chapter 6, we argue for a major overhaul of financial relations between the industrial and developing world. Debt repayments continue to impose a crushing burden on the world’s poorest countries. Moreover, a growing proportion of that debt is owed to multilateral creditors, which steadfastly refuse to countenance large-scale debt reduction. There is an urgent case for a comprehensive write-off of official debt and for new initiatives to reduce the burden of multilateral debt. In Latin America, the surge in private capital flows since the late 1980s has ended the outflow of financial resources from that region. Despite this, the region still suffers from acute debt problems. For the world’s poorest countries, excluded from private capital markets, international development assistance will remain the major source of external finance. However, the bulk of international aid flows are of questionable relevance to the poor, since donors continue to attach a higher priority to the promotion of commercial self-interest than to poverty reduction.

This report outlines our views on some of the policy changes which are needed to eradicate poverty. As a non-governmental organisation working in over 70 developing countries, Oxfam is acutely aware that there are no easy answers when it comes to development. Much of what we say in this report is highly critical of governments and international financial institutions. But NGOs, Oxfam included, make their share of policy mistakes. Our perspective is informed by what we have learned from our involvement with grassroots communities and popular organisations. In the pages which follow, we set out an analysis which reflects that perspective, and which we hope will be a contribution to a wider debate. Ultimately, however, real progress towards poverty reduction will depend upon local communities coming together to act as a catalyst for change; and on governments, NGOs, and international financial institutions alike listening and learning from them.