

Fight against poverty

Opening up new perspectives

More than 700 million people still live on less than USD 1.90 per day. While the number of poor people has indeed fallen worldwide, hunger, a lack of drinking water and poor access to education are still a feature of daily life for many people. KfW Development Bank is therefore adopting a consistent approach with its projects for reducing poverty.

Background

Hunger, undernourishment or homelessness are the most extreme manifestations of poverty, yet poverty is more than just a lack of food and shelter. Today, we speak of poverty if people are unable to develop and evolve in line with their desires and opportunities. Opportunities for self-fulfilment are limited, for example due to violence and oppression, or because human rights are not respected.

Yet it is mostly income that is used as a measure of poverty. According to the World Bank's definition, someone is considered to be "extremely poor" if they live on less than USD 1.90 per day. The World Bank estimates that, in 2015, around 700 million people were still living in extreme poverty. Poverty is also widespread in middle-income countries: well over half of those deemed to be extremely poor live in industrialising countries.

Yet there is reason to be hopeful: a concerted effort by the international community has succeeded in recent years in lowering the proportion of poor people in the global population. One bold goal was the resolution to halve the number of people living in extreme poverty between 1990 and 2015. The first of the Millennium

Development Goals (MDGs) set by the United Nations was achieved in 2010.

In September 2015, the international community approved the 2030 Agenda for Sustainable Development, replacing the MDGs, at the annual UN General Assembly. Reducing poverty remains a key concern on the new agenda. The first goal, for instance, aims to end poverty everywhere and in every form by 2030 (SDG 1).

The KfW development approach

Unemployment, diseases, conflicts or natural disasters – these can all be factors triggering poverty, much in the same way as weak state-run institutions or the lack of access to basic infrastructure. Moreover, the global financial crisis has exacerbated poverty and social inequality whilst weakening the stability of entire societies.

The responses to the problem of poverty must be as diverse as the causes. Thus KfW Development Bank adopts different approaches to fighting poverty depending on the region concerned.

Poverty also affects some members of society to a greater extent than others. Women, children, the disabled and ethnic minorities are particularly affected in this respect. This is another reason that illustrates that poverty cannot be managed based on a pre-defined

Multi-dimensional poverty concept (according to OECD-DAC)



model or formula.

Focusing on poverty is an all-encompassing principle at KfW Development Bank when it comes to project selection and design. Every project addresses the various options at hand to reduce poverty. When planning projects, KfW Development Bank carefully analyses the national and local conditions in the partner countries. For this purpose it has developed its own instruments which facilitate needs-driven solutions. KfW then decides with its partner which approach is best for reducing poverty. Should it promote direct, specific measures to alleviate poverty, or measures to tackle the structural causes of poverty? KfW Development Bank promotes measures to help people help themselves, as a means of fighting poverty directly. Expanding infrastructure for social services, such as schools, hospitals, water supply or supporting agricultural production are also ways of tackling poverty head-on. In some cases KfW Development Bank finances voucher schemes so that marginalised sections of the population can actually gain access to the newly developed social infrastructure.

Combating the structural causes of poverty requires political dialogue and the reinforcement of government institutions. This involves democratisation, decentralisation or setting up social security systems. Expanding infrastructure such as roads, the energy supply and communication networks also forms part of this approach. Supporting functional financial systems is another factor in the structural fight against poverty.



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Nursery school in Issyk-Kul. Source: ARIS Bishkek

Kyrgyz Republic – conflict prevention and infrastructure to reduce poverty

The Kyrgyz Republic is one of the poorest countries in Central Asia. In its rural regions, two-thirds of the population live below the poverty line of USD 1.90 per day. This region is home not only to Kyrgyz people but also to Uzbeks. In 2010 there was severe unrest between the two segments of the population.

Nursery schools, schools, health units, irrigation canals, electricity and gas supply systems – together with the World Bank, KfW is promoting the development of this economic and social infrastructure, as well as municipal services, to improve the living conditions of the Kyrgyz people and the Uzbeks as part of the “Village Investment Project”.

The communities participating in the project draw up community development strategies aided by civil society and autonomously prioritise their most urgent infrastructure measures. To turn their planned projects into a reality, those involved receive appropriate training and are given support in the form of know-how for building and operating the project facilities. Influential people and young adults from the villages are trained in conflict prevention methods to proactively avoid disputes between the Kyrgyz and the Uzbek people. KfW Development Bank is financing this direct approach to tackling poverty – helping people to help themselves – with funds of EUR 5.5 million from the German Federal Ministry for Economic Cooperation and Development (BMZ).