

## Using Knowledge to End Poverty

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I am doubly honored and delighted to be your keynote speaker today. Exactly forty years ago, I sat in this very hall as a freshman, listening to one of my predecessors speaking about service. I confess I don't remember who the speaker was, or what exactly he said (in fact, most of freshman week was a bit of a blur), but I do remember the message: “Do something with your Princeton education, especially to benefit those who are less fortunate.”

The second reason I am happy to be here is that I have spent the last ten years of my life thinking about how economics can help the poorest of the poor—the one billion people in the world who live on \$1.25 a day, mostly in Africa and South Asia. And some of my findings relate back to that message from freshman week: How can we use our Princeton education to help these brave people who struggle to make a living on \$1.25 a day?

### **Why are there so many poor people in Africa and South Asia?**

I said that I have been working on this question of how economics can help poor people for the last ten years, even though I've been an economist for over 30 years. The reason is that, starting ten years ago, two episodes in my life have profoundly changed my thinking about this question. The first was leading the 2004 World Development Report, the World Bank's flagship report, which that year was entitled *Making Services Work for Poor People*. The second was spending a week in a village in Gujarat, India with Champaben, a poor woman who literally lives on a dollar a day, as part of the World Bank's village immersion program, where they send senior staff to experience the lives of people whom we are supposed to serve.

Before I tell you about these two episodes, let's review what the basic numbers say.

- Roughly half the population in Africa, and about a third in South Asia, lives on less than \$1.25 a day. That's about 700 million people—more than the entire population of the U.S. and Europe—who have enough money just to feed themselves—and not much else.
- About one in ten children die before their fifth birthday. The death of a child is devastating for any parent. Think of what it's like when you're living on the margin.
- Mothers in some countries have a five percent chance of dying during childbirth. This is again horrifying, when you realize that the causes are entirely preventable.
- Only half the children complete primary school. If you don't finish primary school, you are unlikely to retain the little you learned—like how to read and write.

- And some 40 percent of the children suffer from malnutrition and stunting, which will mean learning and health problems through adulthood.

The other set of numbers is that both Africa and South Asia, especially India, have been enjoying relatively rapid economic growth over the past two decades—about six percent a year. Compare that to the growth rates in the U.S. and Europe that, even before the global recession, were around 2 percent a year. In these poor countries, governments, with the assistance of donors, have been spending hundreds of billions of dollars on programs to help the poor—subsidies to help poor farmers, free health and education, subsidized water and sanitation, and subsidies to industries to stimulate employment.

Why then are there still so many poor people in Africa and South Asia? There are of course many answers to these questions, but one that jumps out—and this was what we found in the 2004 World Development Report—is that many of these government programs, despite the best of intentions, don't end up helping the people they were intended to help.

So let me give you another set of facts, which are even more disturbing.

- In Tanzania, of the children who do complete primary school, one third of them cannot read a sentence in their own language; half could not do a two-digit subtraction problem. I recall seeing a child, when given a sentence to read on a piece of paper, rotating the paper because he didn't know which way was up.
- One reason the children can't read is that in countries such as Tanzania and Uganda, 25 percent of the time, the teacher was absent. When present, the teacher was in class teaching only 20 percent of the time.
- Turning to health, in India, some 33 percent of public health spending goes to the richest 20 percent of the population; only 8 percent to the poorest.
- In Indian public health clinics (the poor's main health service), doctors are absent 40 percent of the time. When present, the quality of care is worse than that given by unqualified, private-sector doctors ("quacks"), some of whom are downright scary.
- Subsidies to farmers benefit large farmers, who then lobby to keep the subsidies.
- Africa's high transport costs (which make it difficult to export) are largely due to trucking monopolies which, in turn, block any attempt at opening up the trucking market.
- Subsidized water and electricity throughout Africa and South Asia have led to bankrupt utilities and very little access for the poor—who have to pay 5-16 times the meter rate to buy water from vendors, or use candles for lighting. "It's very expensive being poor."

Although I knew these facts, their significance finally sank in when I spent a week with Champaben, my village immersion host, in Gujarat. She is an agricultural worker who earns 50 rupees, or about \$1.30 a day. And her day goes from 5 a.m. to 11 p.m. She has to walk a mile to get water for her family. She has five children. Being a World Bank geek, I brought along a copy of the World Development Report in Gujarati to give her as a house gift, but quickly put it

back in my bag: Champaben can't read or write. When her kids are sick, she only uses the private clinic (probably manned by a quack). When I asked her why she doesn't use the free public clinic, she looked at me as if I was a fool. "Because the doctor's never there." Interestingly, when I asked her why she thought the doctor wasn't there, her answer was: "Because the rains were late this year." One final point about Champaben, which I didn't realize until I spent time with her. Even though she is poor, she spends her spare time helping those who are even poorer. We visited a family whose household head was ailing, to help chop firewood for them. And she organized a day care center for children of working mothers in her village.

So the real reason why there are so many poor people in Africa and South Asia, and why they stay poor, is that these government programs that are supposed to help them, are captured by the non-poor, who are politically more powerful. Take teacher absenteeism. Teachers in public schools don't show up because they get paid whether or not they show up, and they can earn extra money moonlighting elsewhere. But if this is the problem, why not change the way teachers get paid? After all, in a private school, a teacher may get fired for not showing up. But public-school teachers are also the main political operatives in local districts. They run the political campaigns of the local politicians, in return for which they receive a job from which they can be absent. And they can block any attempt at reform. In Uttar Pradesh, India, 20 percent of the state legislators are teachers, and another 20 percent are former teachers. That education reform in the state has proved elusive is no coincidence.

If you think teachers are politically powerful, try reforming doctors.

Similarly for water and electricity, the non-poor have opted out of the system—they have their own generators and water wells. So they have little incentive to reform. Furthermore, when water is subsidized, it gives politicians power over the utilities: they get to decide who gets water, and it is usually the people who vote for them. The poor are often the losers. Here's the dilemma: In order to help poor people get access to water, you may need to raise water prices (reduce the subsidy), because then the consumer, rather than the politician, can control where the water goes. Keep in mind that these people are already paying at least five times the meter rate to buy water. But running a campaign to help the poor by raising water prices will go nowhere.

### **What is to be done?**

In this setting, what can be done? Here is where I want to suggest that we can do something with our Princeton educations that is different.

The typical approach is two-fold. One is to do lots of analysis, write papers, discuss them at conferences (attended by people like us), and try to convince government officials about the need for reform. Frankly, this is what most economists do, and what I was doing for the first twenty

years of my professional life (confession: I still do it). But sometimes, the government official you are trying to convince is the source of the problem. He may be in the pocket of the teachers' unions or medical unions. Even if he is not, and is genuinely interested in reform, he may not be able to do anything because the politics are against it. He may lose the next election if he reforms (and many have).

For those of you who might think that the World Bank can impose reforms by accompanying the advice with money—sometimes called “conditionality”—let me assure you that even this is unlikely to work. As one senior politician said to me, “Shanta, if you had the choice between a \$200 million loan from the World Bank and winning the next election, which would you choose?”

The other response to the problems of poverty is similar to what NGOs and the Pace Center does: help poor people directly. So if the education and health systems are failing, NGOs (church groups, etc.) in Africa run schools and clinics—and the workers are always present! This works very well in specific circumstances. The difficulty is in taking this to the whole population of poor people. We used to say that nuns make great teachers, and they're inexpensive. The problem is that there aren't enough nuns to educate the poor population of Uganda. Note also that these programs are in a sense going around the government, which sometimes creates difficulties for the government, let alone funding agencies.

I would like to suggest to you today that there is a third option: To inform poor people, so they can bring pressure to bear on politicians. In most countries, poor people vote (in fact they vote in larger percentages than the non-poor). But they don't always vote for politicians who are likely to help them. As a result, politicians who implement anti-poor policies get elected and re-elected. If Champaben thinks the doctor is absent because of bad rains, then she is unlikely to link absentee doctors with politicians. So a politician who runs on a platform of reducing doctor absenteeism in clinics is unlikely to win. But a politician who promises to build a new clinic, and hire more doctors (even if they never show up) will get the support of both the poor and the medical unions. In general, life is terrible when you're poor. You associate dry water taps and empty classrooms with that dreary life, not a failure of public policy.

But if we could use our analysis so poor people could be better informed, and if politicians know this, they may react accordingly. Let me give you two examples where this has already worked. In Bangalore, India, an NGO prepared “citizen report cards” on the quality of basic services in every district, and published the information everywhere. So now poor people knew not just the state of services in their own district (which they already knew), but that in neighboring districts (including the local politician's home district). Furthermore, they knew that everyone else knew. The result was that the quality of these services started improving almost instantly. In one case, the quality improved even before the citizen report cards were published.

The other example is from Uganda, where they did a study to see how much of the money intended for public primary schools actually reached the school. The answer was 13 percent. The government published this finding in the newspaper. That created a movement, where people started demanding how much money was coming to their district every month. When they found that out, they started asking the school principal why there was no chalk in the classroom, no textbooks in the school. So the principal had to publish the school's budget on the schoolroom door. And the share of funds arriving at the school went from 13 percent to 90 percent.

These two examples illustrate the power of information in helping poor people bring pressure to bear on the political system. They are both from the 1990s. Today, with cell phones in about half the African households, this information can be spread much more easily and widely.

To conclude, then, if we want to help poor people like Champaben, we need to continue with what we are doing. We should continue with our Pace Center activities of learning, engaging and helping the poor. We should continue our analytical work—what you will be learning in your classes at Princeton for the next four years—because it is the basis for action. But we should look at our education, our learning, not just for its own sake, but as a means of empowering poor people, so they can advocate for change, so that people like Champaben and her children will have a chance at the life to which they are entitled.