

MADONIC
AP

POVERTY & INEQUALITY

RESEARCH TASK

Subject:

Economics

Task No.

8

Final date for submission:

Monday 13 October

Task:

Folio – Research Task (approx 1500 words)



PART A (500 words max + any accompanying research)

You will research composite and individual economic and social indicators for **6 countries** which are at different stages of economic development according to the United Nations Development Report.

Using these findings, write a 500 word report to evaluate the usefulness of these indicators.

PART B (1000 words max)

- Select **one** of the countries that you identified in Part A as a low development country from the latest United Nations Development Report
- Research the possible causes of poverty *and* inequality for this country. Briefly explain each of these
- Suggest possible ways and means of promoting economic development for your selected country. Justify your reasons.
- Research data about the amount and type of foreign aid that your selected country has received or currently receives
- With reference to the above research and any other relevant information, assess whether or not foreign aid is the best way to promote economic development in your selected country.

Remember

- Reference your work appropriately (footnote or in text) and include a bibliography
- Include accurate and labeled diagrams where necessary
- Make sure you use appropriate and correct economic terminology

Knowledge and Understanding	Analysis and Evaluation	Communication
<p>A</p> <p>Comprehensive knowledge, in-depth understanding, and focused application of complex economic concepts, principles, models, and skills.</p> <p>Comprehensive and well-informed understanding of the role of economic systems in dealing with the economic problem of scarcity.</p>	<p>Active and logical analysis and evaluation of economic issues and events (past and current) using economic models and the skills of economic inquiry.</p> <p>Perceptive evaluation of the effects of interdependence on individuals, business, and government locally, nationally, and globally.</p> <p>Inclusive analysis and evaluation of the impact of economic change locally, nationally, and globally.</p> <p>Insightful and well-informed evaluation of the way in which economic decisions involve costs and benefits.</p>	<p>Sophisticated communication of economic principles and models, and complex concepts.</p> <p>Consistent, clear, and appropriate use of correct economic terminology.</p>
<p>B</p> <p>Some depth of knowledge and understanding, and focused application, of a variety of economic concepts, principles, models, and skills</p> <p>Well-informed understanding of the role of economic systems in dealing with the economic problem of scarcity.</p>	<p>Well-considered analysis and evaluation of economic issues and events (past and current) using economic models and the skills of economic inquiry.</p> <p>Well-considered evaluation of the effects of interdependence on individuals, business, and government locally, nationally, and globally.</p> <p>Well-informed analysis and evaluation of the impact of economic change locally, nationally, and globally.</p> <p>Well-informed evaluation of the way in which economic decisions involve costs and benefits</p>	<p>Clear and accurate communication of economic principles and models, and a variety of concepts.</p> <p>Clear and appropriate use of economic terminology.</p>
<p>C</p> <p>Considered knowledge and understanding, and competent application, of economic concepts, principles, models, and skills.</p> <p>Informed understanding of the role of economic systems in dealing with the economic problem of scarcity.</p>	<p>Considered analysis and evaluation of economic issues and events (past and current) using economic models and the skills of economic inquiry.</p> <p>Considered evaluation of the effects of interdependence on individuals, business, and government locally, nationally, and globally.</p> <p>Informed analysis and evaluation of the impact of economic change locally, nationally, and globally.</p> <p>Informed evaluation of the way in which economic decisions involve costs and benefits.</p>	<p>Competent communication of some economic principles, models, and concepts.</p> <p>Appropriate use of economic terminology.</p>
<p>D</p> <p>Superficial understanding and partial application of some basic economic concepts, principles, models, and skills.</p> <p>Some recognition of the role of economic systems in dealing with the economic problem of scarcity</p>	<p>Basic consideration and description of one or more economic issues and/or events (past and current) using some skills of economic inquiry.</p> <p>Basic consideration and description of one or more of the effects of interdependence on individuals, business, and government locally, nationally, and globally.</p> <p>Recognition of aspects of the impact of economic change locally, nationally, and globally.</p> <p>Some awareness of the way in which economic decisions involve costs and benefits.</p>	<p>Communication of some basic economic principles, models, and concepts.</p> <p>Some appropriate use of some economic terminology, with inconsistencies.</p>
<p>E</p> <p>Identification and attempted application of one or more basic economic concepts, principles, models, or skills.</p> <p>Limited recognition of the role of economic systems in dealing with the economic problem of scarcity.</p>	<p>Emerging awareness of one or more economic issues or events (past and current), with limited use of skills of economic inquiry.</p> <p>Limited recognition of one or more of the effects of interdependence on individuals, business, and government locally, nationally, and globally.</p> <p>Emerging recognition of an aspect of the impact of economic change locally, nationally, and globally.</p> <p>Limited awareness of the way in which economic decisions involve costs and benefits.</p>	<p>Attempted communication of one or more simple economic principles, models, or concepts.</p> <p>Limited use of economic terminology</p>

POVERTY AND INEQUALITY

Part A (500 words max + any accompanying research)

Write a 500 word report to evaluate the usefulness of social and economic indicators.

The United Nations Development Report is a compilation of a large amount of economic and social indicators for different countries. These indicators are used to determine the development of a country and also give an insight as to how each country is affected by poverty and inequality. However, these indicators are only useful at summarizing a country's stage of development if they are used together. Isolated indicators will not always be useful at giving a good estimation of a country's level of development.

In order to understand the usefulness of composite and individual indicators on the economic development of a country, six different countries at different stages of development researched. The countries chosen were; Norway, Chile, Mexico, Indonesia, Nepal and Eritrea. These countries ranged from very high to low human development, according to the United Nations Development Report. Both social and economic indicators were researched for each country in order to see the relation between the indicator and the stage of development of the country, and therefore determine the usefulness of the indicator. The following composite indicators were chosen to research; health, education, income, inequality, poverty, employment, human security, environment and demography.

When these indicators were looked at in depth, it became clear that components of composite indicators couldn't appropriately be taken out of context in order to define the development of a country. Norway, having the highest HDI rank of 1 was expected to have quite balanced indicators all indicating a high developed country¹ and each other country in turn was expected to show through indicators its level of development. However, by taking isolated indicators it can be seen that individual indicators do not necessarily give a good indication of the development of a country. For example, education expenditure in Nepal (which has a HDI rank of 145) is much higher at 4.72 % of GDP² than both Chile (HDI rank 41)³ and Indonesia (HDI rank 108)⁴ which have education expenditures of 4.1 and 2.77% of GDP respectively. This indicator alone could be taken to show that Nepal has a higher level of education than both of these countries, and therefore a higher level of human development. If the Adult literacy rate from these countries is taken into consideration, it can be seen that Nepal has the lowest literacy rate at 57.4%⁵ compared to all other 5 countries including Eritrea (HDI rank of 182) at 68.9% literacy rate.⁶ These bizarre indicators show that the development of a country cannot be measured from single indicators.

	NORWAY	CHILE	MEXICO	INDONESIA	NEPAL	ERITREA
HDI	0.944	0.822	0.756	0.684	0.54	0.381
HDI Rank	1	41	71	108	145	182
Human Development	Very high	Very high	High	Medium	Low	Low
Education Expenditure (% of GDP)	6.93	4.1	5.27	2.77	4.72	2.13
Adult literacy rate (% ages 15 and older)	n.a.	98.6	93.5	92.8	57.4	68.9

¹ UNDP, n.d., *Norway*, <http://hdr.undp.org/en/countries/profiles/NOR>, accessed 18 September 2014

² UNDP, n.d., *Nepal*, <http://hdr.undp.org/en/countries/profiles/NPL>, accessed 18 September 2014

³ UNDP, n.d., *Chile*, <http://hdr.undp.org/en/countries/profiles/CHL>, accessed 18 September 2014

⁴ UNDP, n.d., *Indonesia*, <http://hdr.undp.org/en/countries/profiles/IDN>, accessed 18 September 2014

⁵ UNDP, n.d., *Nepal*, <http://hdr.undp.org/en/countries/profiles/NPL>, accessed 18 September 2014

⁶ UNDP, n.d., *Indonesia*, <http://hdr.undp.org/en/countries/profiles/IDN>, accessed 18 September 2014

Although isolated indicators may not provide insight into the development of the countries many indicators to follow the pattern of the development of the country. Isolated indicators can give a view on the development of a country but it is important when analysing the human development of countries to assess economic and social indicators as a whole and use all the data provided by these indicators. Composite indicators can provide a reliable and useful indication of the economic development of a country.

Word count: 497

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- UNDP, n.d., *Norway*, <http://hdr.undp.org/en/countries/profiles/NOR>, accessed 18 September 2014

	NORWAY	CHILE	MEXICO	INDONESIA	NEPAL	ERITREA
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HDI Rank	1	41	71	108	145	182
Human Development	Very high	Very high	High	Medium	Low	Low
HEALTH						
Life expectancy at birth	81.5	79.96	77.5	70.83	68.41	62.85
Infant Mortality Rate (per 1000 births)	2	8	14	26	34	37
Age standardized obesity rate (% of ages 20 and older)	19.8	29.1	32.8	4.7	1.5	1.8
Health Expenditure (% of GDP)	9.07	7.46	6.16	2.72	5.44	2.56
EDUCATION						
Mean years of schooling	12.63	9.79	8.47	7.51	3.24	3.41
Expected years of schooling	17.6	15.1	12.8	12.7	12.4	4.1
Adult literacy rate (% ages 15 and older)	n.a.	98.6	93.5	92.8	57.4	68.9
Population with some secondary education (% aged 25+)	97.1	74.8	58	44.5	28.3	n.a.
Pupil-teacher ratio	n.a.	22	28	16	28	41
Education Expenditure (% of GDP)	6.93	4.1	5.27	2.77	4.72	2.13
INCOME						
Gross national income (GNI) per capita (2011 PP \$)	63,909.45	20,804.03	15,854.09	8,970.35	2,193.98	1,146.89
GDP per capita (2011 PPP\$)	62,858.01	21,099.21	16,143.79	8,856.2	2,130.63	1,179.78
Consumer Price Index	114.16	107.95	133.74	159.96	186.27	364.74
INEQUALITY						
Inequality-adjusted HDI	0.891	0.661	0.583	0.553	0.384	n.a.
Inequality in life expectancy (%)	3.4	5.9	10.9	16.4	21.1	24.7
Inequality in education (%)	2.4	13.7	21.4	23.2	44	n.a.
Inequality in income (%)	10.7	35.97	34.63	17.7	18.34	n.a.
POVERTY						
% of Population in multidimensional poverty	n.a.	n.a.	6.02	5.9	41.44	n.a.
Population living below \$1.25 a day	n.a.	n.a.	0.72	16.2	24.82	n.a.
Share of working poor, below \$2 a day (%)	n.a.	0	6.5	52	74.1	73.1
EMPLOYMENT						
Employment to population ratio	65.5	64.8	63.9	70.7	85.2	83.9
Unemployment rate (% of ages 15 and older)	3.1	6	4.8	6.2	n.a.	n.a.
HUMAN SECURITY						
Homeless population (% of population)	n.a.	0.632	6.02	0.774	0.917	0.448
Prison population rate (per 100,000 population)	72	266	210	59	48	n.a.
ENVIRONMENT						
Carbon dioxide emissions per capita (tonnes)	11.7	4.21	3.76	1.8	0.14	0.09
Primary energy supply, Fossil fuel (% of total)	57.27	75.64	90.1	66.42	12.54	21.73
DEMOGRAPHY						
Population total (millions)	5.04	17.62	122.33	249.87	27.8	6.33
Median age (years)	39.22	33.73	27.67	28.35	23.11	18.53

Part B (1000 words max)

Research and write a 1000 report on a low development country in the United Nations Development Report.

According to the United Nations Development Report, Nepal is considered a low development country. It has a HDI rank of 145, out of 187 nations. Nepal has a low HDI of 0.54,¹ compared to the HDI of Norway (ranked 1) which is 0.944.² However, in Nepal 41.44% of the population are in multidimensional poverty, whilst 74.1% of the working poor are living on below \$2 a day.¹ Both poverty and inequality is evident in Nepal, with the poverty stricken families of the nation being obliged to forgo the education of their children and instead send them into the workforce. The increase in illiteracy of the children in these families causes a continuation of the poverty cycle.³

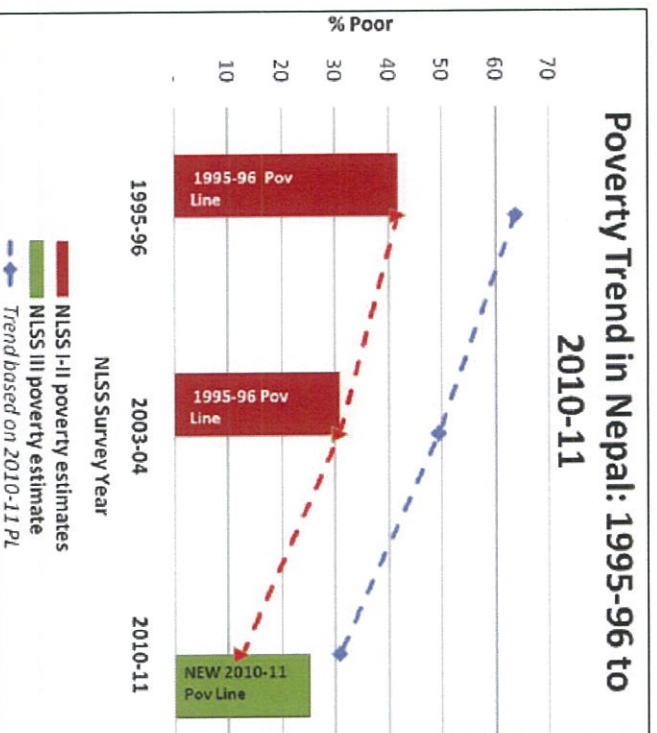


Figure 1: the above graph shows the poverty trend occurring in Nepal, it can be seen that over time poverty is decreasing.

There are multiple possible causes of the poverty and inequality present in Nepal. Poverty and inequality can be seen in the figures of the 2010-2011 survey, which states that the overall poverty rate in Nepal is 25%. More importantly the survey shows that the poverty rate increases in the western and far western regions of Nepal by 21%. In these western areas there are less environmental benefits for the inhabitants, as there is less rainfall, the terrain is rugged and the low-quality soil is difficult to farm. Consequently, few people can receive good farming land and therefore many suffer in poverty.⁴ The low agricultural productivity of Nepal is one of the main reasons for the country's financial instability. Eighty percent of the country's employment is situated in agriculture; the economy of Nepal relies heavily on agriculture, even though there is no increase in demand for the goods produced by this department. As Mr Rakesh Wadhwa says:

*"If Nepal has to progress it must see a rapid exodus of Nepalese citizens from agriculture to industries and services."*⁵

¹ UNDP, n.d., *Nepal*, <http://hdr.undp.org/en/countries/profiles/NPL>, accessed 18 September 2014

² UNDP, n.d., *Norway*, <http://hdr.undp.org/en/countries/profiles/NOR>, accessed 18 September 2014

³ Rural Poverty Portal – IFAD, n.d., *Rural Poverty in Nepal*, <http://www.ruralpovertyportal.org/country/home/tags/nepal>, accessed 25 September 2014

⁴ Rural Poverty Portal – IFAD, n.d., *Rural Poverty in Nepal*, <http://www.ruralpovertyportal.org/country/home/tags/nepal>, accessed 25 September 2014

⁵ Radhwa, R., 2011, *What is the Reason for Nepal's Poverty?*, <http://wadhwarakesh.com/what-is-the-reason-for-nepal%E2%80%99s-poverty/>, 29 September 2014

Other major problems causing poverty and inequality in Nepal include its rapid population growth. This, combined with inadequate employment, is steadily increasing the number of poverty stricken citizens.⁶ Nepal also has quite inefficient health services which are also extremely expensive and consequently many of the poor people in Nepal are unable to afford necessary medical attention.⁷ There is also major gender inequality in Nepal. Women are deemed to be unnecessary and are often sold, at a young age, to be used as prostitutes in temples by families in desperate need of money. Malnutrition and starvation in Nepal is also high, with many poor families being unable to feed the children in their families.⁸ There is also a problem with illiteracy in Nepal, especially amongst the girls who are often shunned at schools. This has multiple effects on the population by causing reduced birth control and increasing the illiteracy rate of future generations.⁹

The causes of poverty and inequality in Nepal can therefore be summarized as: population growth, illiteracy, poor farming, high unemployment and the dependency of the Nepalese economy on agriculture.

There is a cycle of poverty present in Nepal. Those in poverty do not have access to the necessary opportunities which will push their children out of poverty and make them independent. Therefore, in order to decrease the poverty present in Nepal some new initiatives promoting growth and development need to be considered. There are four different areas that these initiatives could focus on in Nepal in an attempt to increase growth. These are: foreign aid, government integrity, trade and security

The cycle of poverty is the most important thing to break in Nepal, and hence make it a more prosperous nation. Therefore, economic development policies which promote growth of the private sector as well as investing in human capital would be of great benefit to the country. The private sector is a major contributors to the country's GDP as well as providing employment to the population. The dependency of Nepal in its agriculture needs to be removed in order to make the country less susceptible to changes in weather and consumption. An increase in investment into the private sector will add diversity into the Nepalese market and hopefully reduce some of its dependency on agriculture.¹⁰ Another possible way to increase growth and development in Nepal and create higher living standards for its citizens would be to increase trade from the more diverse private sector and also from the government. An increase in trade and foreign interactions will be healthy for the Nepalese economy since it will cause an increase in competition which in turn will cause more employment and greater quality of goods produced. In the long term it will increase living standards of people with higher household incomes.¹¹

Another way to promote growth and increase the development in Nepal is through foreign aid. Foreign aid is being supplied to Nepal by several different organizations and countries. Nepal is supplied aid through donor countries and inter-governmental organisations such as the United Nations.¹² Japan is Nepal's largest bilateral aid donor, although the US is also heavily involved. These groups are known as the NDF (Nepal development Forum) and have the primary objectives of:

⁶ Tyrocity.com, 2013, *Causes of Poverty*, <http://notes.tyrocity.com/causes-of-poverty/>, accessed 29 September 2014

⁷ Radhwa, R., 2011, *What is the Reason for Nepal's Poverty?*, <http://wadhwarakesh.com/what-is-the-reason-for-nepal%E2%80%99s-poverty/>, 29 September 2014

⁸ Adhikari R. K., 2011, *Nature and Causes of Rural Poverty in Nepal*, <http://www.internationalpeaceandconflict.org/forum/topics/nature-and-causes-of-rural-poverty-in-nepal#:VEhkzfn0tZE>, accessed 30 September 2014

⁹ Singh A., 2010, *Causes*, 2002, <https://www.mtholyoke.edu/~singh23a/classweb/wp/Untitled-4.html>, accessed 30 September

¹⁰ Fromm I., Dornberger U., 2005, *Private Sector Development and Poverty Reduction: Experiences from Developing Countries*, http://www.uni-leipzig.de/sept/workshop/haikou/downloads/Proceedings_PrivateSectorDevelopmentAndPovertyReduction.pdf, accessed 2nd October 2014

¹¹ Richter P., 2010, *Trade Promotion Programme in Nepal*, <http://www.giz.de/en/worldwide/24086.html>, accessed 3rd October

¹² Wikipedia Foundation, n.d., Foreign Aid to Nepal, http://en.wikipedia.org/wiki/Foreign_aid_to_Nepal, accessed 5th October 2014

- Building understanding between Government of Nepal and its Development Partners on the adequate availability and effective mobilization of aid resources;
- Charting Nepal's development roadmap along the path of sustained peace and resulting socio-economic transformation with the support from the Development Partners;
- Committing to create reforms agenda through reviewing the progress made and challenges encountered during the implementation of high priority projects;
- Developing a new Foreign Aid Policy of Nepal and the National Action Plan for Aid Effectiveness in consultation with the Development Partners.¹³

A focus of foreign aid is improving the technology present in the country, particularly that of farming. By introducing programs like the Pest Management Program, farming schools now provide new training which is causing an increase in knowledge of better farming strategies amongst the poorer farmers. The new knowledge is also helping to increase crop yield and seed stores.¹⁴

Another one of the areas which foreign aid focuses on is health. Foreign Aid, particularly from the US, is attempting to approve the survival of Nepalese as well as their quality of life. In 2010, the US Governments Global Health Initiative nominated Nepal as a focus country for the program. The program is attempting to increase nutrition in families, as well as family planning and child health.¹⁵

Education is also a priority with foreign aid in Nepal. Australian aid in Nepal works on economic opportunities for the poorer citizens of Nepal, specifically by giving them a higher education. Strengthening the public education is being done by including 3.8 million more children, both boys and girls, from poor communities. The aid is also including children who are disabled in order to give them a better opportunity at life.¹⁶

Foreign aid has had many benefits for Nepal, especially in regards to the poor community. Without foreign aid, Nepal wouldn't be the country it is now. The poverty rate of Nepal has decreased majorly over the last few years and the majority of that can be attributed to the aid it has received. Foreign aid has focused on not only the poor people in Nepal but also in causing its economy to be more sustainable. This has been done mainly through interactions with the World Bank. Foreign aid is a necessary way to combat poverty in countries because it is done by a third and uninvolved party. This has the benefit of giving equal rights to people in the affected country, and is not ruled by a corrupt and unfair government.

¹³ Chaulagain Y. P., 2012, *Official Development Assistance In Nepal: A Development Perspective*, <http://www.e-info/2012/08/28/official-development-assistance-in-nepal-a-development-perspective/>, accessed 5th October 2014

¹⁴ Caritas Australia, 2014, Nepal, <http://www.caritas.org.au/learn/countries/nepal>, accessed 7th October 2014

¹⁵ US AID, 2014, *Global Health*, <http://www.usaid.gov/nepal/global-health>, accessed 8th October 2014

¹⁶ Department of Foreign affairs and Trade, 2014, *Nepal*, <http://aid.dfat.gov.au/countries/southasia/nepal/Pages/home.aspx>, accessed 10th October

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Skills and Application Tasks

Madeline Hanns