

## **Contribution to the Commission for Social Development, February 2005**

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At the Copenhagen Summit for Social Development in 1995, Heads of State and Governments gathered to commit themselves “*to enhancing social development throughout the world so that men and women, especially those living in poverty, may exercise the rights, utilize the resources and share the responsibilities that enable them to lead satisfying lives and to contribute to the well-being of their families, their communities and mankind.*”<sup>1</sup> This constituted a considerable advancement in the concept of fighting poverty.

Aware of the numerous efforts these States and their citizens have made in order to fulfill these commitments, International Movement ATD Fourth World, with many others, continues to be concerned with the fact that many people living in extreme poverty are not only failing to benefit from social policies and poverty eradication programs, but are in fact still largely invisible to wider society. These are the very poorest members of our society, the socially excluded and people whose living conditions, efforts and expectations should, but do not, shape social, economic or cultural policies.

It has been recognized, however, that the eradication of poverty will not happen by default. ATD Fourth World noted in its contribution to the Copenhagen + 5 Summit that “*A major change has also occurred in mainstream development thinking through the recognition that reducing poverty is not an automatic by-product of economic growth.*”<sup>2</sup> However, as recently as 2004, a UNDP paper recognized that “*too often, poverty reduction is seen as an automatic by-product of economic growth and macroeconomic stability.*”<sup>3</sup> This highlights the fact that there is not a genuine consensus in the international community about what needs to be done to eradicate poverty.

ATD Fourth World hopes that the Commission for Social Development will address this issue in depth.

### **Microcredit projects and the most vulnerable people**

Knowing that “*only when people are given the means to become agents of their own development, rather than recipients of aid or handouts, will poverty reduction be sustainable*”<sup>4</sup> we can use microcredit programs as an important tool in the eradication of poverty.

The 1997 Microcredit Summit launched a campaign to reach 100 million of the world's poorest families, especially the women of those families, with credit for self-employment and other financial and business services by 2005. This year, the International Year of Microcredit, will serve as an opportunity to evaluate the program in a meaningful way in order to fight poverty. There are numerous experiences at the grassroots level which can

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<sup>1</sup> U.N. World Summit for Social Development. (A/Conf.166/9) 19 April 1995.

<sup>2</sup> DESA and ATD Fourth World. *Redefining Human-Rights Based Development: The Wresinski Approach to partnership with the poorest.* (ESA/DSPD/BP3) December 1999.

<sup>3</sup> UNDP. Vandemoortele, Jan. *The MDGs and pro-poor policies: Can external partners make a difference?* March 2004, p. 1

<sup>4</sup> UNDP. Vandemoortele, Jan. Already quoted p. 12

aid in reaching a better understanding of the importance of microcredit, as well as the difficulties faced by those living in extreme poverty in their attempts to benefit from such programs.

The Secretary General of the United Nations recognized potential shortcomings in his 1998 report on the role of microcredit in the eradication of poverty by stating: “*Some studies show that there are limits to the use of credit as an instrument for poverty eradication, including difficulties in identifying the poor and targeting credit to reach the poorest of the poor. [...T]he poorest of the poor are usually not in a position to undertake an economic activity, partly because they lack business skills and even the motivation for business.*”<sup>5</sup>

However, from its experiences with people living in extreme poverty, ATD Fourth World asserts that the issue is even more complex, with the state of poverty and its attendant social exclusion, vulnerability, and daily humiliations meaning that many people cannot even conceive of the risk-taking necessary to start a business, however small. The frequent lack of respect for and trust of people in poverty by other members of their communities often means that a business can hardly be sustained without the appropriate support.

For instance, a recent study on poverty and families conducted by ATD Fourth World describes how microcredit failed to reach the poorest in Central America. This is best illustrated through the words of a local woman who was invited to join a small women’s microcredit group. She said “*I cannot participate, because I cannot stand the looks my neighbors give me. They know a lot about me and so they laugh at my situation. They know private things: that my partner abandoned me and my children, that some of my children live in the streets and use drugs, and that I am living in the most absolute loneliness, with my morale at rock bottom.*”<sup>6</sup>

### **Microcredit initiatives pinpoint conditions that make progress possible**

Through its own teams and the correspondents of its network the “Permanent Forum on Extreme Poverty in the World,”<sup>7</sup> ATD Fourth World has participated in or seen microcredit projects which bring real progress to the poorest members of a community. As illustrated by the example below, such initiatives underlined the conditions under which this progress was possible.

In the mid-1990s, members of the Fourth World Volunteer Corps based in West Africa were faced with requests for money from very poor families, whose difficulties were exacerbated by a reduction in public development aid and investment in the fight against poverty.

October 17, 1997, the International Day for the Eradication of Poverty, was a turning point. At the commemoration ceremony, a speech by a person disabled by polio in which

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<sup>5</sup> U.N. General Assembly, 53<sup>rd</sup> Session. *Report by the Secretary general on the role of microcredit in the eradication of poverty.* (A/53/223) 10 August 1998.

<sup>6</sup> ATD Fourth World. *How Poverty Separate Parents and Children: A Challenge to Human Rights*, 2004, pg. 34

<sup>7</sup> Individuals and organizations in over 100 countries involved in action against poverty and social exclusion.

she made a commitment to stop begging had a huge impact on those gathered there that day. It was, publicly, the starting point of a potential for real change. However, a commitment to stop begging still left the question of how to find an alternative means for survival.

After more than a year of consultation between volunteers, supporters and people living in the street, it was decided to develop a microcredit project. This very long period of dialogue can be considered a fundamental first step in the road to success for a microcredit project because the relationship of trust that was established throughout the process also led these men and women to perceive themselves differently: "*Now, when people scorn me in the street, it affects me less. I know that there is something other than begging!*" Another person said: "*We knew only the street. We thought that it was our whole life*". In these people's lives, this was an important moment of awareness.

The next step was to work out guidelines that would respect everyone and take into account the realities of their lives. A number of microcredit projects were inaccessible to the poorest, with some excluding people in the long run. Members of ATD Fourth World knew also that despite the fact most of the microcredit projects were no longer aimed specifically at women, men were often considered as "bad credit risks" and therefore excluded from participating.

After discussion and reflection, the microcredit formula chosen consisted of one part of the sum lent (around 30 Euros) as a gift, with the remainder to be repaid. At first, one of the participants began working with a friend who owned a small roadside food-stall. With a kettle and a small heater, she offered mint tea to the customers, as well as cooled fruit juices. She was able to develop plans to set up her own small food-stall. Eventually, she was able to hire a young girl to assist her.

There were many obstacles to face, including finding customers, transforming from begging into business, avoiding police raids in the name of street cleanliness, difficulties in administrative knowledge, overcoming the general risks of life, and to survive (illness, emergencies, and the support of relatives in prison etc.)

Certainly, the participant's success remained fragile, but 7 years later, it is still a source of pride for the participants to be able to say, "*I am a businessperson.*" On October 17, 2004, a woman testified: "*My fight has a beginning but no end. We fight to have our rights.*"

### **Recommendations from microcredit projects which enable the poorest to benefit**

From the previously outlined experiences, which are certainly small but very significant, it is possible to propose several recommendations for microcredit projects which enable all members of society to benefit, including the very poorest.

- Knowledge of the specific social reality and a long-term commitment are necessary in order to build a project in co-operation with the people themselves, alongside them.
- Microcredit projects must be implemented after long-term consultation with those it aims to benefit, including the poorest members of society.

- There must be on-going and flexible support for the participants, recognizing the many difficulties the participants face with setting up a business, including administrative challenges and legalities.
- To build projects in link with the whole community, people living in poverty need support and to be helped to be free of the stigmas and social exclusion they are facing.

### **The challenge to eradicate extreme poverty**

The eradication of poverty requires more than providing financial growth opportunities. The phenomenon of poverty is created by multi-dimensional social factors and to eradicate it means enabling the poorest to exercise their rights and assume their responsibilities. Microcredit projects should not be stand-alone activities, but should be implemented alongside other social projects.

There are many NGOs who work closely with very poor families in order to empower them to benefit from education, health care and economic initiatives. Without reaching these families on economic as well as other levels, it is likely that projects won't reach the poorest.

The struggle against poverty requires a better global understanding of extreme poverty and the promotion of a human rights-based approach. This makes it possible to develop coherent, comprehensive and forward-looking policies within the context of globalization.

Unfortunately, ten years after the Copenhagen Declaration, *“many of the so-called pro-poor policies are often blind to the realities faced by the poor.”*<sup>8</sup>

The threat of exclusion of the poorest can be found even within the Millennium Development Goals. In relation to the overall goal of reducing the number of people in poverty by 50% before 2015, the question remains of what will become of the other 50%? How could such an objective be acceptable in a human rights framework? How can people living in a village, a neighborhood or even a whole country accept to be the other 50 percent, the half that didn't get reached? What possible ethical significance could such an objective have to them when we remember the efforts of those persons who are trying to stop begging?

The United Nations must continue to be a symbol of humanity in solidarity with the poorest. This means constantly reintegrating humanity's most fragile members into the heart and fabric of our societies. This on-going process has to be reinvented time and again. Today, the UN is the last bastion against a divided humanity, a humanity that moves on different tracks. There is the fast track where security will be imposed by the strength of the powerful. Those who lag behind on the slow track are inevitably relegated to social exclusion, wherever they live.

The UN must make eradicating extreme poverty central to its commitments, central to its policies for peace and to its responsibility for protecting and promoting fundamental rights and liberties. The commitment and civic mobilization the UN is trying to generate

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<sup>8</sup> UNDP. Vandemoortele, Jan., Already quoted p. 17

must open up to include the poorest people themselves, “enabling them to become genuine partners in development”<sup>9</sup> as was pledged in Copenhagen.

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<sup>9</sup> UN. Copenhagen Plan of Action, 1995. Pg. 59, para. 24.