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Examining a Barrel of Current Solutions

“The greatest good you can do for another is not just share your riches, but to reveal to him his own.”

—Benjamin Disraeli

Many people have thought long and hard about how to help the poor escape from the crushing burden of poverty. They recognize that poverty takes many forms and therefore requires a War Against Poverty, a war to be conducted on many fronts.

The proposed solutions vary with interpretations of what causes people to be poor. Major factors contributing to poverty were outlined in Chapter 1, “Why Poverty Hurts Everyone.” Of interest here are the many explanations that have been offered to account for the persistence of poverty throughout human history, including the following:

- There will always be some people with handicaps such as low intelligence, low energy, poor health, or addictions that condemn them to a life of poverty.
- A great number of families give birth to more children than they can afford, which has the effect of impoverishing them.
- A culture of poverty settles into a set of people who fail to adopt the values and norms of mainstream society.

- Poverty is the result of the breakdown of families where children are born out of wedlock with no support from the male partner.
- Poverty persists because of a failure of social institutions to provide good education, marketable skills, good housing, and positive role models.
- Poverty is the result of caste and class and racial and ethnic discrimination that limits the opportunities available to those groups.
- Poverty is the result of an economy unable to generate a sufficient number of good-paying jobs in the face of a changing needed skill mix and deindustrialization.
- Poverty is the result of natural disasters (earthquakes, hurricanes, and poor harvests) and wars.
- Poverty is the result of the overconcentration of wealth in the hands of the few and the institutions and laws that favor and protect the wealthy.
- Poverty is the result of weak governance and corruption that retard economic growth and development.

Each explanation has its adherents and implies quite different policies and solutions. No wonder there is so much controversy and disagreement over proposed antipoverty programs. Tools for fighting poverty include such disparate methods as advocacy, social work, education, legislation, voluntary service, charity, and community organizing.

Major Strategies Proposed for Reducing Poverty

Experts who have studied the causes and conditions of poverty have come up with four major and quite different strategic paths to reducing poverty: economic growth strategy, redistribution strategy, massive foreign aid, and population control.

Economic Growth Strategy

Many see the task of poverty reduction as lying in building up the rate of economic development through sound investments and job creation. For example, between 2000 and 2006 Brazil and Mexico experienced significant economic growth. As a result, a new lower middle class has been emerging in these countries. People have a little more money to spend, and it is driving the growth of a mass consumer market. Clearly, increasing the rate of economic growth will help reduce the number of poor living below the poverty line.

This strategy of employing measures to increase the pace of economic development would provide some help to the poor. But it is never clear how much of the created wealth would trickle down to the poor. In the case of China, its rapid rate of economic development has truly lifted millions of people out of poverty. The millions of jobs created by building factories and apartment buildings have drawn many poor rural people into urban areas such as Beijing and Shanghai and have given them work and pay. At the same time, it has increased the number of billionaires in China who have retained a lot of the created wealth as a reward for the risks they have taken. Economic growth by itself does not normally tap into and reduce the extreme poor in the absence of further measures, such as building more schools and health facilities to serve them.

Redistribution Strategy

Others say that a second strategy must be implemented—namely, making sure that the rich assume a larger burden in helping to create needed schools, health facilities, and other institutions and services to help the poor improve their lot in life. Rapid economic growth combined with some redistribution features would work well together. Of course, if the wealth tax is too high, it could discourage risk-taking and investment and therefore reduce the rate of economic growth. Clearly the interests of the rich and the poor must be carefully balanced.

Massive Foreign Aid Assistance

This strategy argues that poor countries could never grow their economies fast enough or manage enough redistribution to help most of their poor. These poor countries, it is believed, need major injections of foreign aid from the rich countries to provide relief and trigger economic development.

This third strategy, that of massive foreign aid, has been strongly advocated by Jeffrey Sachs. He would want the world's wealthier nations to launch massive foreign aid programs (similar to the Marshall Plan) to give the poor the means to escape poverty.

Yet a number of critics contend that this would amount to a temporary and only partial attack on the problem, not one likely to be sustainable or practically adopted by wealthy countries. Furthermore, it is unclear who constitutes the set of "wealthy" nations. The United States, with a national debt of \$10 trillion (2009), not to mention insufficient health and social security programs, has many of its own needs to cover. The European Union also has massive debt. Nor is China ready to take on more debt to help the United States participate in a Marshall Plan. The 2008 financial meltdown makes it even less possible to imagine the West giving massive aid to some of the poorest countries in the world.

William Easterly, Paul Collier, and other critics even suggest that foreign aid in some cases has done more harm than good.¹ First, it has created more dependency on the part of the poor, because they are rescued from having to work hard to find a more permanent solution to their problems. Critics argue that aid to the poor creates a "culture of poverty" that continues from generation to generation. Second, foreign aid in the form of free food distribution hurts the farmers in those poor countries, who work hard to grow food but no longer earn enough when that same food is distributed freely. Third, much of foreign aid never reaches the intended poor recipients. William Easterly

charges in his book *The White Man's Burden* that the \$23 trillion of foreign aid doled out over the last five decades reached tyrants in Zaire, Sudan, and Pakistan who rarely brought the 12-cent medicine and other supplies to children and other poor. Paul Collier in his book *The Bottom Billion* cites a study that tracked money released by Chad's Ministry of Finance to fund rural health clinics. Because of corrupt officials, only one percent reached its intended destination. Collier charges that those who lay the plans for dispensing the money have little experience or control over how it gets distributed.

Population Control

Others point out that poor families give birth to proportionately more children than rich families, which has the effect of keeping them poor. They call for national measures to influence the poor to have fewer children. These measures can range from encouraging the use of birth control pills and condoms, to providing incentives and payments to women to remain nonpregnant, to the extreme of legally limiting families to having only one child, as in the case of China. Thus, the measures can range from voluntary to involuntary. Those who advocate voluntary measures prefer to use the term “family planning” rather than “birth control.” Birthrates can be brought down by voluntary social marketing methods, as vividly demonstrated by a case in Thailand, where Dr. Mechai Viravaidya popularizes condoms and other birth planning methods to lower the birthrate as well as infection from HIV/AIDS (see Chapter 4, “Segmenting the Poverty Marketplace”).

A number of large-scale social factors tend to slow down the rate of population growth. As women get more education, as they find more job opportunities, as they give birth later in life, and as they move to urban areas, all these factors tend to reduce the rate of population growth.

The Need for a Multilateral Strategy

We believe that no antipoverty program can be effective by employing only one of these four strategies. Successful antipoverty programs require a mix of efforts and investments. An immediate need is to improve sanitation and safe drinking water to reduce the chance of disease or thirst. Funds must more generally go into improving health care facilities and programs to stem the spread of tuberculosis, malaria, HIV/AIDS, and other deadly diseases. To minimize food shortages, money must be invested in improving agricultural output through better seeds and fertilizers. Investments must also be made to improve infrastructure in terms of better roads, energy, transportation, and communication. A more long-term but high-return investment avenue is better education through more and better schooling available to poor boys and girls to help them acquire basic and vocational skills to earn a living. Each locality with concentrations of poor people must decide on the investments that will make the most sense given their own resources and efforts and what they may be able to attract from government and other donors.

Funding Organizations Active in Fighting Poverty

Several organizations are lending financial support to fund poverty-reduction programs. This section describes some of the leading organizations and individuals.

The United Nations Takes Up the Cause of Poverty Reduction

In the year 2000, the United Nations outlined its multilateral plan for reducing world poverty. Acting on a UN Millennium Declaration

in 2000, the United Nations formulated the Millennium Development Goals (MDG).² The United Nations established a series of eight goals with eighteen accompanying targets, designed to significantly reduce poverty levels by 2015. Only one goal addresses income; the other seven deal with improving the human and social conditions of the poor. The United Nations Millennium Development Goals are described in the following sidebar.

United Nations Millennium Development Goals (MDG) and Targets for 2015

Goal 1. Eradicate extreme poverty and hunger.

Target 1. Reduce by half the proportion of people whose income is less than one dollar a day (1990–2015).

Target 2. Reduce by half the proportion of people who suffer from hunger (1990–2015).

Goal 2. Achieve universal primary education.

Target 3. Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Goal 3. Promote gender equality and empower women.

Target 4. Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015.

Goal 4. Reduce child mortality.

Target 5. Reduce by two thirds, between 1990 and 2015, the under-five mortality rate.

Goal 5. Improve maternal health.

Target 6. Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio.

Goal 6. Combat HIV/AIDS, malaria, and other diseases.

- Target 7.* Have halted by 2015 and begun to reverse the spread of HIV/AIDS.
- Target 8.* Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.

Goal 7. Ensure environmental sustainability.

- Target 9.* Integrate the principles of sustainable development into country policies and programs, and reverse the losses of environmental resources.
- Target 10.* Reduce by half the proportion of people without sustainable access to safe drinking water and basic sanitation by 2015.
- Target 11.* Have achieved by 2020 a significant improvement in the lives of at least 100 million slum dwellers.

Goal 8. Build a global partnership for development.

- Target 12.* Develop further an open rule-based, predictable, nondiscriminatory trading and financial system. It includes a commitment to good governance, development, and poverty reduction, both nationally and internationally.
- Target 13.* Address the special needs of the least-developed countries. Includes tariff and quota-free access for the least-developed countries' exports, enhanced programs of debt relief for HIPC and cancellation of official bilateral debt, and more generous ODA for countries committed to poverty reduction.
- Target 14.* Address the special needs of landlocked countries and small island developing states (through the Program of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly).
- Target 15.* Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long run.

Target 16. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth.

Target 17. In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.

Target 18. In cooperation with the private sector, make available the benefits of new technologies.

Clearly, the UN Millennium Development Goals Program takes into account a great number of the factors that contribute to poverty. Unfortunately, the amount of progress in implementing and achieving these worthwhile goals is lagging. In May 2005, UN Secretary General Kofi Annan warned that there is a danger that many poor countries will not meet many, or even most, of the MDG.³ Deaths from childbirth are increasing in the risky areas, average incomes gained only marginally in some regions and fell in others, and hunger increased from 1997 to 2002. Gender equity, primary school enrollment, staying in school, and most of the other goals remain elusive and are unlikely to be achieved by the target date of 2015.

The World Bank

The World Bank has been an active force in rallying efforts to measure, fund, and implement poverty reduction around the world. A great amount of new and changing information about poverty can be found on its website, Poverty Net.⁴ Among the topics covered on Poverty Net are poverty analysis, poverty mapping, poverty monitoring, poverty reduction strategies, empowerment, moving out of poverty, and many others. Many useful books and articles are cited for researchers and other interested people.

The Global Fund to Fight AIDS, Tuberculosis, and Malaria

The idea for a Global Fund to fight poverty was proposed in 2001 in an article by Amir Attaran and Jeffrey Sachs. They called for a new funding stream of \$7.5 billion to make grants, not loans, to the poorest countries.⁵ The money would be donated by governments.

In January 2002, The Global Fund to Fight AIDS, Tuberculosis and Malaria was finally established with the aim of substantially increasing global financing for intervening in three worldwide diseases. These diseases kill over 6 million people each year.

The Global Fund was set up as a foundation that works as a public-private charity. It is not part of the United Nations World Health Organization or the World Bank, both of which also contribute money to fight these diseases. The Global Fund serves as a financing mechanism rather than an implementing agency. It has a Technical Review Panel that reviews and awards funds to deserving grant applications. It renews grants only after rigorous review of results achieved.

The Global Fund has already committed \$10 billion in 136 countries to fight these diseases. In August 2006, the Gates Foundation contributed \$500 million to the Global Fund, calling the fund “one of the most important health initiatives in the world.”

The Project Red Campaign

In January 2006, the rock star Bono, along with Bobby Shriver, a nephew of John F. Kennedy, started the project Red campaign, which combines consumerism with altruism. Proceeds from this campaign go to the Global Fund. Red is an organization that charges companies a license fee to label one or more of their products “Red” and contribute to the fundraising effort to help the poor. Among the companies that

have purchased licenses are Dell, Apple, American Express, Converse, Hallmark, The Gap, and Motorola. For example:

- American Express has issued a Red card (in Britain only) and will turn over 1% of total spending to the Global Fund.
- Apple has issued a special edition of the iPod and will turn over a portion of the retail price to the Global Fund.
- Dell will contribute \$80 for each desktop computer sold and \$50 for each laptop sold.
- Motorola will contribute \$8.50 for each red MotoRazr phone sold.
- The Gap will contribute 50% of net profits from sales of its Red clothing line.

Red is an upgraded version of “cause marketing,” which started in 1983 when American Express said it would donate a penny to restoring the Statue of Liberty for every cardholder purchase.⁶ This led to a 45% increase in American Express card applications and a 27% increase in the card’s usage. This project raised \$1.7 million for the restoration. Since that time, several companies have run separate cause-marketing campaigns. But Red represents a new level involving many companies licensing the color Red. The benefit to the companies is that they can advertise their corporate social responsibility. Some critics have complained that Red companies have spent more on advertising their support of Red than the amount raised by Red. Red campaign officials acknowledge that the companies may have spent \$50 million on advertising while contributing \$25 million.

To date, Red funds have been used to administer antiretroviral treatments to over 300,000 people and have provided more than 300,000 HIV-positive pregnant women with counseling and treatment.⁷ To cite a specific case, the Treatment and Research AIDS Center in Kigali, Rwanda was almost unable to cope with the huge

influx of mothers needing treatment. Doctors would see patients and send them home knowing they would die without medication. Today, thanks to the American shopper, money has come from Red to help support their services to those afflicted with HIV.

The Bill & Melinda Gates Foundation

One of the most exciting recent funding developments was the establishment in 2000 of the Bill & Melinda Gates Foundation. Its assets of \$37.6 billion make it the world's largest foundation.⁸ Warren Buffett contributed another \$3.4 billion and plans to contribute much more later. The Foundation has already disbursed \$14.4 billion.

The Gateses decided to focus their grant areas rather than issue grants for all causes. They asked two questions: Which problems affect the most people? and Which have been neglected in the past? They decided to focus on five major areas:

- Reducing the world's deadliest diseases—AIDS, malaria, and tuberculosis
- Funding vaccinations and immunizations
- Offering microfinance to the poor
- Improving agricultural productivity through a green revolution for Africa
- Improving public high school education in the United States

The Gates Foundation doesn't work alone. It has allied with Rockefeller, Michael and Susan Dell, Hewlett, and other charitable foundations. The Gates Foundation helped start the GAVI Alliance (formerly called the Global Alliance for Vaccines and Immunization) with a contribution of \$1.5 billion. GAVI is supported by seventeen donor governments plus the European Union. It has distributed vaccines (tetanus, hepatitis B, and yellow fever) to 138 million children in 70 of the world's poorest countries, saving lives by avoiding more than two million premature deaths.

Fifty Current Specific Measures to Help the Poor

There is a long history of countries adopting different specific measures to help the poor. They range from emergency aid programs, to safety net and social protection programs, to social equity schemes, to empowerment programs.

The starting point are short-run relief measures by the Red Cross, CARE, and others in third-world countries to aid populations hit by natural disasters. They are called *emergency aid programs* and consist of

- Cash transfers
- Direct feeding programs
- Free food distribution
- Price subsidies
- Public works programs

The principal purpose of these interventions is to protect the poor, especially the extreme poor, from the aftermath of natural disasters such as earthquakes, typhoons, floods, cyclones, and drought.

In other parts of the third world, especially Africa and South Asia, shocks and dislocations also came from civil war and conflicts. Post-conflict social safety nets were introduced and were categorized under what became known as the *Triple R Framework*.⁹

- Relief institutions and services
- Rehabilitation assistance
- Reconciliation and peace-building assistance

The need for “safety nets” moved beyond the period during and after natural and man-made shocks. It became apparent that the poor needed protection from the deteriorating conditions of their daily

lives. Therefore, “social services programs” came to include poverty solutions such as the following:¹⁰

- Social security systems for those working in the informal sector
- Services for school dropouts and street children
- Workfare (emergency work relief) programs
- Microfinance and self-employment programs
- Maternal and child health services
- Psychosocial care for affected families
- Assistance for the elderly and disabled

A promising example of a social services program was recently begun in Latin America. In Brazil, it is called *Bolsa Familia* (Family Fund). It gives a cash payment of \$54 to poor families who earn less than \$68 per month, provided that their children attend school and take part in government vaccination programs.¹¹ Each family receives a debit card that is refilled every month, unless the family has not met the conditions. Those who do not meet the conditions a few times are suspended. About 11 million families now receive the benefit. This has led to higher school attendance and more vaccinations. Hopefully the children will be better educated than their parents and will have more opportunities.

In Western countries, particularly the United States, “social services” include food stamps, scholarships, and health care for uninsured, Medicaid, and other vulnerable populations.¹² For these target beneficiaries, social services include the following:

- Ambulatory care
- Hospital emergency room and inpatient services
- Health services for substance abuse, disabilities, and mental illness
- Assistive care services with ordinary and instrumental activities of daily living
- Medication assistance and health support

Then in the 1990s, *social protection services* and solutions took over. These services actually included safety-net measures, but they also covered longer-term solutions. They were not only protective (coming after a shock) but also preventive in character. According to the International Food Policy Research Institute: “Social protections are not only programs aimed at reducing the impact of shocks and coping with their aftermath, but also interventions designed to prevent shocks and destitution in the first place.”¹³ They include “all public and private initiatives that provide income or consumption transfers to the poor, protect the vulnerable against livelihood risks, and enhance the social status and rights of the marginalized; and so with the overall objective of reducing the economic and social vulnerability of poor, vulnerable and marginalized groups.”¹⁴

In terms of services, these initiatives and “poverty solutions” take specific forms such as the following:

- Social assistance (or “old-style” social welfare) services such as
 - Disability benefits
 - Single-parent allowances
 - Social pensions for the elderly poor
- Social insurance schemes for
 - Pensions
 - Health insurance
 - Maternity benefits
 - Unemployment benefits and retrenchment packages, and funeral services
- Social services for the poor in need of special care:
 - Orphanages and reception centers for abandoned children
 - Institutions providing care for other people unable to provide for themselves
 - Feeding camps and settlement areas for refugees and “internally displaced persons”

- Social equity services for
 - Victims of domestic violence or sexual abuse
 - Marginalized minorities
 - Stigmatized groups

Toward the end of the last century and at the start of the new one, the idea of “empowerment solutions” came into prominence. It was the concept of Nobel Laureate in economics, Amartya Sen, that economic development is fundamentally “the expansion of individual freedom of choice” that inspired this shift toward empowering the poor as the key to a lasting end to poverty.¹⁵

At the start of the new millennium, the World Bank adopted empowerment as its primary strategy in “attacking poverty.”¹⁶ It is a poverty-reduction strategy aimed at “expanding the assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold accountable institutions that affect their lives.”¹⁷

The empowerment solutions encompassed such mechanisms as

- Material asset building assistance for
 - Expanding financial assets: savings and working capital
 - Expanding physical assets: land, housing, livestock, and others
- Human capability building assistance for
 - Education
 - Good health
 - Production
 - Other life-enhancing skills
- Social capability building assistance for
 - Organizing and mobilizing for collective problem-solving
 - Enhancing social capital, the norms and networks that enable collective action
 - Creating “bridge” relations to access new resources managed by other groups

- Empowerment support services and assistance, such as
 - Providing local agencies with the budget to support with information and staff the poor and their organizations for community-driven development (CDD) projects
 - Investing in citizen report cards on local government expenditures, follow-the-money surveys, and measurement of service delivery outcomes
 - Promoting dialogue between poor people's organizations, government officials and policy-makers, and the private sector to initiate pro-poor regulatory change
 - Providing graduated subsidies to broker new linkages between poor people and their organizations, on the one hand, and markets and formal financial systems on the other
 - Increasing poor people's access to information technology to improve their market access
 - Strengthening membership-based groups, organizations, and networks of the poor
 - Supporting judicial and legal reforms for improving poor people's physical and financial access to justice

These 50 poverty problem solutions have been proposed over the past three decades. Like laws, solutions have never been in short supply. That some or even many of them have worked in some places or for some period of time cannot be denied. But therein lies the problem: Poverty solutions have worked in some places but not in others, sometimes but not at other times, or over time.

The problem clearly is not a dearth of poverty initiatives but a lack of coordinated and collaborative programs and the problem of choosing the right programs to match the situation. Furthermore, some programs, if given insufficient thought, can have unintended consequences.

Unintended Consequences of Well-Intentioned Programs

Most programs designed to help the poor start with a “needs assessment” to gauge the knowledge, attitudes, beliefs, and practices (KABP) of the poor population to be helped. The needs assessment should guide the search for the appropriate interventions. Too often, however, the antipoverty agency just applies a standard intervention that ignores all the differences in each poverty group. This can happen with the use of the “rapid assessment method” (RAM)¹⁸ in those cases where it is undertaken to lend “research” support to a predetermined set of interventions.

Regarding unintended consequences of antipoverty programs, consider the U.S. experience with poverty alleviation programs in recent times. During President Lyndon B. Johnson’s administration in the 1960s, the United States launched the popular and well-intentioned Great Society programs, consisting of a number of measures previously mentioned. These programs, coupled with civil rights progress, created social support systems in federal, state, and local governments that employed a new middle class of formerly poor minority workers and bureaucrats. They eventually moved into the private sector. The antipoverty program was the foundation for an emerging black middle class.

In spite of some good created by these programs, they did not bring about the fully desired outcomes. The next 30 years saw increases in single-parent households, teen births, and education declines among the poor, and the program created a dependency on public assistance. Some parts of the program were subject to abuses and outright fraud. More importantly, the failure to actually improve the lives of the poor has led to yet another reform with the 1996 Welfare Reform Act. It too has not had the hoped-for outcomes, and a new underclass of working poor has emerged.

Similarly, many well-intentioned programs in other countries also have unintended consequences and outcomes. Some bear a striking

similarity to the U.S. experience. For example, repeated food aid can interfere with, rather than encourage, local farmers. During a food crisis, the few farmers producing edible crops receive a premium for their output. This encourages further investment as the return provides the capital to invest. Massive food aid, often flown in by cargo planes, disrupts the markets, decreases the value of what local food is grown, and discourages farmers from investing. Food in neighboring countries also loses value and compounds the hunger problem. The populace develops a dependency on the aid rather than addressing the root causes of too little food: lack of good irrigation, inadequate distribution channels, corruption, and other problems. Food is often stolen and then resold by government officials. The Sudan has one of the worst records of starvation and food shortages of any African country. Gerard Prunier tells the compelling story of the unintended consequences of food aid during the 1984 famine in Sudan:

When the market for rural-grown food evaporated following the free food, people poured into the cities, leaving their native villages empty. The cities became overburdened, food distribution was handled by a company with a record of inefficiency, and the vacated lands became targets for neighboring tribes seeking land. Surely nobody can continue to support repeated massive food drops when the situation repeats itself year after year, and this is not a solution, but a series of bandages over a gaping wound. Still, year after year, generous people are implored to contribute to the effort to feed the starving people in the Sudan; all the while, war is waged between neighbors.¹⁹

Why Marketing Thinking Must Be Added to the Poverty Solution

Our thesis is that antipoverty planners and implementers need a strategic marketing mind-set to direct their thinking and actions in the poverty solution arena. Applying strategic marketing is a proven

methodology for solving problems in the commercial sector. It is also a proven methodology for solving problems in the social sector, such as helping people stop smoking, eat healthier foods, avoid sexual diseases and conception, and change other behaviors. The repeated success of marketing is attributable to a focused and singular concern: Who are the customers, and what do they need?

Marketing, properly applied, goes beyond the important contribution of C. K. Prahalad,²⁰ who has promoted meeting the wants of the poor as a profit opportunity. We applaud Prahalad for his brilliant work in promoting the poor as consumers of goods and the emphasis on business models as poverty solutions. Chapter 4, “Segmenting the Poverty Marketplace,” and Chapter 12, “The Private Sector’s Role in Poverty Reduction,” discuss the many ways in which business can serve the interests of the poor at a profit.

As impactful as *The Fortune at the Bottom of the Pyramid* is, Stephen Smith²¹ points out that reaching those with some disposable income, even \$1 or \$2 per day, has not been the problem. While Smith doesn’t use marketing language, he reinforces the importance of marketing when serving the extreme poor and supports the argument for marketing as the best method for success. Before the extreme poor can consume anything, they need social capital, which consists of health, reduced infant mortality, protection from diseases, education to know how to use the assistance, and community connectivity. These are social and human development needs as opposed to dollar-denominated market needs.

As you will read in the next chapter, social marketing has a 30-year history of increasing social capital and implementing programs designed to meet fundamental and basic human needs.²² The most pressing and fundamental need of the extreme poor is hope. Hope becomes reality when the target segment of the extreme poor believes the service provider has listened to them, understands the need, and has a planned implementation program that will stay around to complete the job. It all starts with the customer—bottom-up, not top-down.

Six Key Understandings About the Poor

Six taken-for-granted and sometimes unnoticed aspects of poverty must be appreciated if we are to do a better job of empowering the poor and helping them succeed.

The Poor Are a Heterogeneous Group

In any poverty-stricken country, the poor are the plurality and often the majority population. But not every one of them is poor in the same way. Some are *extremely and chronically poor*. Others are a bit above the extreme poor and are known as *moderate poor*. Still others are *borderline poor*, and another segment is only *relatively poor in relation to peer groups*. This means that if we are to effectively help the poor, we need to start by recognizing differences between and within each group.

The poor are made up of several differentially responsive segments. This means that we need to identify the major poverty segments and apply the appropriate procedures to help the poor in each segment escape from and stay out of poverty.

Different Poverty Segments Require Different Poverty-Alleviating Assistance

A quick but valid and cost-effective means of finding out what different poverty segments require for poverty alleviating assistance is market research. Poverty market research at the local level, both qualitative and quantitative, is critical to gaining insight into the right poverty-alleviating assistance to each segment.

The Poor Need the Help of All Institutions

Helping the poor escape from poverty is not solely a government responsibility. Effective and sustained poverty alleviation depends on

action by a three-way partnership between government, nonprofit organizations, and businesses.

Synergy comes when the three work well together. In any sector or segment, synergy of results also occurs when the strength of one compensates for the weakness of the other or the two others.

Business, perhaps reluctant to invest in income-poor markets, has begun to see the *fortune at the bottom of the pyramid*. Corporations have long made philanthropic contributions, but now they are seeing the value of untapped and new markets. A single cell phone in a Sub-Saharan region can create a business opportunity for a small reseller of calls by the minute. In several African countries, cell phone sales are growing 150% a year, far in excess of saturated Western markets. Governments are eliminating import tariffs, and local microlenders are financing them through nonprofit agencies.

The Poor Differ in Their Perceptions of the Costs of Changing Their Behavior

In attempting to assist the poor in leaving their poverty status, it is necessary to gain insight into how the poor perceive the costs of changing their behavior and situation. Different poverty segments have differing costs for the poor in escaping poverty and staying out of poverty behaviors.

The needed insight is in understanding what for the poor in different segments can tip the balance in favor of poverty-escaping behavior.

The Poor Get Into and Out of Poverty and Back in Again

The poverty situation of the poor is not static, but dynamic. Through the right combination of outside help and personal effort, a poor person in the extreme poverty segment may successfully migrate into the less extreme condition of the overall poor segment. But after

some months or a year or two and because of circumstances, the poverty escapee falls back into the originating extreme poor segment. Something similar recurs in many of the other poverty segments.

To offer the right bundle of solutions, poverty-escaping programs must understand the uncontrollable and controllable forces that cause people to transition back into poverty.

The True Face of Poverty Is a Localized Face

The poor are found at the local level. They can be engaged only in the locality where they live and work. It follows that the development and implementation of poverty solutions matters most at the local level.

At the local level, we meet the poor face-to-face. Antipoverty workers can live with the poor, listen to their stories (both sad and happy), eat with them, and make friends with them. This is an important step in poverty alleviation. Because the aid worker provides an intangible service, it is essential that mutual understanding and trust exist. In regions with high rates of illiteracy, the stories are often the only research methodology that works. Once this happens and gets repeated, making poverty history looks like a doable task.

At the national and macro level, the poor are a mass. There are just too many of them, and the problem looks immense. At the local level, the poor, even if they are many, are still countable. Poverty mapping has located them and counted them and now is monitoring them as they move into and out of poverty. It is at the local level that ending poverty becomes a real possibility.

Not What, But How

Knowing what has to be done is not the same as knowing how to implement programs and achieve successful outcomes that contribute

to the alleviation of poverty. In Part II, “Applying Marketing Perspectives and Solutions,” we expand on these six poverty aspects and realities. The chapters offer examples of and guidance for further segmentation, engagement of the critical agencies, research, targeting, positioning strategies, value exchanges, promotional and educational strategies, and success measures.

Summary

Many different explanations have been offered as to why poverty exists and persists. Different groups who fight for poverty reduction have seen the solution as lying in one of four major strategies: economic growth, income or wealth redistribution, massive foreign aid, or population control. But poverty reduction calls for a multilateral approach. This is exemplified by funding organizations such as the United Nations, World Bank, the Global Fund, the Project Red Campaign, and the Gates Foundation. We listed 50 different specific measures used by countries to provide safety nets, social services and protection, social equity, and empowerment strategies. Finally, we argued that adding a marketing mind-set, principles, and tools will help achieve a new level of effectiveness in planning and implementing poverty-reduction programs.

Endnotes

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² The Millennium Development Goals Report, 2006.

- ³ The Millennium Development Goals Report, May 2005. Reporting on each of the goals indicates that progress is being made in portions of Asia where the total economies are growing. However, many other regions, Sub-Saharan Africa in particular, are losing ground.
- ⁴ Poverty Net website as of September 5, 2008. <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/0,,menuPK:336998~pagePK:149018~piPK:149093~theSitePK:336992,00.html>.
- ⁵ See “The Global Fund Saves Lives.” The Global Fund website.
- ⁶ Hamish Pringle and Marjorie Thompson, *Brand Soul: How Cause-Related Marketing Builds Brands* (New York: John Wiley & Sons, 1999).
- ⁷ Ron Nixon, “Little Green for (Red),” *New York Times*, February 6, 2008, pp. C1 and C5.
- ⁸ Patricia Sellers, “Melinda Gates Goes Public,” *Fortune*, January 21, 2008, pp. 44–56.
- ⁹ Ramani Gunatilaka and P. A. Kiriwandeniya, “Protection for the Vulnerable.” Workshop presentation for a Policy Framework for Poverty Reduction in Sri Lanka, October 1999.
- ¹⁰ Michelle Adato, Akhter Ahmed, and Francie Lund, “Linking Safety Nets, Social Protection, and Poverty Reduction—Directions for Africa,” a conference brief prepared for the conference on “Assuring Food and Nutrition Security in Africa by 2020: Prioritizing Actions, Strengthening Actors, and Facilitating Partnerships,” Kampala, Uganda, April 1–3, 2004. Sourced from <http://www.ifpri.org/2020africaconference> and viewed March 7, 2005.
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- ¹³ Adato, Ahmed, and Lund, op. cit.
- ¹⁴ Jane Mpagi, *Social Protection in Uganda: A Study to Inform the Development of a Framework for Social Protection in the Context of the Poverty Eradication Action Plan*. Phase I Report, Social Protection Task Force, Uganda, October, 2002. Sourced from <http://www.ids.ac.uk/ids/pvty/pdf-files/UgandaCh1-2.pdf>, viewed July 8, 2005.
- ¹⁵ Amartya Sen, *Development as Freedom* (New York: Knopf, 1999). Sen had earlier presented this concept of development in Amartya Sen, “Well-Being, Agency and Freedom: The Dewey Lectures 1984,” *The Journal of Philosophy*, Vol. 82, No. 4: 1985, pp. 169–221.
- ¹⁶ World Bank, *World Development Report 2000/2001: Attacking Poverty* (New York: Oxford University Press, 2000).

- ¹⁷ Deepa Narayan, *Empowerment and Poverty Reduction: A Sourcebook* (Washington, D.C.: The World Bank, 2002), p. 14.
- ¹⁸ See Bie Nio Ong, *Rapid Appraisal and Health Policy* (San Diego: Singular Publishing Group, 1996), and Taryn Vian, "Rapid Needs Assessment Following Cyclone Disaster in Madagascar." A paper presented at the 129th Annual Meeting of the American Public Health Association, October 24, 2001.
- ¹⁹ G. Prunier, *Darfur: The Ambiguous Genocide*. Copyright © 2005 by Gérard Prunier. Published in North America by Cornell University Press. Prunier presents a more complete understanding of the often terrible consequences of ineffective aid. Roaming rebels, displaced families, and intervention by predatory neighbors can all be attributed to what is described as bungled attempts to assist rather than solve the problems.
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- ²¹ Stephen C. Smith, *Ending Global Poverty: A Guide to What Works* (New York: Palgrave-MacMillan, 2005).
- ²² See P. Kotler and E. Roberto, 1989, "Social Marketing: Strategies for Changing Public Behavior," for extensive real-world examples of successful marketing campaigns to combat AIDS, illiteracy, and teenage pregnancy and to create positive social change. Also, see P. Kotler, E. Roberto, and N. Lee, *Social Marketing: Improving the Quality of Life*, 2nd edition (Thousand Oaks, CA: Sage, 2002) for additional examples, and P. Kotler and N. Lee, *Social Marketing: Influencing Behaviors for Good*, 3rd edition (Thousand Oaks, CA: Sage, 2008).