

Another 165 million people join more than one billion in poverty as cost of government debt servicing soars

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Figures released by the United Nations Development Programme (UNDP) reveal the devastating impact on the world's poorest people of the "polycrisis".

The term refers to the COVID-19 pandemic, the cost-of-living crisis, inflation, rising interest rates in all the centres of imperialism, the surge in the value of the US dollar, the US-NATO led war in Ukraine against Russia and the fallout from disasters made more catastrophic by climate change.

Poverty rates, as measured by the number of people living on less than \$3.65 a day, have surged over the three-year period 2020-23, with an additional 165 million thrown into poverty.

Worse is to come, according to the UNDP's new policy brief, "The Human Cost of Inaction: Poverty, Social Protection and Debt Servicing, 2020–2023." It predicts that the poorest 10 percent of the world's population will be the only group not to have recovered its pre-pandemic, real terms per capita income by 2023. Within low-income countries the bottom half of the population will remain below pre-pandemic levels.

As well as the reduction in monetary income revealed by the UNDP's data, there has been a shocking decline in the global Human Development Index (HDI), measuring average achievement in three basic dimensions: a long and healthy life, knowledge, and a decent standard of living. It has declined for two years in a row, for the first time ever.

According to the UNDP's 2023 survey of 110 of the world's 195 countries for which data is available on its multidimensional poverty index (MPI), 1.1 billion out of 6.1 billion people (just over 18 percent) live in acute multidimensional poverty, with Sub-Saharan Africa (534 million) and South Asia (389 million) home to approximately five out of every six poor people.

Nearly two-thirds of all poor people (730 million) live in middle-income countries, while 35 percent reside in low-income countries that constitute just 10 percent of the population surveyed. By far the worst affected are the young

generation, with children under 18 years old accounting for a staggering half of MPI-poor people (566 million). Some 27.7 percent of children and 13.4 percent of adults are poor. Poverty predominantly affects rural areas across all regions of the world, with 84 percent of the world's poor living in rural areas.

The long-term implications are staggering. It means that an entire generation of undernourished children suffers chronic illness, performs poorly in school performance and faces low income and a dearth of opportunities. In East Africa alone, over 8 million children under five suffer acute malnutrition. It is these devastating conditions that are fuelling local and regional conflicts and driving those able to flee their homes and migrate in search of an income for their families.

Further exacerbating the crisis, as the UNDP explains, is the level of public debt, on the rise all over the world in the last decades. Global public debt, including both domestic and external debt, has increased more than fivefold since 2000 to reach \$92 trillion, compared to global GDP which has tripled over the same period to \$101 trillion. Developing countries owe almost 30 percent of the total, of which about 70 percent is attributable to China, India and Brazil.

While interest rates were very low in 2020–2021—as central banks pumped in trillions of dollars to prop up the financial system following the onset of the pandemic—in 2022 the central banks began hiking interest rates at the fastest pace in four decades, in a bid to induce a recession and curb the demands of the working class for pay increases to meet the soaring cost of living. This led to an increase in the value of the US dollar to which many internationally traded commodities are linked, a corresponding surge in inflation and the soaring cost of government debt. This particularly affected poorer countries whose currencies were pegged to the dollar, like Sri Lanka, Lebanon and Egypt.

The vice-like grip in which so many poorer countries are held makes it impossible for their governments to provide the social assistance and public services necessary to

withstand poverty, humanitarian crises, emergencies and climate change. According to UNDP, in 2022, 46 countries pay more than 10 percent of government revenue on interest payments, while 25 developing countries—the highest number since 2000—spent more than 20 percent on external debt servicing. The average low-income country spends 11 percent on debt servicing, compared with 3.8 to 4.8 percent in 2011.

Debt servicing is replacing the already meagre amounts spent on health, education and social protection, severely efforts to mitigate loss of income, unemployment and poverty and driving many into destitution. The figures lay bare the ruthless expropriation of the value created by world's poorest people by the global financial elite.

Low-income countries are on average spending twice as much servicing debt as they spend on social assistance and 1.4 times more than on healthcare, while the cost of debt servicing is typically equal to 60 percent of education expenditure. According to the UN Global Crisis Response Group, 3.3 billion people or 41 percent of the world's population live in countries that spend more on interest payments than on education or health.

This has also made it impossible for these countries to build infrastructure and implement measures to reduce the impact of climate change.

Following last year's catastrophic floods in Pakistan, the worst in the country's history that killed more than 1,700 people and affected 33 million, the government took on more new debt than it received in international humanitarian aid, eating up a massive 40 percent of government revenue.

Achim Steiner, UNDP Administrator, explained, "In highly indebted countries, there is a correlation between high levels of debt, insufficient social spending, and an alarming increase in poverty rates." Without the measures that some governments took to alleviate the impact of the pandemic, net poverty increases between 2022 and 2023 would have been even higher. "Debt servicing is making it increasingly harder for countries to support their populations through investments in health, education and social protection."

This has translated, as the UN's Food and Agriculture "State of Food Insecurity and Nutrition in the World 2023" reports, into up to 783 million people facing hunger in 2022 and 600 million people chronically undernourished by 2030. More than 3.1 billion people (42 percent of the world's population) were unable to afford a healthy diet in 2021, and 2.4 billion people were moderately or severely food insecure in 2022 (29.6 percent of global population), while food and energy giants more than doubled their profits in 2022.

Not only are the international banks, financial institutions and multilateral lending institutions like the World Bank and International Monetary Fund imposing ever greater

hardships on workers and their families as they suck in taxpayers' money throughout the world, they also charge poorer countries far more than wealthy countries. According to the UN Global Crisis Response Group, African countries borrow at rates four times those of the US and eight times those of Germany.

The turn to private creditors, such as bondholders, banks and other lenders, is more expensive than multilateral and bilateral lenders and the large number of creditors makes it more difficult to restructure the debt.

The Global Crisis Response Group points out that a "solution" is not out of reach. It calculates that it would cost around \$14 billion, or 0.009 percent of global GDP in 2022, to alleviate this latest surge of poverty and lift the 165 million people above \$3.65 a day. This is less, on average, than 4 percent of low and middle-income countries' public external debt service payments of \$370 billion in 2022. It is an infinitesimal amount of the wealth of the world's 2,640 billionaires that has exploded to \$12.2 trillion, according to Forbes' "World's Billionaires List", on the back of the COVID-19 crisis and the war in Ukraine.

But the economic system that produces phenomenal wealth for the world's corporate and financial elite and hunger, poverty and acute suffering for billions will not tolerate such a "solution," as numerous UN appeals for humanitarian aid that have fallen far short of their targets testify. The elimination of poverty and hunger requires a unified struggle against the entire capitalist system, and for socialism, by workers and rural masses in the richer and poorer countries alike.



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