

January
2013

Mobilizing critical research for
preventing and eradicating poverty

This Policy brief argues that:

POVERTY HAS NOT DECLINED TO THE EXTENT CLAIMED AND INEQUITY HAS RISEN

- The number of people living on less than USD 1.25 a day has reportedly declined globally from 1.94 billion in 1981 to 1.29 billion in 2005, but this was due mainly to growth of incomes and employment in China. Since 1981, the number of poor people has actually increased in Sub-Saharan Africa and South Asia.
- Global inequality has increased - had the world's poorer half been allowed to gain the extra 3.49% of global household income gained by the richest five percent between 1998 and 2005 severe poverty could have been overcome.

THE MDGs HAVE HELPED REDUCE POVERTY ONLY marginally

- MDG #1 envisions only half as great a reduction in the number of extremely poor people as was promised in the UN Millennium Declaration.
- The "causal" role of the MDGs was limited at best, since the poverty reduction in China was an effect of a national developmental policy set well before they were conceived.

THERE ARE IMPORTANT LESSONS FOR THE POST MDG AGENDA

- The new agenda must move towards a policy oriented process addressing the structural causes of poverty and inequity within and among countries.
- The MDGs reinstated the role of human development after the structural adjustment years. Social development must remain high in the development agenda, but it should be accompanied by pro-poor macroeconomic policies and employment-generating growth in agriculture, industry and services, with renewed attention to sustainability issues and climate change.
- A social protection floor for all would be an immediate step toward the alleviation of extreme poverty worldwide.
- To move all persons above the USD 2 per day line would cost approximately USD 300 billion per year; about 1.2% of the income of the richest tenth of humanity.

POVERTY & THE MILLENNIUM DEVELOPMENT GOALS (MDGS): A CRITICAL ASSESSMENT AND A LOOK FORWARD

The spirit of the Millennium Declaration led to one of the most visible and unified global campaigns to address poverty in the history of development cooperation, and resulted in large numbers of countries and development programmes using the objectives and targets of the MDG's as a point of reference. There are many merits we can attribute to the MDGs. What has gone missing however are the core commitments laid out in the Millennium Declaration. They need to be reinstated as the point of departure when assessing the individual MDG outcomes.

Introduction

Beyond the merits of the MDG agenda, the time has come to critically highlight its shortcomings and erroneous messages. As we will show in this brief, much of the data are misleading, including the recent announcement by UN Secretary-General Ban Ki-moon that "The target of reducing extreme poverty by half has been reached five years ahead of the 2015 deadline" (Foreword of the Millennium Development Goals Report 2012). This is just one prominent example of a large chorus of international and national politicians, journalists and development professionals making selective use of statistics to proclaim good news about the worldwide decline of poverty.

Moreover, and perhaps more importantly, poverty reduction is causally attributed to the MDGs: "the MDGs have helped to lift millions of people out of poverty" (UN MDGs Report 2011).

Critical analysis and monitoring of national and international policy responses to poverty are among CROP's core objectives. For that reason, CROP organized in August 2012 a critical workshop on the MDGs, discussing — among other things — how accurate these and other related UN assessments of poverty reduction are, and whether it is analytically correct to credit the MDGs with being a major driver of poverty reduction around the world.¹ This poverty brief captures some of the ideas discussed at that workshop.

The impact of the MDGs on global poverty

Three inter-related questions need to be addressed to evaluate in a constructive way the impact the MDGs have had and could have on substantially reducing poverty around the world:

- i) Has poverty really declined in a way consistent with international legal and political commitments as well as with moral responsibilities?
- ii) What role have the MDGs played in producing those changes?
- iii) Which are the main lessons from the joint analysis of the workshop towards conceptualizing a post-MDG agenda or a new development agenda?

Methodological issues with the poverty data

To answer the first two questions, it is necessary to have a precise picture of the extent of poverty in the base year referenced in the commitments and then to track this extent over time. This seemingly simple task is not so easy in reality. There has been great controversy about the accuracy of poverty statistics and measurement as well as about the baseline chosen to measure this complex social phenomenon. Among these problems are

1. Distortion through use of general-consumption purchasing power parities (PPPs) which give much less weight to food prices than these have in the actual consumption of the poor. Because of this distortion, PPPs overstate by roughly 50% the buying power of poor households relative to foodstuffs.
2. Excessive sensitivity of trend to IPL level. For example, between 1990 and 2008, the number of people below \$1.25 has reportedly fallen by 32.5%, but the number of people below \$2.50 has reportedly fallen by only 5.3%.
3. Excessive sensitivity to the base year chosen to determine the purchasing power of all currencies relative to one another.
4. Distortion through use of general consumer price indexes which likewise give less weight to food prices than these have in the consumption of the poor. This leads to an overly rosy trend picture during periods when food prices are rising faster than prices in general.
5. A simple binary measure that classifies households as either poor or non-poor incentivizes policy makers to prioritize people just below the poverty line.
6. Such a measure also disregards the intra-household distribution and varying course-of-life needs.

7. By focusing on income/consumption expenditures alone, the prevalent methodology also reifies poverty and disregards other dimensions of poverty: the amount of labor required to gain the relevant income, environmental challenges, availability of goods and services, issues such as powerlessness, exploitation or fear, time for the care "economy" and leisure time for women, men and children.

The MDGs Report 2011 indeed acknowledges the problem: "The task of monitoring progress on poverty reduction is beset by a lack of good quality surveys carried out at regular intervals, delays in reporting survey results, and insufficient documentation of country level analytical methods used. It is also hampered by difficulties in accessing the underlying survey microdata required to compute the poverty estimates." These gaps remain especially problematic in sub-Saharan Africa, where the data necessary to make comparisons over the full range of MDGs are available in less than half the countries.² These are central problems for both academic and policy evaluation that are difficult to solve in the short term.

Has poverty been reduced?

Despite the limitations of the exercise, one can estimate that the approximate number of people living on less than USD 1.25 a day declined globally from 1.94 billion in 1981 to 1.29 billion in 2008 (World Bank PovcalNet) due mainly to growth of incomes and employment in China.³ If we leave aside the noticeable reduction of poverty in China and other countries of East Asia, it becomes evident that poverty reduction policies in other parts of the world were either insufficient or ineffective due their negligible effect on the incidence of poverty.⁴

The link from persistent poverty to inequality is illustrated by the following facts from Table 1 (page 6 below):

- In just 17 years, the richest five percent of human beings have gained a greater share of global household income (3.49%) than the poorer half had left at the end of this period (2.92%).
- The ratio of average incomes of the richest five percent and the poorest quarter rose from 185:1 to 297:1 in this 1988-2005 period.
- Had the poorer half held steady, its 2005 share of global household income would have been 21% higher (3.53% instead of 2.92%).
- Had the poorest quarter held steady, its 2005 share of global household income would have been 49% higher (1.16% instead of 0.78%).
- Had it been allowed to gain the 3.49% of global household income that was in fact gained by the richest five percent, the poorer half would have doubled its share to 7.02% in 2005. Severe poverty could have been overcome by 2005 already.

Did the MDGs contribute to poverty reduction?

The above suggests that the “causal” role of the MDGs is at least very limited, since the poverty reduction in China was an effect of a national developmental policy set well before they were conceived.

It is also important to notice that when the early achievement of the global MDG goal on extreme poverty is announced, it rests on the relative success of a minority of countries: only 47 out of 144 states are considered to be on track to meet the Goal #1. More important to stress in a critical analysis is that in Sub-Saharan Africa and South Asia, the poverty headcount has increased since 1981 (WB 2011; DESA 2009).

The above observations makes us query the role of the MDG agenda in global poverty reduction. It draws our attention more closely to the role and influence of national development strategies and policies. We cannot have the response to the counterfactual, but perhaps it is important (in logical terms) to pose it for the purposes of this reflection: Would poverty have been reduced in the same proportion in absence of the MDG agenda?

This question seems to be relevant on both logical and political grounds since the MDGs are part (actually, the operationalization) of the biggest commitment ever reached by the international community to “free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty, to which more than a billion of them are currently subjected.”⁵

In a language that leaves no room for ambiguities, 189 state representatives in the year 2000 committed in the Millennium Declaration to “spare no effort” to “freeing the entire human race from want”, resolving therefore “to create an environment – at the national and global levels alike – conducive to development and to the elimination of poverty.” The spirit of the Millennium Declaration led to one of the most visible and unified global campaigns to address poverty in the history of development cooperation, and resulted in large numbers of countries and development programmes using the objectives and targets of the MDG’s as a point of reference. What has gone missing however are the core commitments laid out in the Millennium Declaration. They should be reinstated as the point of departure when assessing the individual MDG outcomes. And, there are many merits we can attribute to the MDGs (See Box #1).

But looking then into the individual goals and targets, many questions arise. Does MDG #1, Target 1.A: “Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day” reasonably express the political objective set by the Millennium Declaration of “freeing the entire human race from want”? It would seem that the answer is no because the operationalisation was content with “halving poverty” instead of striving for its eradication. Some analysis by workshop participants shows the disconnect between the targets formulated in the MDGs and the earlier more aspirational Millennium Declaration adopted in the year 2000 (see Box page 1).

Does it convey the moral obligation to eliminate poverty, given the fact that the world has the resources to do so? The existence of sufficient resources to eliminate extreme poverty in our time poses a moral and a political responsibility to governments and to international organisations with the power to influence change. Regarding the financial resources required, 1.2 % of the income of the richest tenth of humanity could suffice to nominally cover the annual shortfall of USD 300 billion needed to bring everyone over the USD 2 / day poverty line (Pogge 2013).

Much larger amounts have been allocated in the past 3 years for financial rescue packages, and to fund subsidies which are often regressive. In this way, we can clearly see that the problem is eminently political and moral, and not basically an economic one. Civil rights and active citizen engagement may ensure accountable governments for a post 2015 development agenda.

Another key constraint of the MDGs is that they did not operationalize a strategy or a course of action to reach the objective of “elimination of poverty” in a reasonable amount of time.

Lessons for the Post MDGs Agenda

The above suggests that the post-MDG development agenda would need to move from the targeted and technical approach to reduce or alleviate poverty, towards a policy oriented process addressing the structural causes of poverty and inequality within and among countries. The post-MDG agenda must address the factors that impede substantial progress toward poverty eradication and ultimately look towards preventing extreme poverty. This would entail:

- i) focusing on development policies that have been proven effective to substantially reduce poverty;
- ii) promoting transformative (both at national and international levels) social contracts addressing together the most pressing global challenges, like poverty, income and asset inequality, gender discrimination and social exclusion, political oppression, climate change, the creation of sustainable modes of production and consumption, and the role of a democratic and accountable developmental welfare state;
- iii) removing the political and institutional barriers in international trade, investment and financial systems that continue to play out against the sustainable and equitable development of lower income countries.

A social protection floor (SPF) for all as recommended by the ILO at its 2012 Conference⁶ could be an immediate step toward the alleviation of extreme poverty worldwide. If implemented in all countries, it would provide for access to essential health care, basic income security for children, basic income security for persons in active age who are unable to earn sufficient income and basic income security

for older persons. The SPF would need however to be complemented by universal social policies that address the social welfare needs of the middle classes as well as of the poor if the former are to pay taxes and support the kind of stated economic and social development policies which have proved successful.

Similar attention as is accorded to social protection needs to be devoted to generating decent work and access to employment for all. This includes the design of policies to improve and enhance the rural economy, to make agriculture productive and equitable, and improve options for decent work on- and off-farm. Some agencies are beginning to make this case, but the employment agenda has been neglected for decades. It now needs to come to the fore, as does a universalist agenda for social justice.

A more critical analysis of the outcome of the MDG agenda, a revision of the causalities of poverty and the most productive policy approaches to address it, and a more radical vision of eradicating, rather than merely alleviating poverty would, in our view, need to inspire the post-2015 development agenda. What it can take from the current MDG discourse however is the immense drive and consensus at the normative level for the moral obligation to address poverty that it generated.

One possible candidate for a post-2015 agenda are the Sustainable Development Goals (SDGs) because of the growing recognition that the drivers of global environmental change, in particular climate change, pose a major threat to any anti-poverty measures. The main assumption in current SDG thinking is that a cleaner, greener type of growth will benefit the poor and create new incentives and opportunities for conservation, pollution reduction, and sustainable livelihoods. This approach represents a fresh and updated version of earlier framings of both poverty reduction and environmental management. But without understanding and addressing the systems and paradigms that produce and perpetuate both poverty and unsustainability as “externalities” in the first place, the well-intentioned SDGs are likely to have only superficial effects, and likely to replicate the problems and traps posed by the MDGs that we summarize here.

Alberto D. Cimadamore, Bob Deacon, Sigmund Grønmo, Gabriele Koehler, Gro Therese Lie, Karen O'Brien, Isabel Ortiz, Thomas Pogge, Asuncion St. Clair.

References (links checked to be working as of Jan 9, 2013)

- Pogge, Thomas (Forthcoming 2013) “Poverty, Human Rights and the Global Order: Framing the Post-2015 Agenda,” in Langford et al (eds.) *MDGs and Human Rights: Past, Present and Future*, Cambridge: Cambridge University Press
- United Nations (2011) *Millennium Development Goals Report 2011*, New York: UN <tinyurl.com/cnrkchy>
- United Nations (2012) “Foreword”, in *Millennium Development Goals Report 2012*, New York: UN <tinyurl.com/9emz6me>
- United Nations Department of Economic and Social Affairs (2009) *Report on the World Social Situation 2010 Rethinking Poverty*, New York: United Nations <tinyurl.com/bg4supy>
- World Bank PovcalNet: an online poverty analysis tool <ire-search.worldbank.org/PovcalNet/>
- World Bank Group (2011) *IEG Annual Report 2011: Results and Performance of the World Bank Group*, Independent Evaluation Group World Bank, IFC, MIGA. Volume I: Main Report, Washington DC: World Bank <tinyurl.com/bxn4nk2>
- World Bank (2012) *World Development Report 2013: Jobs*, Washington DC: The World Bank [tinyurl.com/9vpglal]
- World Health Organization (2008) *The World Health Report 2008 - Primary Health Care (Now More Than Ever)*, Geneva: WHO, <www.who.int/whr/2008/en/>

Notes

- 1 This brief (elaborated collectively by the participants) intends to present in a very simple and succinct way some of the points addressed in the meeting. A book to be published by CROP in 2013 will present a more detailed critical assessment on the role of MDGs in reducing poverty.
- 2 “For example, between 2007 and 2009, the countries that had collected, analysed and disseminated survey data, represent only 20 per cent of the region’s population”. (p. 7).
- 3 Which alone took more than 240 million persons out of extreme poverty.
- 4 In this, we differ significantly from Ravallion et al who argue that extreme poverty in South Asia declined from 16.1% in 1990 to 8.6% in 2008; and in Sub-Saharan Africa from 25.4% in 1990 to 20.6% in 2008.
- 5 UN Millennium Declaration, 2000. Chapter III: Development and poverty eradication.
- 6 Deacon, Bob (2012) *The Social Protection Floor*, CROP Poverty Brief #11, Bergen: CROP.

Table 1: The distribution of global household income, 1988 and 2005, converted at market exchange rates

Segment of World Population	Share of Global Household Income 1988	Share of Global Household Income 2005	Absolute Change in Income Share	Relative Change in Income Share
Richest 5 Percent	42.87	46.36	+3.49	+8.1%
Next 5 Percent	21.80	22.18	+0.38	+1.7%
Next 15 Percent	24.83	21.80	-3.03	-12.2%
Second Quarter	6.97	6.74	-0.23	-3.3%
Third Quarter	2.37	2.14	-0.23	-9.7%
Poorest Quarter	1.16	0.78	-0.38	-32.8%

Source: Thomas Pogge, based on Milanovic 2010.

BOX #1: PROS

- The MDGs have been a success in terms of branding and awareness raising for poverty. It could be argued that they have driven a consensus on ending poverty as the overarching goal of international development.
- They have created a “legitimized framework” around which international and national actors discuss and address poverty and other development issues.
- They have somehow operationalized (although with a sensitive loss of fidelity) the Millennium Declaration and brought up the possibility to measure progress using its 21 targets and 60 indicators.
- The MDG discourse has been quite successful in conditioning the development agenda for the last decade by elevating the themes of poverty and human development to the top of it.
- The MDGs open up (in theory) the possibility for accountability at both international and national levels.
- The MDGs have reinstated the role of social development in the development process which had been trampled upon in the structural adjustment approaches.

BOX #2: CONS

- The MDGs do not address the causes of the production and reproduction of poverty, nor represent a substantial move towards an inclusive and equitable human development.
- The MDGs were associated with limited or non-existing coverage of issues relevant to inclusive and equitable human development, like inequalities, social protection, reproductive health, access to productive assets, the protection of civil rights, etc.
- The MDGs have also limited attention to employment-generating growth in agriculture, industry and services that sustain adequately remunerated jobs; to the role of the state in regulating finance, implementing pro-poor macroeconomic policies, promoting investment and economic infrastructure; as well as to ensuring that international systemic issues address equitable development.
- The MDGs have further limited attention to environmental, climate change, and sustainability issues (MDG 7 deals with just two environmental goals: forest cover and biodiversity).
- The MDGs do not recommend policies and do not take a view on the role of a developmental welfare state and adequate national development strategies and policies whose positive effects to reduce/eliminate poverty have been empirically tested (like universal access to social services and minimum incomes).
- A key problem of the MDGs is that these “goals” were not assigned to anyone in particular. Certainly rich countries didn’t feel called upon to do anything when they saw that specific goals were not being approached at the promised speed.
- The MDGs did not look at income and wealth inequities and the period of the MDGs has brought a very rapid marginalization of the poor.
- Until recently, hunger did not have as much attention as income poverty.

The CROP Poverty Briefs are a series of short research notes highlighting recent research and trends in global poverty. The ideas contained in CROP Briefs are those of the named authors and do not necessarily reflect a consensus view of the

Programme. They are distributed as worthy of consideration by those concerned to “mobilize critical research for preventing and eradicating poverty”.

CROP Secretariat

P.O. Box 7800
N - 5020 Bergen - NORWAY

Visiting address:
Jekteviksbakken 31

Phone: +47 555-89744 / -89703
eMail: crop@uib.no
Website: www.crop.org

