



Rethinking Poverty Measures and Programmes

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New ICP estimates

- No. of poor fell from 1.9bn in 1981, 1.8bn in 1990 to 1.4bn in 2005
- 40% increase over earlier ICP number of 980m for 2004 @ \$1.08 (1998)!
- From 52.0% to 25.7% of world population
- Without China, no. of extreme poor up from 1.1bn in 1981 to 1.2bn in 2005



Where are the poor?

- Highest share of poor changed from E Asia to S Asia + SS Africa
 - 57% of world's extreme poor lived in E Asia in 1981, 23% in 2005
 - S Asia share increased from 29% in 1981, up to 43% in 2005
 - SS Africa share more than doubled from 11% (1981) to 28% (2005); 92m more poor over 1990-2005



Changing poverty line

- ICP \$1/day line probably **under-estimates actual extent of poverty:**
- **Shifting goalposts:** \$1.25/day based on average poverty line of *poorest* 15 countries
 - **different** from earlier **definitions**
 - **US CPI** adjustment **\$1.48 > \$1.25**



Poverty line sensitive

Poverty Line <i>US\$ per person per day</i>	Poverty Line Equivalent <i>US\$ per person per month</i>	Poverty Line Equivalent <i>Rupiah per person per month</i>	Poverty Rate <i>% below poverty line</i>	Millions Below Poverty Line
0.27	8.38	62,870	9.75	22.0
0.29	8.80	66,021	12.10	26.1
0.30	9.22	69,165	14.55	31.4
0.32	9.64	72,309	17.40	37.6
0.33	10.06	75,452	20.18	43.6
0.34	10.47	78.596	23.03	49.7



Hunger increasing!

- % of world's **hungry increasing** since 1990
- Still >1bn hungry people
- >2bn deficient in micronutrients
- 129m children underweight
- 195m <5yr stunted



Jobs essential

- 'Jobless growth' before crisis
- Jobless recovery
- **Employment lag** long after output recovery
- Unemployment rate for youth worldwide much higher now



Less poverty in China

Less poverty due to:

- rapid economic growth, esp. productive employment growth

Despite:

- increased income inequality
- reduced social provisioning

Money measure of poverty misses impact of social services decline



Multi-dimensional?

- Copenhagen Social Summit 1995
- Many efforts to capture different dimensions, including HDI, etc
- Multi-dimensional measure likely to produce higher poverty rate
- Controversy mainly over single composite index, over relative weights
- Encourages producing index close to straight money poverty measure



Development lessons

- Pragmatism: address constraints to **accelerate growth, development**
- Promote desirable economic activities, e.g. increasing returns to scale
- **Fiscal capacity** needed to provide basic needs + essential social services
- Government **policy space** crucial for economic + social outcomes
- **Growing inequality, reduced social provisioning** limit benefits for poor



Market liberalization?

- Economic liberalization since 1980s
 - slowed growth, poverty reduction
 - increased inequality, vulnerability + volatility in most countries
- Slower growth (except 2003-2008)
- Reduced policy space
- Less growth + revenue -- due to liberalization, tax competition -- have reduced fiscal means
- Reduced fiscal + policy space → adverse effects for growth, poverty, destitution



Poverty magic bullets

Poor evidence of IFI/donor favoured special poverty programs significantly reducing poverty without sustained growth + job creation, e.g.

- good governance
- micro-credit
- property rights (e.g. land titling)
- 'bottom of the pyramid' marketing



Governance

- Development → good governance, not vice versa
- Most developing countries cannot afford full good governance reform
- ‘Pro-poor’ governance reforms claim to significantly help poor. But theory + evidence do not support this
- Instead, focus on alternative growth-enhancing governance capabilities – good enough governance – to address “key” development bottlenecks



Bottom of the Pyramid

- BoP approach presumes poor all “resilient + creative entrepreneurs and value-conscious consumers”
- Too little emphasis on legal, regulatory and social mechanisms to protect poor
- **Vulnerable to marketing gimmicks**
- Unable to take advantage of economies of scale



Micro-credit

- Important in providing finance for contingencies and smoothening consumption
- Provides opportunities for learning-by-doing and developing greater self-esteem
- Checks power of money lenders
- **But** romanticizes and exaggerates micro-credit impact on poverty reduction
- Innovative management and entrepreneurial strategies
- High real interest rates, even with high subsidization
- Overestimates returns to capital by underpricing labour



Universalism vs targeting

- **Targeted** programs + social safety nets vs **universal** social provisioning
- Social provisioning, protection should be **universal** + **integral** to development + poverty reduction strategies
- Social safety nets involving targeting + **conditionalities** → cost effective + behavioural change by poor
- **Targeting** poor often **expensive** + politically **unsustainable**, while **missing out** many deserving



Step up efforts

- **Macroeconomic policies** should prioritize sustainable development, employment
- Promote **decent work**
- Protect and augment **social expenditures**, especially for health care + education
- **Social protection floor** affordable for all



Thank you

*Report on the World Social Situation
2010*

Please also visit UN-DESA esa.un.org/

United Nations Development Agenda

*National Development Strategies Policy
Notes*

World Economic and Social Survey

DESA working papers

Also see: G24 website: www.g24.org

IDEAs website: ww.ideaswebsite.org