



Rethinking Poverty: *Progress, Measurement, Policy Prescriptions*

20 June 2011

MDG 1: Halve Poverty, Hunger

**Progress on *poverty reduction*
*uneven, threatened, but achievable***

- WB's \$1/day poverty line: 1.4bn people living in extreme poverty in 2005, down from 1.8bn in 1990
- But without **China**, no. of poor actually went up over 1990-2005 by @ 36m
- 92m more poor in SSA over 1990-2005



Money measures

- Poverty mostly measured in money terms: per capita or household income or spending
- Extreme poverty – those living on less than US\$1/day (in 1993 prices)
- Using this measure, global extreme poverty has become less severe over last two decades, but with significant regional variation



Changing definition

WB \$1/day line probably under-estimates actual extent of poverty (Townsend):

- **Shifting goalposts**: \$1.25/day based on average poverty line of *poorest* 15 countries
- **different from earlier definitions**

- Income or spending yardstick does not tell whole story
- 1995 World Social Summit poverty definition considers deprivation, social exclusion and lack of participation
 - if so, poverty situation graver (Townsend)



Poverty line sensitive

POVERTY LINE US\$ per person/day	POVERTY LINE Equivalent US\$ per person/month	POVERTY LINE Equivalent Rupiah per person/month	POVERTY HEADCOUNT (% population below poverty line)	MILLIONS OF PEOPLE 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



Poverty line lowered?

- Poverty line catchy, convenient, but **misleading**
- New **WB \$1.25/day line (2005 PPP)**
earlier: **\$1.08/day (1993 PPP)**
original: **\$1/day**
- If US inflation considered, **line would be \$1.45 in 2005, NOT \$1.25**

But Bhalla unfair (“WB exaggerates poverty to keep itself in business”)



Not enough food?

- Poverty line mainly defined as money income to avoid hunger, but huge discrepancies between poverty + hunger measures
- *FAO: 963m. hungry world-wide – up by 142m. since 1990-92*
- Attributed to changing definition, faulty methodology



WB estimates

- No. of poor fell from 1.9bn in 1981 to 1,399m. in 2005: >40% increase over earlier 986m. (“bottom billion”) for 2004!
- From 52.0% to 25.7% of world population
- But if China left out, global extreme poverty number higher
- Without China, 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 + Pacific in 1981, down to 23% in 2005
 - S Asia share increased from 29% in 1981 to 43% in 2005
 - SS Africa share more than doubled from 11% to 28% in this period



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 policy + fiscal space → adverse effects for poverty + destitution



Poverty magic bullets

No 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

- ‘Good governance’ indicators reflect development status – not prerequisite for development
- Most developing countries **do not have fiscal means for comprehensive ‘good governance’ reform**
- **Market failures** likely to remain
- **‘Pro-poor’ governance reforms** claim to improve service delivery to poor. But neither theory nor evidence support this
- Instead, focus on **‘good enough’** alternative development-enhancing governance capabilities to **address “key” development bottlenecks**



Thank you

Report on the World Social Situation 2010

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

*Jomo K. S. & Anis Chowdhury (eds). **Poor Poverty: The impoverishment of its analysis, measurement and policies.** Bloomsbury.*

National Development Strategies Policy Notes

World Economic and Social Survey

DESA working papers

IDEAs website: www.ideaswebsite.org