Setting an Income Poverty Goal After 2015

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Preface

This paper is one of a series of papers in a research project, *The Power of Numbers: A Critical Review of MDG Targets for Human Development and Human Rights (the “Project”)*.

Motivated by a concern with the consequences of the Millennium Development Goals (MDGs) beyond the achievement of the 2015 targets, the Project seeks to explore their broader policy and programmatic implications. It focuses particularly on the reductionism inherent in the way in which these global goals were set and came to be used, as well as the potential for distorting priorities and marginalizing, or even displacing, important human development and human rights concerns inherent in such global goal-setting exercises. A total of 11 studies are included, each analyzing the normative and empirical consequences of a particular MDG goal/target, and considering what other targets and indicators might have been more appropriate. The Project aims to identify criteria for selecting indicators for setting targets that would be more consistent with Human Development and Human Rights priorities, amenable to monitoring impacts on inequality, accountability and consistency with human rights standards.

Although this paper is currently accessible as a free standing working paper, it should be read in conjunction with the synthesis and background papers of the Power of Numbers Project. These papers provide necessary information about the scope of the Power of Numbers Project, the historical framing of international agreements leading up to the MDGs, and the human rights and human development frameworks referenced in the paper. These working papers are expected to be compiled as a special issue of the *Journal of Human Development and Capabilities*.

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1 An independent research project coordinated by Sakiko Fukuda-Parr at The New School and Alicia Ely Yamin at Harvard School of Public Health. Support from the UN Office of High Commissioner for Human Rights, UN Development Programme, Frederick Ebert Stiftung, Dag Hammarskjöld Foundation, and the Rockefeller Foundation are gratefully acknowledged.
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Abstract

Debate on what should follow the UN Millennium Development Goals (MDGs) from 2015 onwards has begun in earnest. It seems a focus on ending poverty (however defined) is likely to form a central part of the future framework. This paper contributes to this ongoing debate on informing the post-2015 agenda by considering the income poverty goal. We argue that income poverty is not an anathema to a human development perspective. Indeed, income remains an instrumental freedom and poverty lines are largely based on nutrition related capabilities in general. We review the institutional history of the MDG income target, and present data trends to date and projections with regard to income poverty which could be used to set future goals for 2030. In addition, the paper discusses ways to galvanize public and political mobilization for MDG-1.

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2 Correspondence to urogentilini@gmail.com and andrew.sumner@kcl.ac.uk. Many thanks for comments to Sakiko Fukuda-Parr, Alicia Yamin, and Josh Greenstein At the time of writing this paper Ugo Gentilini was with the World Food Programme. The paper only reflects the personal views of the authors.
1. INTRODUCTION

Debate on what should follow the UN Millennium Development Goals (MDGs) from 2015 onwards has begun in earnest. There are a number of ongoing initiatives designed to inform the ‘post-2015 agenda’. The ‘Power of Numbers’ initiative, and this paper within in the set of papers, contributes to such evolving debate with a focus here on income poverty.

Specifically, this paper argues that the poverty target of the broader MDG goal number 1 (which, for simplicity, is hereafter referred to as MDG-1) is not an anathema to a human development perspective. We review the institutional history of MDG-1, and present data trends to date and projections with regard to income poverty which could be used to set future goals for 2030. The paper then turns to the question of the approach to MDGs 2.0 beyond technical measurement and target-setting.

The paper is structured as follows. Section 2 reviews the formation of the MDG goal on poverty as part of the general evolution in thinking around human development and income poverty. Section 3 considers projections of poverty to 2030 and beyond in order to consider what poverty goal would be feasible for MDGs 2.0. Section 4 assesses the policy impact and challenges of MDG-1 and identifies implications for the future. Section 5 concludes.

2. THE MDGS AND HUMAN DEVELOPMENT

2a. HUMAN DEVELOPMENT AND INCOME POVERTY

Critiques of income as a proxy for development are long running and indeed formed much of the basis for the emergence of the human development perspective (eg Seers, 1972; Sen, 1999; Streeten, 1980; Stewart, 1985). One can note how Dudley Seers’s (1969) launched a paradigm shift to broader understandings of development beyond GDP per capita and into ‘basic needs’. Further major contributions on ‘basic needs’ were made by other development economists, notably Paul Streeten (see Hicks and Streeten, 1979; Streeten, 1984) and staff at the ILO (1976; 1977). These ‘basic needs’ included not only income and employment but also the physical necessities for a basic standard of living such as food, shelter and public goods. This coincided with the emergence in the 1960s and 1970s of ‘levels of living indicators’ due to dissatisfaction
with the use of income per capita as a measure of welfare and of development. The culmination of efforts was the first composite measure of standards of living - Morris’s (1979) physical quality of life index (PQLI). Indeed, a continuum is discernible from the 1960s into the 1970s and then into the 1990s: The research of, ILO, Morris, as well Baster (1979), McGranahan et al., (1985) and UNRISD (1970) set the foundations for Sen’s work with the UNDP on the Human Development. However, although Sen (particular 1999), Nussbaum (see in particular 2000) and UNDP (1990-2013) have argued consistently that attention should be to the capabilities - means, opportunities or substantive freedoms - which permit the achievement of a set of ‘functionings’ – things which human beings value in terms of ‘being’ and ‘doing’ and that development is not, as previously conceived, based on desire fulfillment (utility or consumption measured by a proxy for income – GDP per capita) as this does not take sufficient evaluative account of the physical condition of the individual and of a person’s capabilities, income is an instrumental freedom – it helps to achieve other constitutive freedoms. Sen does not ignore income rather he argues that too much emphasis can be placed on this dimension of development. Instead,

[D]evelopment consists of the removal of various types of unfreedom that leave people with little opportunity of exercising their reasoned agency… …Development can be seen… … as a process of expanding the real freedoms that people enjoy… … the expansion of the ‘capabilities’ of persons to lead the kind of lives they value - and have reason to value (Sen, 1999:xii,1,18).

Sen has argued that there is a broad set of conditions (including being fed, healthy, clothed and educated) that together constitute well-being. Individuals have a set of entitlements (command over commodities) which are created through a set of endowments (assets owned – physical and self – financial, human, natural, social and productive) and exchange (production and trade by the individual). These entitlements are traded for a set of opportunities (capabilities) in order to achieve a set of functionings (outcomes of well-being). Sen resolutely refused to name the capabilities although he (1999:38) did identify five basic freedoms as follows:

- political/participative freedoms/civil rights (e.g. freedom of speech, free
elections);

- economic facilities (e.g. opportunities to participate in trade and production and sell one’s labour and product on fair, competitive terms);
- social opportunities (e.g. adequate education and health facilities);
- transparency guarantees (e.g. openness in government and business and social trust);
- protective security e.g. law and order, social safety nets for unemployed).

Thus, as the second bullet demonstrates, a human development perspective, does not ignore income rather it views it instrumentally and sitting alongside other measures of such as ‘social opportunities’ like health and education (as GDP per capita does in the Human Development Index). Further, income poverty lines are typically based on food and other consumption expenditures meaning poverty lines that could be collectively referred to by their underling basic capabilities, as Sen (1992: 44-45) notes,

\[ \text{[i]n dealing with extreme poverty… [capabilities might include] …the ability to be well-nourished and well-sheltered, … …escaping avoidable morbidity and premature mortality, and so forth.} \]

The ability to be well-nourished is of course the basis of poverty line methodology, typically 2100 calories with non-food items such as shelter added. Of course poverty lines do not extend to morbidity and mortality but such capabilities have been correlated to income (see eg Summers and Pritchett, 1996).

One major source of contention concerning debates on income poverty has been the international poverty line(s) derived from the ‘dollar-a-day’ PPP poverty lines and their variants. Fischer (2010) provides a useful overview of debates on this and Deaton (2010; 2011) has made a major contribution looking in-depth at the PPPs which will be revised in 2014/2015 coincidentally before the MDG deadline. Further, it is well accepted that many people move in and out of poverty over time and poverty should be viewed as dynamic (Dercon and Shapiro, 2007).
The MDGs themselves, it has been argued, are embedded in a human development perspective – or what Hulme (2007) refers to as ‘human development meets results based management’. The history of the MDGs demonstrates the link to human development beyond the list of indicators – the fact that the MDGs grew out of UN conferences on various aspects of human development as is now discussed.

2b. THE HISTORY OF THE INCOME POVERTY MDG: A REVIEW OF LITERATURE

The history of the MDGs in general, and of the poverty income goal in particular, is a story that somewhat reflects the evolution of thinking in development policy. Clearly, the MDGs are the result of a major institutional outcome that was incubated for a number of years and was eventually born in 2000 in the Millennium Declarations that became the MDGs in 2001/2. But given the complex interactions of political, organizational and diplomatic forces at play, it is not easy to discern a clear pattern for the formulation and design of the MDGs architecture, particularly MDG-1 although the OECD 1996 DAC targets played a significant role. However, over the years a number of academic articles by researchers as well as retrospective accounts by insiders and observers have outlined the history of the MDGs with perhaps Manning (2009) being the most detailed account by one insider.

The contributions on MDG history are diverse in scope and nature. On one side of the spectrum, papers have examined the influence of the MDGs on a range of conceptual, technical and policy dimensions. Through a variety of analytical lenses, they have commented on the existing set-up and made projections about potential consequences stemming from the MDG framework.

In general, a positive account of the MDGs significantly elevated the importance of poverty reduction in development matters, raised global attention and galvanized political commitments. The MDGs are often claimed to be the bedrock for rallying donors, policymakers, civil society around a broad common framework and set of objectives. Yet, they are not immune from fierce criticism. For example, in some cases it was argued that the shape of MDG-1 was influenced by a particular development model (Vandemoortele, 2011); in other instances, the framework was assessed against its capacity to influence “social” sectors vis-à-vis other investment areas critical for development (Manning, 2009).
At the same time, the poverty goal has attracted considerable interest in technical matters around measurement, indicators, monitoring and statistical capacities (Prabhu, 2005; Deaton, 2005); and no less attention was put on countries’ diverse initial conditions, rates and patterns in achieving the poverty target (Easterly, 2009; Pogge, 2004). More generally, the MDGs have often been wrapped into longstanding debates around the meaning, mechanics, purpose and financing of development (Pritchett, 2010; Easterly, 2006; Saith, 2006; Sachs, 2005; Clemens et al., 2004; Antrobus, 2003).

Part of the literature focuses on the very institutional process of devising the MDG-1. This includes contributions, such as the extraordinarily detailed accounts by Hulme (2009, 2007), that assembled and harmonized a seemingly fragmented and idiosyncratic process. This branch of research sought to provide a more truly historical testimony to the MDG-1 formation. As such, it centers less on the anatomy of the poverty goal – or “what” constitutes it, its attainments and future implications – and investigated more deeply the origins of the initiative, or “why” and “how” the goal was devised in the first place. A more nuanced understanding of the process on “how we got here” – even if in a descriptive and stylized manner – would provide insights not only on the origins of present contents, but also on how to influence future structures.

From such perspective, the MDG-1 needs to be connected to its predecessors and milestones marking the past decades, especially the 1990s. As such, it should not be seen as final end or a snapshot in time; rather, the MDG-1, its ancestors and ensuing future initiatives should be interpreted as part of a fluid process through which the world increasingly seeks collaborative action to reduce poverty and deprivation through systematic efforts or ‘norm-generation’ as Fukuda-Parr and Hulme (2010) called this process.

Although one could trace back other initiatives since the establishment of the United Nations, for various reasons the 1990s were characterized by a rapid evolution in thinking about poverty. This was clearly epitomized, for example, by the launch of the UNDP’s Human Development Reports (HDRs) series and by the World Bank’s 1990 and 2000 World Development Reports on poverty (World Bank 2001, 1990).

More generally, such evolution was mirrored in a set of rapidly unfolding international summits of the UN and beyond, especially in the first half of the decade. These included the World Summit for Children in 1990, the Earth Summit at Rio in 1992, the 1993 World
Conference on Human Rights in Vienna, the 1993 International Conference on Population and Development in Cairo, the Fourth World Conference on Women held in Beijing and the Copenhagen World Summit on Social Development (WSSD), both in 1995, the High-Level Meeting of the Ministers of Development Cooperation of the OECD-DAC members in 1996, and the Rome World Summit on Food Security held the same year.

Those initiatives helped lay the ground for the MDG-1 and cemented the role of a comprehensive approach to development. In particular, the Copenhagen WSSD was perhaps one of the most significant steps towards framing what would later become the MDG-1. Indeed, the 1995 summit provided a seminal contribution in elevating poverty as a core issue alongside other human development dimensions (e.g. education, health). In other words, the concept of development was now much more closely connected to that of poverty reduction or alleviation. Yet, no specific objectives, targets and metrics were envisioned by the final declaration. Instead, it called for a generic aim of “poverty eradication”. However, there was still a long way to go to form the MDGs, including the challenges posed by harmonizing a wealth of initiatives running almost in parallel.

Somewhat simultaneously to the WSSD process, a number of events that would prove to be important for the future of MDG-1 were unfolding at the narrower OECD-DAC level. Indeed, at the 1996 ministerial event mentioned above a major publication was launched, “Shaping the 21st Century: The Contribution of Development Co-operation” (OECD 1996). The report included a list of seven “International Development Goals” (IDGs). Among them was the goal framed as “… the proportion of people living in extreme poverty in developing countries should be reduced by at least one-half by 2015” (OECD, 1996, p.9). The following year was a sounding board for gauging the global impact of the IDGs. The World Bank adopted the IDGs in its Strategic Compact in 1997 and reported annually on progress toward the goals in the World Development Indicators series (Gupta, 2000). In 1997, however, UNDP’s flagship HDR seemed more lukewarm and exposed some key differences between the IDGs and UN-sponsored goals (UNDP, 1997).

Importantly, the two frameworks set out different scopes for poverty action: while the WSSD called for the complete eradication of poverty, the IDGs document envisioned the halving of it. Also, they diverged in the level at which goals are set. For the UN, individual governments

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3 In some cases, especially in the UK, these are also referred to as “International Development Targets”.
should be the pace-setters in terms of dates, targets and related planning; for the DAC, the goals are global in scope. Finally, the UN approach was generally framed around a grand human rights approach, while the DAC’s was more “technical” in nature. In the words of Hulme (2009, p.12-13), “… both [UN and DAC] seek the creation of some authoritative set of global goals for development. Both have decided that poverty reduction or eradication should be the focus and that multi-dimensional listing is needed. Both recognize the UN summits and conferences of the early and mid-1990s as the source of specific goals that can claim legitimacy. But, neither is pushing to attempt to negotiate a common position. (…) The possibility of two different sets of global poverty reduction goals (…) was well underway”.

In view of the unique opportunity that the UN Summit in 2000 would present to set the scene for the new millennium, the period between 1998 and 2000 was therefore characterized by hectic negotiations to avoid a dichotomy of global frameworks and ensure a common, mutually-agreed set of objectives.

An important step towards convergence was made in March 2000. That was the moment when the UN Secretary General Kofi Annan launched a report, “We the Peoples: The Role of the United Nations in the 21st Century” (UN, 2000a). The document proposed some amendments to the set of goals as listed by the IDGs as well as UNDP, especially around gender and health-related issues. On poverty reduction, the SG stated: “I call on the international community at the highest level (…) to adopt the target of halving the proportion of people living in extreme poverty, and so lifting more than 1 billion people out of it, by 2015” (UN 2000a, p.12). In other words, the report supported the IDG-sponsored poverty goal. Three months later, the leaders of the IMF, OECD, UN and World Bank launched a joint document, “2000 – A Better World for All: Progress towards the International Development Goals”, with agencies and leaders signatures listed alphabetically (IMF et al., 2000). The report did not fully settle the different approaches, but signaled a step forward toward a common framework.

Pogge (2010) argues that the Goals were under-ambitious compared to earlier commitments because the MDGs: The Food Summit refers to halving the “proportion”. However, population growth and the MDG baseline reduction amounts to just a 27% cut.

Meanwhile, Clemens (2004) has noted that the goal of universal primary education has been set by international fora meeting on 9 occasions since the 1930s (1934, 1948, 1951, 1962, 1970, 1980, 1990, 1995 and 2000).
The reconciliation between the approaches was also advancing in the context of the WSSD summit’s follow-up in 2000 in Geneva. Indeed, the “WSSD and Beyond”, also known as the “WSSD +5”, called for “... policies and strategies to reduce the proportion of people living in extreme poverty by one half by the year 2015” (UN, 2000b, p.18). The Geneva event was held in June and its outcome declaration was adopted by the UN General Assembly in July 2000. Therefore, the poverty objectives were set in a UN document two months before the Millennium Declaration would be unveil the MDGs in September, hence laying the basis for the MDG-1/target-1 on poverty.

Eventually, the Millennium Declaration as we know it shifted from having a single target on extreme poverty to multiple targets, including on money-metric poverty and hunger (UN, 2000c). So the risk for the world of having two sets of global reference goals was now neutralized, although the MDGs per se don’t supersede or undercut previous agreements and frameworks. Yet, the 2001 road map, which was meant to finalize details on goals, targets and financing was the result of frantic negotiations, too. Indeed, the document acknowledges that “…consultations were held among members of the United Nations Secretariat and representatives of the IMF, OECD and the World Bank in order to harmonize reporting on the development goals in the Millennium Declaration and the international development goals” (UN, 2001, p.55). So, with the publication of a four-page annex at the back of a 60-page document, the MDGs were finally agreed although as Manning (2009) notes, governments agreed the Millennium Declaration not the MDGs.

Overall, the outlined history suggests that devising the MDG-1 was an ongoing and iterative process with no precise beginning and end, and without clear stages for identification, formulation, assessment and implementation – these stages were interwoven in different ways and at different times. The net result of such non-linear process, however, was remarkable: the poverty agenda moved from being underplayed in the early 1990s to becoming the cornerstone of development policy at the end of the decade.
3. HOW HAS THE WORLD FARED IN MEETING THE TARGET?

3a. PROGRESS AND TRENDS

The incidence of extreme income poverty at $1.25 – MDG-1 – has fallen from 43 percent in 1990 to 22 percent in 2008 and is projected to fall to 16 percent in 2015 - in short that MDG has been met (Chen and Ravallion, 2012; World Bank, 2012). However, the international poverty measure remains contested (see Fischer, 2010 for review), notably for its use of PPPs (see Deaton, 2010; 2011), as does whether the target of having world poverty has really been met due to questions about food prices in particular (see Pogge, 2013) and that the goal of halving world poverty will be met largely due to growth in China (Chen and Ravallion, 2012; Bourguignon et al., 2008). Indeed, if China is removed from the world poverty data the total number of people under $1.25 has barely changed since 1990 and the number of people under the $2 poverty line has risen slightly.

If one accepts, for a moment, the data, at a global level, not only has the target been met, progress was also faster in the ‘MDG period’ of 2003-2008 versus the 1990-2001/2 period (Fukuda-Parr, Greenstein, and Stewart, 2012). However, country-level progress towards MDG 1a – arguably never intended to be applied to every country (see Vandemoortele, 2011), is less convincing. The percentage of developing countries making progress by various assessments is detailed in table 1. Only a half of all developing countries are making faster progress and indeed, only half of all countries are ‘on track’ to half income poverty by 2015.

Table 1: Country-level MDG progress (% of developing countries making progress)

<table>
<thead>
<tr>
<th></th>
<th>Making Progress</th>
<th>Making Progress</th>
<th>On Track</th>
<th>On Track</th>
<th>Faster Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>MDG 1a</td>
<td>(Leo and Barmeier)</td>
<td>(ODI)</td>
<td>(Leo and Barmeier)</td>
<td>(World Bank)</td>
<td>(Fukuda-Parr and Greenstein)</td>
</tr>
<tr>
<td></td>
<td>63</td>
<td>66</td>
<td>49</td>
<td>47</td>
<td>51</td>
</tr>
</tbody>
</table>

Source: Kenny and Sumner (2011). See also Leo and Thuotte (2011).

Note: Fukuda-Parr, Greenstein and Stewart took data for three points: the earliest available year, going back to 1990; a middle year from between 2000 to 2003; and the most recent year available to 2008.
In setting a new $PPP or international poverty line (IPL) goal for the future an important question is what is feasible on current trends or under a set of growth and inequality assumptions. The MDGs were 15-25 years (1990/2000) so it is reasonable to estimate trajectory of poverty in 2030/2040 and this could form the basis of a new target (as per Karver et al., 2012 proposal).

In fact, numerous papers have sought to project poverty to 2030 using the World Bank’s PovcalNet data and various growth scenarios based on IMF WEO growth forecasts and static inequality and other growth estimates (eg Dercon and Lea, 2012; Edward and Sumner, 2013; Hillebrand 2009; Karver et al., 2012; Ravallion, 2012; 2013; Sumner, 2012).

Ravallion (2012) makes poverty projections for global $1.25 poverty in 2017 and 2022 (p. 25) based on the assumption that the ‘recent success against extreme poverty is maintained’ (p. 7) and this is done by linear projection (an ‘optimistic trajectory’) or by applying World Bank country-level growth forecasts and assuming mean consumption of households grows in line with GDP growth and no increase in intra-country inequality (an “ambitious trajectory”). In Ravallion (2013) these projections are taken slightly further. The same ‘optimistic’ trajectory is used and it noted that $1.25 poverty on such a linear trajectory would be ended by 2025-2030 with 2027 ‘as the most likely date’ (p. 13). However, as the author notes:

“[T]his assumes that the robust linear path we have seen for the poverty rate over time will be maintained. That will not be easy. Instead, it might be expected that the pace of poverty reduction will start to decline at low levels, making it harder to reach the target. From what we know, we cannot be confident now about when such a slow-down might be expected”.

Ravallion (2013) adds a ‘pessimistic trajectory’ which is the (slow) rate of progress of poverty reduction in the developing world outside China in the 1980s and 1990s and ending $1.25 poverty would take 50 years or so. The paper also makes some projections based on combining growth and distributional changes to see what would allow the optimistic trajectory to be attained.

Estimates presented below are from Edward and Sumner (2013) and take account of potential changes in inequality. These estimates suggest, as per Karver et al., (2012) and Ravallion that it
would be feasible to get near to ending world poverty at $1.25 by around 2030 and reducing $2 poverty to about 600m people but only if growth was at IMF WEO forecast (the “optimistic” scenario) and inequality in each country returned to each country’s ‘best ever’ distribution. Edward and Sumner (2013) note it is plausible that extreme poverty ($1.25) could fall to very low levels, such as 3-4% of world population (about 300m) by 2025 or 2030. With “optimistic” growth and favourable changes in inequality, over the same time $2 poverty could fall to 800m by 2025 and 600m by 2030 if every country returned to its ‘best ever’ inequality. However, $2 poverty could also be closer to 2.5bn in 2025 and 2030 if growth is weak and current inequality trends continue.

Figure 1. $1.25 headcount (millions), by pessimistic distribution scenarios, survey means, 1990-2030.

Figure 2. $2 headcount (millions), by pessimistic/optimistic growth and three distribution scenarios, survey means, 1990-2030.


Of course poverty does not end at $1.25 or $2 – it lasts well beyond and ending $1.25 poverty doesn’t necessarily mean ending all forms of poverty. Karver et al., (2012) project significant nutrition and health poverty could remain in 2030 even if $1.25 poverty is close to zero (see table 2).

Table 2. Current trajectories of key poverty indicators through 2030

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Developing countries</th>
<th>Sub-Saharan Africa</th>
<th>South Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2030</td>
<td>2010</td>
</tr>
<tr>
<td>Child Mortality Rate (per 1,000)</td>
<td>49.5</td>
<td>27.6</td>
<td>122.2</td>
</tr>
<tr>
<td>Maternal Mortality Rate (per 100,000 live births)</td>
<td>192</td>
<td>129</td>
<td>718</td>
</tr>
<tr>
<td>Undernourishment (%)</td>
<td>15.3</td>
<td>12.6</td>
<td>25.7</td>
</tr>
</tbody>
</table>

Source: Karver et al., (2012). Note: Figures are population-weighted and represent mid-range projections.
An alternative poverty line, a higher, $10/day poverty line, has been suggested by Pritchett (2006) and empirically explored in Chile, Mexico and Brazil by López-Calva and Ortiz-Juarez (2011). The empirical basis of such a ‘security from poverty’ poverty line is as follows: It is estimated that the risk of falling back into poverty in Latin America (where poverty is defined by the higher Latin American poverty line of $4-$5) drastically falls – to about 10% at around $10 per capita per day (see figure 3) (López-Calva & Ortiz-Juarez, 2011). Further, $10 per capita is associated with completion of secondary school across Latin America providing some greater security from poverty (Birdsall, 2013). Surprisingly, perhaps, if one takes this $10/day per capita poverty line, poverty has been actually increasing in recent decades under the MDGs indicating that although the number of people in extreme poverty may have been falling, the number vulnerable to falling into poverty has been increasing. The total number of $10 poor is likely to peak soon around 5 billion people or 70% of world population and then could go two ways – under slow economic growth and rising inequality it could rise by an extra billion people by 2030 or under strong economic growth and falling inequality it could fall by a billion people by 2030 (and then fall by almost another billion by 2040) (Edward and Sumner, 2013).

Figure 3. Daily Income by Probability of Falling into Poverty; Chile, Mexico and Peru

Source: Lopez-Calva and Ortiz-Juarez (2011).
3b. WHAT ROLE FOR NATIONAL POVERTY LINES?

Debate about national and international poverty measurement continues to evolve (see for example, Abu-Ismail et al., 2012; Gentilini and Sumner, 20125). The basic question of how many poor people there are in the world generally assumes that poverty is measured according to international poverty lines (IPLs). Yet, an equally relevant question could be how many poor people there are in the world, based on how poverty is defined where those people live. In short, rather than a comparison based on monetary values, the latter question is germane to estimates based on a concept – ‘poverty’ – as defined by countries’ specific circumstances and institutions.

Clearly, in such case global metrics such as the IPL of US$1.25/day – the construction of which is ultimately based on a pool of 15-20 national poverty lines (NPLs) – could be less informative (see Chen and Ravallion (2008) for details and Deaton (2010) for critique). Furthermore, as Deaton (2011: 17) has noted, estimates of poverty by NPLs and IPLs operate within quite different policy spaces: “…global measures of development (...) operate in an entirely different political environment than do domestic measures. The latter (...) feed into domestic policymaking are typically subject to oversight procedures that constrain both the statisticians who produce the data and the politicians and policymakers who use them.”

While possessing the key advantage of being comparable across countries, IPLs may disguise some important issues – notably with regard to MICs’ poverty levels. Although the standard $1.25/day line, for example, is itself the mean of the NPLs in the poorest 15 countries,6 it may not give a full account of the factors that shape the experience of being poor in different contexts. Chen and Ravallion (2012, p.1) note that, “… $1.25 is the average of the national poverty lines found in the poorest 10–20 countries... Naturally, better off countries tend to have higher poverty lines than this frugal standard. $2 a day is the median poverty line for all developing countries.”

Indeed, that the IPL may not account for the experience of poverty in some contexts underpinned the UN recommendation to use NPLs “whenever available” to track countries’ individual progress on Millennium Development Goal (MDG) 1 (United Nations 2001).

5 The graphs and analysis on NPLs presented in this section draw from Gentilini and Sumner (2012).
6 Countries include Malawi, Mali, Ethiopia, Sierra Leone, Niger, Uganda, Gambia, Rwanda, Guinea-Bissau, Tanzania, Tajikistan, Mozambique, Chad, Nepal and Ghana (Chen and Ravallion, 2010).
Clearly, the debate around absolute versus relative poverty is longstanding, and the definition of NPLs varies by context (Chen and Ravallion, 2011). For example, Ravallion (2010: 3) showed that NPLs could range from $0.62 to $43/day (see Figure 4 and 5) and “the mean line for the poorest 15 countries in terms of consumption per capita is $1.25, while the mean for the richest 15 is $25 a day.” For this reason – the use of relative poverty lines in high-income countries (HICs) – we present analysis below with and without HICs.

Figure 4. World poverty lines: all countries

Figure 5. World poverty lines: developing countries only

Source: Ravallion (2010)
While there is increasing convergence on how lines are constructed (including around methods to identify and quantify a basic set of food and non-food needs), various technical factors still hinder their comparison across countries. At the same time, NPLs may provide a more realistic snapshot of the locally defined state of ‘poverty’ at country level. This is particularly compelling for the many countries whose NPLs are not among the countries that form the $1.25/day. Further, IPLs have the unintended effect of limiting the poverty discourse to developing countries broadly defined or ‘them’ (as argued by Saith, 2006) and arguably just to the very poorest countries, with HICs invariably showing ‘no poverty’. Yet, recent economic crises and financial turmoil in HICs have reopened a debate around domestic poverty, safety nets, conditional loans and other issues that were until recently only relevant to the development discourse in the global South.7

More generally, why might a greater focus on nationally defined poverty be useful? In principle, it might fit better with the domestic task of forging national social contracts, as poverty increasingly becomes about national inequality. NPL-based poverty rates tend to be what are tracked by policymakers in-country. Also, expressing poverty in national terms implies a greater degree of involvement of national actors in defining and measuring poverty; moreover, in a number of countries governments are testing how to better connect national measures with eligibility for domestic social protection programmes. From this perspective, strengthening the global and national architecture of social protection systems would therefore be a central theme in future discussions around poverty approaches (Kanbur, 2009, 2012).

How closely NPLs and IPLs are correlated? In Table 4 we show that NPLs are also significantly correlated to IPLs, including a coefficient of 0.794 significant at the 1 per cent level. Table 5 excludes HICs from the analysis, while Figure 6 shows their relationship graphically. In short, overall NPLs and IPLs are reasonably closely correlated. However, this hides the fact that there are drastic differences between NPLs and IPLs in many countries.

7 For a discussion on food assistance and food security in HICs, see for example Gentilini (2013).
Table 3. Correlation between national and international poverty rates

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<th>All countries</th>
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<td>NPL_rate</td>
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Notes: **. Correlation is significant at the 0.01 level (2-tailed).

Figure 6. National and international poverty rates (excluding HICs)

There is though considerable variance in poverty rates among MICs, with proportions ranging from 3.8 per cent in Tunisia to 70 per cent in Suriname. In LICs, poverty is less dispersed and more ‘upwards’ concentrated, meaning that no LICs have poverty rates of less than 24.5 per cent. For example, if one lists countries in descending order by poverty rate, 16 of the top 25 are LICs, and nine are MICs. In contrast, if one considers actual numbers of poor people in each country, MICs dominate. Taken together, these results suggest that the difference between NPL- and IPL-based estimates could be quite sizeable (Gentilini and Sumner, 2012).

With regards to numbers, the difference could range from +47.8 million to -45.48 million, a total absolute difference of nearly 100 million people. In this case, poverty in China and India combined based on NPLs could ‘understate’ poverty by some 90 million people.
compared to IPLs. In the case of percentage points difference between NPLs and IPLs, estimates could range from +54.4 to -34.4, or an absolute difference of about 90 percentage points. The differences are particularly marked for central and Latin American countries, with an average difference between NPLs and IPLs of about 28 percentage points. For example, poverty based on IPLs in Mexico is in single-digit percentage points. But if we measure poverty based on NPLs, almost half of the Mexican population is poor (figure 7).

Figure 7. Percentage points difference between NPLs and IPLs, selected countries
For a limited number of countries (such as Ethiopia, Ghana, Pakistan), the difference is minimal (not surprising given that the NPLs of countries such as Ethiopia and Ghana are used to construct the IPL). Indeed, among the top 50 countries with the largest differences, i.e. with national poverty rates higher than international ones, we find only four LICs. One would think this presumably reflects higher NPLs in MICs than LICs in general. However, this is not the case in all MICs. Notably, for China and India the lines only generate, respectively, a +0.3 and -2.87 percentage points difference in poverty rates. And in fact LICs have national poverty rates lower than international estimates. However, this could be because NPLs sometimes only cover rural areas (and most of the population is rural) or because of technical factors in the construction of the poverty lines. Indeed, figure 8 shows that the difference between national and international poverty rates (excluding HICs) tends to be positive and larger at higher levels of per capita income while negative at lower levels of per capita income (reflecting the basis of the IPL on poverty lines of LICs).

Figure 8. Difference in poverty rates and income (excluding HICs)

It is also interesting to consider the relationship between NPLs and governance and accountability that resonates with Deaton’s (and Gauri’s, as we’ll discuss later) approaches. There is a significant correlation between the poverty rates as measured by NPLs and the level of

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8 Indeed, China’s new NPL (2300 yuan) is closer to the IPL of $1.25/day.
two governance indicators – government effectiveness, and voice and accountability\textsuperscript{9} – as provided by Kaufmann et al. (2011). In particular, higher poverty rates are correlated with lower levels of government effectiveness. This holds for cases where we consider all countries (figure 9) and LICs and MICs only (figure 10). In short, poor government effectiveness here is associated with higher poverty rates.

Figure 9. National poverty rates and government effectiveness (all countries with data)

\textsuperscript{9} According to Kaufmann et al. (2011), the ‘government effectiveness’ indicator is meant to capture the perception of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government’s commitment to such policies. The ‘voice and accountability’ dimension includes perceptions of the extent to which a country’s citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media.
Although NPLs offer an intriguing new perspective on the way poverty is approached, for the purpose of tracking the MDGs the issue should be interpreted with caution. In general terms, Gentilini and Sumner (2012) showed that the absolute numbers of poor people measured on IPLs and NPLs do not vary dramatically. However, one hand, NPLs could make the MDG process truly global (i.e., the tracking of poverty should not be limited to developing countries, which is the default result when using the $1.25 IPL), as poverty is present in all countries (Shaefer and Edin, 2012). Yet, on the other hand, cross-country comparability becomes challenging because of the construction of different NPLs. As it would be unlikely to ensure, by 2015, a standardization of methodology for constructing NPLs across countries, those issues should be carefully pondered, especially because of the heavy “compare-countries-and-regions” nature of the MDGs.

In sum, rather than on pure technical and methodological grounds, the major value of an NPL-oriented approach lays, in the case of MDGs, in providing a major entry-point and basis for domestic policy dialogue on the nature of country-level poverty, on the vision, strategies and options for addressing it, and their implementation. This would enhance ownership and context-specificity of the MDG 2.0 process from the start, even if the possible future goals would be subsequently converted and framed in IPL terms. In other words, the key point here is to open
the space for national ownership and engagement around poverty and its multidimensional nature.

Arguably, such approach might provide new opportunities for country-level civil society and rights-based movements to shape the forthcoming agenda (Yamin and Falb, 2012). Often times, addressing longstanding issues around state-citizens accountability, for example, may require a sort of “momentum”, an event that offers the chance for multiple actors to rally, engage and debate – and the MDG 2.0 process, with NPLs as a basis for discussion, may be provide precisely that.

4. AN ASSESSMENT OF THE IMPACT OF THE MDGS AND FUTURE IMPLICATIONS

A wide array of contributions has underscored the overarching value and importance of the MDGs although not without critics. The framework has served as an important catalyst to encourage governments and the development community to focus support on improvements in human development and poverty reduction, not solely economic growth. From one standpoint, the influence of the MDGs seems to have even exceeded the expectations of its architects. The MDGs have raised awareness amongst politicians, the public, media and business, and have mobilized action across the world in support of the goals. They have amplified the global conversation about development, defined its terms and created a common vision. It is generally accepted that this has resulted in shaping and targeting the flow of resource commitments. The MDGs, and their use in “Make Poverty History” other related campaigns and initiatives, have been held by some partly responsible for the nearly 50 percent increase in development assistance from donor countries to developing countries from 2000-2011, for the increasing share of that aid what went to low income (rather than middle income) countries, and for the larger share going to the social sectors (Kenny and Sumner, 2011). The MDGs were mentioned in most Poverty Reduction Strategy Papers, albeit unevenly, and may have played an important role in producing more and better data in many countries (Fukuda Parr, 2010; Boerma and Stansfield, 2007).

The appeal of the MDGs is seen as lying in their concise agenda, a simple structure and a framework for monitoring progress and highlighting areas of achievement. The MDGs go
beyond a statement of general objectives and define quantitative and time-bound targets, so progress can be measured and gaps identified. There is wide support for these strengths to be carried through to any next set of development goals.

The acknowledged strengths are tempered by longstanding critiques concerning a number of apparent design flaws and gaps. The most consistent observations made through various academic articles, position papers and mushrooming online consultations revolve around five points.

First, the proliferation of goals, targets and indicators has made monitoring and tracking challenging. When multiple indicators are attached to a single target, cross-country analysis shows that “net” performance in attaining that target is often unclear (Gentilini and Webb, 2008). At the moment, there are some ninety variables to consider – that is, 8 goals, 21 targets and 60 indicators. The performance of a country against a single goal could vary substantially (and actually even diverge) according to which target is chosen, and which indicator is selected within the target. For the poverty, three indicators are used in reference to the target – i.e. the share of population living on less than $1/day (subsequently revised to $1.25/day), the poverty gap, and the share of the poorest quintile in national income or consumption: it could well be that in a country poverty is declining while inequality is raising. Also, the reference baseline year (i.e. 1990) is seldom accurate. For most countries, performance is measured against a year close to 1990 (e.g. in some cases 1994, in others 1988), while the actual rate is reported as “latest available data” (e.g. which in some instances could be 2002, in other cases 2010).

Second, the segmentation of interconnected domains such as poverty, hunger, nutrition, health, water and education has contributed to fragmented implementation. This has discouraged coordinated, multi-sectoral approaches needed to deliver greater and more sustainable improvements in poverty reduction and human development.

Third, there is a concern that the MDGs specify the ends, but not the means. Policymakers and practitioners sense that progress could have been more significant if the development agenda had been linked to implementation strategies right from the start. As they are currently conceived, the MDGs address the symptoms of poverty and underdevelopment, but mostly ignore the deeper causes.

Fourth, the MDG process could have been more successful with greater national ownership and accountability. More generally, the lack of a mechanism for national
accountability and enforcement is one of the most serious fallacies in the implementation of the MDGs framework.

Fifth, the framework basically applied to developing countries only, hence somewhat reinforcing a perception of an “aid-oriented” approach. There is an emerging consensus for a truly global development agenda that applies to all, but which will allow different countries (or groups of countries) to adapt their strategies, based on their own circumstances.

In sum, the MDG-1 has been part of the process that accompanied gains in poverty reduction, where they occurred. But there is no clear evidence suggesting a causal relationship between the setting of MDG-1 and the (uneven) country poverty reduction results.

Therefore, assuming that MDG 2.0 would still lack a strong legal framework, how could a new poverty goal strengthen such causality? How could new MDGs have more traction over poverty reduction?

In this regard, an approach proposed by Gauri (2012) is of relevance, that is, the MDGs need to be designed in ways that spark political and popular mobilization, more so than the current framework. And for this to happen, a poverty goal needs to be psychologically, morally and politically salient.

For a goal to embed those characteristics doesn’t imply that “technocratic” analysis is not required – it remains useful and needed, as we showed in the previous section. But it does suggest that such analysis needs to be functional to a process that is less cognitively demanding for the broad public, more morally compelling, and that truly fosters national ownership.

In terms of ability to communicate to the public, poverty as a concept is, arguably, more familiar and easier to understand than, for example, “under-five mortality” or “share of the poorest quintile in national income or consumption”. In our view, the next poverty goal should simply (but ambitiously) aim to “eliminate global poverty”, rather than using percentages (e.g., “halving”) and measures (e.g., specific poverty lines). In line with the analysis presented in the previous section, the year 2030 could be used as a reference, by-date, benchmark for such goal.

Also, in order to be fully understood, poverty, and the MDGs more broadly, need to be embedded within a broader narrative on the causes of global poverty. On one hand, the identification of the root causes of poverty of individuals and nations is clearly a deep and complex task that has been the subject of decades of debates in economics and other disciplines. On the other hand, the goal cannot be left in the vacuum. For example, Gauri (2012) suggests
developing widely accepted benchmarks of “transparency”, given the public’s close association of poverty as a phenomenon and corruption as a core causes. Other options could be to frame poverty as a matter of distribution, or in relationship with the role of middle-class, or as a function of governments’ capacity to provide social protection. More generally, the causality storyline is an area deserves closer attention as the process towards 2015 unfolds.

The way causality is articulated also has implications for how the poverty goal could be more morally compelling. By this we mean that, if a particular frame is used – e.g., distributional angle – then the narrative could be developed in terms of the widely shared principle of “equal opportunity” and the need for a levelled playfield for human development (e.g., Ravallion 2010; World Bank 2006). This would signal that governments have a major role to help removing barriers to equal opportunity.

Finally, the articulation of future MDGs should utilize more normatively and politically legitimate processes that would harness mobilization (and hence change) despite low levels of legalization. This is particularly compelling for addressing one of the key fallacies of the current framework – i.e., the lack of country-level implementation strategies envisioned from the beginning of the process. This means that MDG 2.0 should not only envision such strategies, but formulate them in a way that promotes national ownership and accountability. To this end, key national institutions, such as courts and legislatures, should be at the center of the formulation and implementation process of the new goal. However, a possible question for the future might be how to ensure that a global target for poverty elimination is fully consistent with Gauri’s third principle. Such tension could be mitigated if there is global consensus on the target per se, and full national involvement for how to formulate strategies and approached to reach such globally-agreed objective.

5. CONCLUSIONS

The MDG-1 on poverty has been an important reference - at least globally - for poverty reduction efforts in developing countries. The post 2015 framework offers the opportunity to build on achievements and try to correct lingering challenges.

In particular, on one hand, some interventions could help fixing the more “technical” issues. We discussed the need to devise one poverty goal, set one target, and use one indicator, as
opposed to the multiple measures and benchmarks populating the existing framework. We also noted the need to synchronize as much as possible the establishment of a common baseline year for every country and align follow-up data collection efforts. The baseline should possibly be the year 2015, with checkpoints every three or five years, for example. However, given delays in data collection it is likely this baseline year will more likely be between 2010 and 2012. The national statistical capacity for such efforts would need to be brought up to speed over the remaining two-three years. Based on projections, the goal could include the ambitious goal of the elimination of extreme poverty as measure by $1.25/day by 2030. Yet, if targets are not sensitive to initial conditions, they become unfair to those with more challenging initial conditions (Easterly, 2009; Bourguignon et al., 2008). A way to mitigate this could be framed in a way that requires about 75 percent of progress to be achieved by MICs (where three-quarters of the poor live there).

On the other hand, and in line with Gauri (2012), we argue that most of the benefits would come from a change in approach, not necessarily in measurement and targets – that is, by further mobilizing people and public opinion around the new income poverty goal. This would require the goal to be less cognitively demanding, including avoiding unnecessary complicating language and embedding a causal narrative; be more morally compelling, including calling on widespread principles such as equal opportunity, for example; and politically salient, including central roles played by national institutions, in high-income and developing countries alike, in formulating and implementing the new goal in particular, and the MDGs more generally. In this regard, using NPLs as a basis for upfront national engagement on poverty strategies and implementation is a promising starting point, even is targets are expressed in IPLs globally.
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