Measuring extreme poverty: who decides what?

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In the UN General Assembly resolution adopting the 2030 Agenda on 25 September 2015, SDG 1 reads: "End poverty in all its forms everywhere", with target 1.1 stating: "By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than US$ 1.25 a day." Yet, in early October 2015, the World Bank stated that the international extreme poverty line needed to be updated in order to take inflation into account and decided on its own that it was now US$ 1.90 a day (in 2011 Purchasing Power Parity). This raised protests from several countries, such as Brazil, who denied the right of a UN agency to change a decision endorsed after a deliberative process involving 193 Member States.

How was this International Poverty Line (IPL) designed? In 1990, three World Bank economists noted that six countries amongst the poorest were all within a poverty line of one US dollar per person. This similarity served as the basis of the original "US$ 1.00 a day" global poverty line, without any in-depth international research on the relevance and meaning of it. World Bank directors found this poverty line a very convenient tool to rank countries and adopted it. This decision is related to the twofold nature of the Bank, which is a research body comprising a lot of high level economists and also a bank that has clients, economic interests, and distributes loans and grants. In the design of the IPL, its simplicity and convenience for bankers have prevailed over the relevance for all other stakeholders. The good side of this decision is that the measurement of global extreme income poverty has attracted considerable interest over the last two decades and has perhaps helped to keep poverty high on the global agenda. The bad side it that is has reinforced a very technocratic and one-dimensional approach to poverty, when a multidimensional approach involving all stakeholders is needed.

The reliability of the World Bank global measure has long been challenged. The 2017 Atkinson report "Monitoring Global Poverty",[1] that was commissioned by the former chief economist of the World Bank, recognizes minor sampling errors in the underlying household surveys and enumerates not less than fourteen sources of non-sampling errors that may make this measure of poverty and extreme poverty deeply flawed and unreliable. It recommends that the Bank adopt a "total error" approach and present formal estimates of statistical confidence of the numbers. World Bank representatives have recognized that this is one of the most important recommendations of the report. Yet they contend: "[...] we feel that we do not currently possess the in-house statistical capacity to correctly produce estimates of 'total error' arising from the multiplicity of possible sources of error listed above".[2] This will not diminish the mistrust of people who scrutinize this approach.

Yet, besides these technical aspects, the IPL is subject to heavy criticism because of the very undemocratic way it has been defined. In ATD Fourth World's long-lasting commitment to people trapped in extreme poverty all over the world, we never heard any of them define extreme poverty in their own words as living on less than US$ 1.00 or US$ 1.90 a day. Poverty and extreme poverty are hotly debated topics. Defining poverty without ever dialoguing with people who live in it would be comparable to writing about gender problems without ever talking to women.

This is why the International Movement ATD Fourth World and Oxford University have engaged in an international participatory research on the dimensions

1 World Bank (2017).

2 World Bank (2016).

of poverty and how to measure them. National research teams comprising academics, practitioners and people living in poverty have been set up in six countries: Bangladesh, Bolivia, France, Great Britain, Tanzania and the USA. They will implement the Merging of Knowledge approach that we have been refining for 20 years; it enables people living in poverty to work as co-researchers on an equal footing with other participants.[3] A complementary research initiative will be carried out in Ukraine. The outcomes of this innovative and challenging project are expected in late 2019.

3 See www.atd-fourthworld.org/what-we-do/participation/merging-knowledge.

References

World Bank (2017): Monitoring Global Poverty: Report of the Commission on Global Poverty. Washington, DC. https://openknowledge.worldbank.org/bitstream/handle/10986/25141/9781464809613.pdf

World Bank (2016): Monitoring Global Poverty. A Cover Note to the Report of the Commission on Global Poverty, chaired by Prof. Sir Anthony B. Atkinson, October 18, 2016. Washington, D.C. http://pubdocs.worldbank.org/en/733161476724983858/MonitoringGlobalPovertyCoverNote.pdf

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Adding administrative costs, the provision of such floors would cost from as little as 1 percent of GDP in Thailand, Brazil and Namibia, less than 3 percent of GDP in Egypt, South Africa, India and Morocco and between 7 and 8 percent of GDP in Uganda, Cambodia, Ghana, Benin, Nepal and Mali.[13] Is universal social protection affordable in developing countries? "YES" is the categorical answer by Isabel Ortiz, director of social protection at the ILO, who compiled these estimates.

The eradication of extreme poverty was the priority in the Millennium Development Goals and is still the first goal in the 2030 Agenda. It is further mandated by the Lisbon Treaty in Europe.[14] Since everybody agrees that better than giving fish to the hungry is teaching them how to fish, the best use of ODA is not to transfer it to the poor directly, but to use those monies to strengthen national mechanisms to mobilize domestic resources and allow countries to fund their social protection floors themselves. Developing country governments need to be able to raise taxes and control illicit outflows so that they can provide the cash, the basic services and the social protection that will raise their people out of poverty and in a sustainable way.

But this is not the perspective that the World Bank defends. The Bank's "Paying Taxes 2017" report advocates not only administrative efficiency, but also lower tax rates.[15] Any country that reduces tax rates, raises the threshold for taxable income, or provides tax exemptions, gets approval. Development specialists Jomo Kwame Sundaram and Anis Chowdhury comment that "the report particularly commends countries that lower corporate tax rates (or increase threshold and exemptions) and negatively considers those that introduce new taxes, essentially encouraging tax competition among developing countries".[16]

13 Ibid.

14 Article 208 of the Lisbon Treaty (2007) states: "[European] Union development cooperation policy shall have as its primary objective the reduction and, in the long term, the eradication of poverty."

15 PricewaterhouseCoopers/World Bank Group (2017).

16 www.ipsnews.net/2017/04/world-bank-must-stop-encouraging-harmful-tax-competition/.