



# Rethinking Poverty Measures and Programmes

22 October 2010



# 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









# Jobs essential

- 'Jobless growth' before crisis
- Jobless recovery



# 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







# 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



# 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 smoothing 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

