Evidence submission to the International Development Committee's inquiry into Extreme Poverty and the Sustainable Development Goals

Palash Kamruzzaman, University of South Wales, p.kamruzzaman@gmail.com & palash.kamruzzaman@southwales.ac.uk

I, Dr Palash Kamruzzaman, am a senior lecturer in social policy at the University of South Wales. I combine degrees in Social Policy and Anthropology and have published scholarly works on extreme poverty (see bibliography for more details). I would like to submit the following before the international development committee for its 'Inquiry into Extreme Poverty and the Sustainable Development Goals (SDGs)'. I hope the committee finds my written submission useful, and am happy to provide further information if required.

Since this inquiry focuses on the Goal 1, Target 1.1 of the SDGs, I would like to structure my evidence around the following key themes:

1. Extant differences in extreme poverty definitions can be immensely misleading
2. Current benchmark has lost the apparent simplicity, and
3. $1.90/day measure is fraught with difficulties and incompatible with poor people's realities

1. Extant differences in extreme poverty definitions can be immensely misleading

The difference between how the United Nations (UN) and the World Bank currently define extreme poverty ($1.25/day income and $1.90/day income respectively) can cause substantial misunderstanding for many stakeholders (e.g. developing country governments, NGOs, policymakers, bureaucrats, and donors, civil society organisations to name a few). As can be seen, there is a marked inconsistency between the UN and the World Bank regarding how extreme poverty should be measured. When sustainable development goals (SDGs) were adopted, the UN set the benchmark at an income of less than $1.25 a day. To date, the UN has not changed this benchmark or suggested that the Target 1.1 ('by 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than $1.25 a day') could soon be updated with $1.90/day[1]. The SDGs were announced in September 2015, and in October 2015, the World Bank proposed a revised international poverty line (IPL). The World Bank suggested that extreme poverty should be readjusted to $1.90/day from its previous estimate of $1.25/day.

[1] see for details https://www.un.org/en/chronicle/article/goal-1-end-poverty-all-its-forms-everywhere

The discrepancy (between the suggestions of the UN and the World Bank) might lead someone to raise a simple question: which of these measures should be used to fund, measure, and monitor the progress of eradicating extreme poverty? Could either of these measures be incorrect in allocating future UK aid? For example, why the Foreign, Commonwealth and Development Office (FCDO)'s policies will rely on $1.90/day income instead of $1.25/day that is promoted by the UN which is the leading architect of the SDGs. Apparently, for some, this may not matter much but a careful mind would attempt to see how (if at all) this difference could impact policies of aid recipient governments on the ground. If all/some/many developing countries are following what is stated in the UN document, what rationale can the FCDO (or other donors) provide for using or foisting $1.90/day income for measuring extreme poverty? Could this undermine local contexts or country ownership?

A relevant question could also be asked: - which definition will be used to measure national/regional/global success against extreme poverty reduction in 2030? Furthermore, in tandem with the extant difference in defining/measuring extreme poverty, could the UN or the World Bank guarantee the FCDO or other donors and aid receiving countries that $1.25/day, or $1.90/day benchmark will not be changed again until 2030 (please see section – 3 below for how the benchmark has been changed over the years and could very well be changed again before 2030)? Imagine the difficulties any change would create for the developing countries in understanding and measuring extreme poverty count/reduction when it comes to monitoring success against this target (Target 1.1 of SDG-1). This committee might ponder the difficulties this issue can potentially create for the national governments, bureaucrats, civil society organisations engaged in extreme poverty reduction activities in those countries. Some of the later peoples might be receiving UK aid too. Hence, to say the least, any changes could be chaotic.

2. Current benchmark has lost the apparent simplicity

$1.90/day benchmark originated from its predecessor the Millennium Development Goals (MDGs) when extreme poverty was defined as one's income of less than $1 a day. The World Bank, again, played an instrumental role in setting up this definition. One of the key architects of this definition was Martin Ravallion who admits that poverty lines are arbitrary. Albeit he argues that even arbitrarily chosen lines allow for comparison and evaluation so long as they are accurately adjusted over time (Ravallion, 1992: 2–3). This can be seen when the World Bank initially used a reference line that set an income of less than $1/day which was later revised to $1.08/day. This benchmark was revised/adjusted again as $1.25/day in 2005 and the latest adjustment recommends considering someone as extreme poor whose income is less than $1.90/day.

The $1/day poverty line for extreme poverty was constructed based on eight poor countries' domestic poverty lines that were converted into international dollars.

Ravallion et al. (1991) drew a poverty line for those eight countries that had an average income of $370 per year. This was believed to be representative of all poor countries. This paved the foundation for the apparently simple and popular dollar-a-day definition of extreme poverty adopted in the MDGs. The idea was to create something 'simple' and 'catchy'. To illustrate, in a BBC interview, Ravallion shared that, while having dinner with his wife one evening, he came up with the idea of $1 a day as the global poverty line by dividing $370 with 365 days. He described this as an epiphany because he 'intended to have some impact with it' and 'make well-heeled people realise how poor many people in the world are' (Ravallion cited in Alexander, 2012). Hence came the definition of extreme poverty whose income was less than $1 a day (popularly known as dollar-a-day poverty line). This must be acknowledged that not only the UN (or the national governments) but also the media, celebrities, donor organisations, elites of the developing countries embraced this definition in their everyday lexicon. However, the subsequent changes such as $1.08/day, $1.25/day and $1.90/day definitions do not sound anymore simplistic, do they? Evidently, the successive adjusted poverty lines lost their apparent simplicity. These, moreover, also reveal the technical prowess of an economics jargon that was attempted to make simpler/popular so that political leadership, donors, civil society actors and celebrities can use it with some ease, often without knowing the internal mechanics (see section – 3 for more details). Of course, this resembles with what Li (2007) and Escobar (1995) insist that it is the great ability of development experts to technicalise most social problems, including poverty. The question that requires special attention is whether FCDO will promote such an idea of extreme poverty that is neither simple nor catchy anymore (I would also argue later that the notion's applicability in real life is also significantly distant from the perceptions of 'poor' people themselves). Furthermore, apart from the economists, many other actors and stakeholders involved in promoting development and eradicating/reducing poverty might find the idea as a nebulous concept.

3. $1.90/day measure is fraught with difficulties and incompatible with poor people's realities

One further problem with the dollarised benchmark of extreme poverty is that it can immensely mislead public awareness despite the claim of serving the purpose of global comparison and coherence. In my experience, most people tend to have incorrect awareness/understanding of it. Over the last ten years, I have asked my students and colleagues in several British and Bangladeshi universities about their perception of dollar-based poverty measurement and found that almost everyone thought this was based on the exchange value of the US dollar. Perhaps, this might also be the case for some members of this select committee. The fact is $1.90/day (or previous measures of $1.08/day and $1.25/day) is based on the Purchasing Power Parity (PPP) value of the US dollar. There are a number of critics who highlighted that the process of setting up a ubiquitous extreme poverty line through PPP is fraught with severe technical difficulties (see for example Reddy & Pogge, 2010; Deaton, 2011; Kamruzzaman, 2021; 2016; and 2015; Greenstein, Gentilini, & Sumner, 2014). Some even argue that this manifests a process of 'how not to count the poor'. It is worth mentioning here that my colleagues and students came from multi-disciplinary backgrounds such as sociology, anthropology, psychology, development studies, politics, international relations, history, philosophy, journalism, and media studies. Most of them were even unaware of the PPP concept (used in measuring extreme poverty) and mentioned that this seemed too technical for effective advocacy. I have also discussed this issue with mid-level politicians and policymakers in Bangladesh whose knowledge was not very different from my colleagues and students in academia. My concern can thus be put in other words: would understanding of extreme poverty and its elimination require specialist knowledge or should it be based on simple notions so that key stakeholders ranging from mothers to ministers can easily understand it and be part of actions against poverty?

This leads me to draw this committee's attention to the fact that whether the current dollar-based definition (e.g. $1.90 (PPP)/day income) can be supported with empirical evidence (below, I incorporate some evidence from my previous studies). What is the point of having a definition if it is incomprehensible to most actors who do not have a degree and expert knowledge on economics? The usage of the PPP value of the US dollar set the threshold at such a low level that does not match the perceptions of the poor people whose living conditions the FCDO (and the SDGs) would like to improve. Over the years, I have asked some poor people in Bangladesh if they can survive with an income of $1.90 (PPP)/day or $1.25 (PPP)/day. Most poor people in this measure do not seem to be able to obtain an absolute minimum amount of goods required for a basic living. The following quotations are from my 2016 study in Bangladesh (published in 2021) where I showed that $1.90 (PPP) would mean an income of 85-90 Bangladeshi Taka (the exchange value would have been higher, around 135 – 140 Bangladeshi Taka).

> I don't know anyone who lives like that. To live on 85–90 Taka/day for three people, it comes down to just over 250 Taka/day and roughly 8000 Taka/month. My house-rent is equivalent to this amount. Have you included house rent in your calculation? I drive this bus to earn my house rent. The day I am sick, there is no food in my house. Every day, I worry about how to bring food. I risk my life by driving in this city to do that (a bus driver, Dhaka)

> What we need to buy I cannot do it with calculation. I never have . . . it does not work like that. My two sons go to school and the daughter is still very young. When we need things, I just have to find ways – no calculation work at that time (work for a roadside canteen, Dhaka).

> There are different varieties for the same goods in the market. For example, 1 Kg of rice can cost from 45 to 90 Taka, 1 Kg potatoes from 20 to 28 Taka. Fish, vegetables and other products are also available at different prices. So,

> whether 85–90 Taka/day is enough depends on who buys what. A year or two ago, I could manage with that amount, but prices have gone up – so this amount will not be any good now (street vendor, Dhaka)

In my 2014 study (published in 2015), I have also convened a similar exercise with two of my colleagues from Nigeria and Ghana (for a value of $1.25 (PPP)/day income) who found the idea as 'laughable' and 'intellectual assault' on the poor people. Using the UN source for PPP value (which is higher than the World Bank) we found that the PPP value of $1 was equal to 134.21 Naira (NGN) in 2012. Meaning that, in 2012, extreme poverty in Nigeria was equivalent to an income below NGN 167.76 a day. If an adult needs 250 grams of Garri (staple food of Nigeria), s/he would have to pay NGN 100. One adult would also need palm oil, salt, onion, spice cubes, kerosene or fuelwood for preparing a basic meal – without adding any meat, fish or vegetable with Garri. With the remaining NGN 67.76, obtaining these ingredients was impossible. In Ghana, we found that the PPP value of $1 was equivalent to GHS 0.85 (Cedi) in 2012. Meaning that the extreme poverty line was set at an income that is below GHS 1.06 a day (for $1.25 PPP). Rice is the staple food in Ghana and 400 grams of rice would cost GHS 0.98. So, it was quite obvious that oil, onion, spices, kerosene or fuelwood, vegetable, or fish/meat were unthinkable to buy with the remaining 8 Pesewas. One further point to note here is that people have to pay for water in Nigeria and Ghana. Obviously, no money would be left for other basic needs. In all cases (Bangladesh, Ghana, and Nigeria) rent, clothes, education, and health are not included in this measure. Moreover, poor people may end up paying different (often higher) prices than the non-poor for the goods they consume.

This enables me to conclude my submission by asking if the FCDO would support or continue to support an agenda that keeps the threshold for extreme poverty very low? If yes, how would the FCDO justify supporting it while the measure, $1.90 (PPP)/day income, does not adequately reflect what poor people think of their reality?

Jack Monroe, a food poverty campaigner, has recently been able to successfully change the process of how the Office for National Statistics (ONS) determines the cost-of-living metrics in the UK[2]. In the same vein, perhaps it would be more transformative if the FCDO could consider taking a more holistic outlook towards the SDGs and its aid policies. Instead of joining the bandwagon, the FCDO might consider supporting studies and programmes that enhance the understanding of whether $1.90 (PPP)/day income is truly reflective of extreme poverty across the world. In order to play a leadership role, perhaps it might be necessary to take a unique path, rather than following the pack.

---

[2] For more details see: https://www.bbc.co.uk/news/business-60140858

Bibliography:

Alexander, R. (2012). Dollar benchmark: The rise of the $1-a-day statistic. BBC News, 9 March, Retrieved 2 February 2022, retrieved from http://www.bbc.co.uk/news/magazine-17312819

Deaton, A. (2011). *Measuring development: Different data, different conclusions? In Measure for Measure How Well Do We Measure Development?,* Proceedings of the 8th AFD-EUDN Conference, Paris

Escobar, A. (1995). *Encountering Development - The making and unmaking of the Third World. Princeton*, NJ: Princeton University Press.

Greenstein, J., Gentilini, U., & Sumner, A. (2014). National or international poverty lines or both? Setting goals for income poverty after 2015. Journal of Human Development and Capabilities, 15(2–3), 132–146. https://doi.org/10.1080/19452829.2014.899565

Kamruzzaman, P. (2021). 'Understanding Extreme poverty in the words of the poor – A Bangladesh Case Study', *Journal of Poverty*, 25 (3), 193 – 216

Kamruzzaman, P. (2016). A critical note on poverty eradication target of sustainable development goals. European Journal of Sustainable Development, 5(2), 87–110. http://ecsdev.org/ojs/index.php/ejsd/article/view/320

Kamruzzaman, P. (2015). Dollarisation of poverty; Rethinking poverty beyond 2015. Palgrave Macmillan.

Li, T. M. (2007). The will to improve: Governmentality, development, and the practice of politics. Durham, NC: Duke University Press.

Ravallion, M. (1992). Poverty comparisons: A guide to concepts and methods. LSMS Working Paper 88. Washington DC: World Bank.

Ravallion, M., Datt, G., & Van de Walle, D. (1991). Quantifying absolute poverty in the developing world. Review of Income and Wealth, 37(4), 345–361. https://doi.org/10.1111/j.1475-4991.1991.tb00378.x

Reddy, S. G., & Pogge, T. (2010). How not to count the poor. In S. Anand, P. Segal, & J. E. Stiglitz (Eds.), *Debates on the measurement of global poverty* (pp. 42–85). Oxford: Oxford University Press.