

## »»» Are the successes in the global effort to alleviate poverty being systematically overestimated?

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No. 13, 16 October 2020

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For decades, the World Bank's global poverty line (currently USD 1.90 per person/day) has been used as the standard metric for measuring extreme poverty. The Sustainable Development Goal to "end poverty in all its forms everywhere" (SDG 1) also relates to this poverty line, among other measurements. However, since the indicator has existed it has been subject to methodological criticism. The much-quoted report by UN Special Rapporteur Philip Alston ("The parlous state of poverty eradication") published in July 2020 has given this line of criticism new momentum.

### Is the World Bank's USD 1.90 poverty line still the measure of all things?

The report not only highlights the methodological weaknesses; more urgently, it questions the level of ambition inherent in the poverty line: can the international community really declare itself satisfied once everyone is living above the USD 1.90 threshold? The Alston report suggests the answer is "no". The most striking argument is that the USD 1.90 line reflects an extremely low standard of living, which does ensure survival, but is a long way from enabling people to live with dignity.

### The poverty situation when viewed through other poverty metrics

The World Bank itself uses various poverty thresholds in addition to the extreme poverty line. If, for example, calculations are based on the USD 3.20 poverty line that the World Bank calculated as the poverty threshold for lower middle income countries (LMIC), then it was not just 10% (741 million people) of the world's population living below this line in 2015, but at least 26%. With a poverty line of USD 5.50 (for the upper middle income countries – UMIC), this becomes almost half of the world's population (46%).

Viewed geographically, the lowest levels of success have been in Sub-Saharan Africa and South Asia. According to the World Bank report "Poverty and Shared Prosperity 2018", around 85% of people in Sub-Saharan Africa and at least 80% of the total population of South Asia were living below the USD 5.50 line in 2015. In East Asia and the Pacific region, this was still the case for approximately 35% of people.

However, the above-mentioned methodological weaknesses in monetary measurement of poverty also apply to the World Bank's higher poverty lines. This is why it is also interesting to record global poverty using non-monetary poverty metrics. These present other methodological problems, though, especially regarding the difficulty in comparing and aggregating the measurements across international borders, and the patchy availability of data.

The Oxford Poverty and Human Development Initiative (OPHI) has tried to estimate global poverty using the non-monetary Multidimensional Poverty Index (MPI) which consists of several individual criteria in the dimensions of education, health and standard of living. It suggested that in 2015/2016, around 1.6 billion people worldwide were experiencing "multidimensional poverty", equivalent to around one in five people (22%).

Even with all these different methodologies, nearly every common measurement of poverty in the past decade (looking at the international trajectory and/or aggregated global picture) shows poverty reducing to some extent, albeit at a slower pace between 2015 and 2017 according to the World Bank's recent 2020 poverty report. This positive trend – even with the deceleration – is clearest when the World Bank's USD 1.90 line is used, hence why some experts surmise that this indicator may be

giving too positive a picture of the actual development.

### The coronavirus pandemic is further delaying achievement of SDG 1

Regardless of how past trends are interpreted, nearly all experts agree that the current COVID-19 pandemic will reverse the positive trend – whichever poverty metric is used for the calculations. In fact, the point at which SDG 1 will be achieved will be delayed further. According to the World Bank, depending on the scenario, coronavirus could push an additional 88–115 million people below the extreme poverty line of USD 1.90 (with an even stronger effect for the USD 3.20 and USD 5.50 lines). South Asia and Sub-Saharan Africa are worst affected.

If MPI predictions are incorporated, the situation looks even more drastic: in the 70 countries that were investigated, an additional 490 million people could fall back into multidimensional poverty, thus setting the efforts to alleviate poverty back by almost ten years.

### Conclusion: new ways to alleviate poverty are required

Despite the enormous progress that has been made in alleviating extreme poverty (USD 1.90), the level of ambition inherent in SDG 1 should be challenged to ensure a more realistic assessment of the poverty situation. Furthermore, the positive trend in poverty reduction has slowed significantly in recent years – and due to the coronavirus pandemic, the number of people in poverty may even increase significantly again for the first time. The economic growth-based poverty alleviation strategies that were highly successful at first are increasingly reaching their limits when it comes to alleviating "persistent poverty", especially in fragile states. In future, it may be necessary to seek other ways to alleviate poverty in these areas. ■