

Background Brief

After 2015: What Do We Know? Where Do We Go From Here?

October 2012

A report of **Academics Stand Against Poverty (ASAP)**, written in preparation for the meeting of the High-Level Panel of Eminent Persons and Civil Society Engagement, London, November 1-2, 2012.

ASAP Academics Stand Against Poverty

The contents of this brief reflect a synthesis of inputs from 50 leading academic experts on poverty alleviation, from diverse disciplines and world regions, on the essential, “must-have” features of the post-2015 global development and poverty-alleviation agenda.

It is the product of an ongoing project, the Global Poverty Consensus Report: a proactive process of building inclusive consensus amongst academics on the issues most relevant to formulating the framework that will replace the Millennium Development Goals¹ (MDGs). While it is too early to speak of the final content of the report, some key areas of consensus have already clearly emerged.

At the request of the Beyond 2015 campaign, we have prepared this short brief on the emerging academic consensus on what should be included in the successors to the MDGs in the hope that it will serve as a useful background document for engagement with civil society around the November meeting of the High Level Panel of Eminent Persons.

This brief has been drafted by ASAP’s “Quick Response Team”—a group of poverty experts who have agreed to be “on call” to respond to time-sensitive requests from civil society organizations in the post-2015 consultation process for research and consultation.

This brief is not an official policy paper of the Beyond 2015 campaign and has not yet been endorsed by the Beyond 2015 Executive Committee.

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¹ Academics Stand Against Poverty, *The Global Poverty Consensus Report*, forthcoming December 2012.

[1] Academic Consensus on the Post-2015 Agenda: The Broad Vision

While there is genuine disagreement among experts on priorities, theoretical frameworks, and detailed policy solutions, we have identified a substantive consensus on the big picture policy recommendations that might underlie the new framework. These recommendations can be framed around four key components:

1. **The world we want**
2. **Do no harm**
3. **Resource allocation**
4. **Legitimacy and participation**

The **world we want** component encompasses the set of goals that the new framework should aim to achieve, both in terms of human development and environmental sustainability. The **do no harm** section includes reforms to those global rules and practices that are detrimental to the achievement of the goals. The section on **resource allocation** calls for specifying the material and institutional resources that should be invested towards achieving the goals. Finally, the **legitimacy and participation** component calls for fair, inclusive, and democratic procedures for allocating resources and course correcting as the new global framework is implemented.

Together, these four components constitute a comprehensive but flexible **global plan** to mobilize the international community to achieve the goals set in the post-2015 agenda.

The World We Want: Development and Sustainability Goals After 2015

While progress has been made on all of the MDGs, it has been uneven between and within countries, especially in the case of most vulnerable and marginalized populations. Much more progress is needed on all of the current development goals.

It is essential that the new framework move beyond the scope of the MDGs to include more dimensions of poverty and development, such as relative poverty, vulnerability to violence as well as lack of access to clean water and sanitation, and focus on ensuring adequate clothing and shelter, decent employment, banking services and insurance, social security, infrastructure, and other public goods.

Measurement of progress towards realizing goals should be disaggregated at the national and sub-national level and aggregated at the global level.

It is crucial to avoid a “siloes” approach to setting goals and monitoring them. Rather, the new framework should be built and monitored in a way that reflects a systemic and holistic approach to development, sustainability, and social justice.

The new goals must include effective mechanisms for assigning concrete responsibilities to governments and international institutions and holding them accountable for fulfilling them.

Finally, the new agenda must incorporate the post-MDGs and SDGs into one process in a manner that maintains the integrity of both agendas and is politically realistic.

Do No Harm

The new framework should include goals aimed at reforming those institutionalized rules and practices that can be shown to impede development and sustainability or to exacerbate poverty and human deprivations.

Among the areas in which institutional reform goals (IRGs) could have a major impact on human development, poverty alleviation, and sustainability are:

1. Illicit financial flows and transparency
2. Intellectual property rights regimes, in particular in the context of seeds and essential medicines.
3. Resource and borrowing privileges
4. International trade agreements, particularly protectionist practices
5. International labor standards
6. Environmental sustainability and climate change
7. Migration and immigration policy

Institutional rules and practices, unlike poverty alleviation outcomes, are directly within the control of the world's wealthiest states. This makes the IRGs especially appropriate for formulating goals with strong accountability mechanisms.

Resource allocation

The new framework should include concrete commitments to allocate sufficient material and institutional resources for making progress and achieving development goals. Resources should be allocated through at least two main sources:

1. **Aid**
 - a. Minimally 0.7 percent GNI of OECD countries
 - b. Additional research and consultation is needed for establishing a fair minimal ODA target for upper middle-income countries.
2. **Diversion of funds from harmful practices.** A few of the possibilities raised in the academic consultation process are:
 - a. **Tax on trade-distorting subventions such as protectionist subsidies.** At 2 percent in 2016, rising to 20 percent in 2025, expected yield ca. \$6 – \$60 billion *per annum*.
 - b. **Tax on greenhouse gas emissions.** At \$0.50 per excess metric (over 4 per capita) ton in 2016, rising to \$5 in 2025, expected yield ca. \$7 – \$70 billion *per annum*.
 - c. **Tax on arms exports to LDCs.** At 5 percent in 2016, rising to 50 percent in 2025, expected yield ca. \$1.4- \$14 billion *per annum*.

- d. **Tobin tax on international financial transactions.** Expected yield ca. \$100 billion *per annum*.
- e. **Diversion of fossil fuel and other harmful subsidies.** Based on 2010 subsidy levels for fossil fuels, expected yield ca. \$300 billion *per annum*.
- f. **Closing of tax havens globally.** A conservative estimate is a yield of \$190 billion *per annum*.
- g. **Curtailling illicit financial flows.** A conservative estimate is a yield of \$100 billion *per annum*.

Legitimacy and participation

While it is important to agree on a plan and on concrete commitments towards achieving the new goals, it is crucial to maintain enough flexibility and adaptability to deal with the unpredictable and to learn from success and failure.

International decisions, post-2015, on how to course-correct and adaptively allocate resources must be made through a transparent, democratic and genuinely participatory process, representing both states and populations and meaningfully consulting with those whose interests are most affected.

[2] Themes for Discussion at High-Level Panel Meeting

Question 1: How to approach jobs and livelihoods for the poor?

One of the key ways in which economic growth can lead to poverty reduction is through creating more opportunities for decent employment that provide adequate livelihoods for poor and marginalized people.

However, economic growth has failed to generate enough decent employment opportunities to bring the benefits of development to the poorest and most marginalized. In some cases, growth has been detrimental to decent employment by driving small and medium enterprises out of business, decreasing opportunities for traditional employment, such as in the agricultural sector, and incentivizing inequitable and precarious employment practices, especially in the growing informal sector².

Employment has worth for poor people that vastly exceeds its monetary value, promoting education, social mobility, participation, dignity, and respect.

In order for growth to be truly inclusive, it must be complemented with policies, at the global, national, and sub-national levels, which ensure that it promotes and does not hinder the

² Berry, A. *Inequality, Poverty, and Employment: What We Know*, forthcoming.

development of more decent employment opportunities for the poor.

Recommendations

1. The new agenda should include a clear commitment to increasing the number of decent employment opportunities for poor and marginalized populations.
2. Employment goals should incentivize modes of economic development that both increase the number of decent employment opportunities and create disincentives for inequitable and precarious employment.
3. The new agenda should aim at incentivizing, facilitating, and creating favorable market conditions for microfinance and “missing middle” financing. This can be done by improving access to technology and increasing inclusion in financial systems.
4. The new agenda should include a commitment to a set of fair and equitable international labor standards based on principles of human rights and aimed towards securing adequate livelihoods globally.
5. However, it is crucial that in formulating new employment goals we take precautions against endangering existing employment opportunities, especially in the informal sector.

Question 2: What are the engines of inclusive growth

Economic growth is crucial for reducing individual and household poverty. However, growth alone is insufficient to address severe poverty at the individual and household level. Many of the poorest and most vulnerable populations have been excluded from the human development benefits of rapid economic growth.

The key question is, what causes this disconnect between growth and poverty reduction, and how can this gap be bridged?

Among the factors that are clearly mediating growth and poverty reduction are: **inequality, jobs and livelihoods, international trade practices and agreements, illicit financial flows, corruption, violence, and discrimination.**

Recommendations

- In order to maximally promote inclusive growth, the new agenda should include goals and targets addressing these mediating factors and drive the interaction between growth and inclusive human development.

Question 3: How can poor people be brought into formalized economies and integrated into national development?

High rates of economic growth do not seem to have led to correspondingly high rates of growth in employment in the formal sector of developing economies. While employment in the formal

sector has stagnated or, at best, increased at a slow rate, there has been a rapid increase in rates of employment in the informal sector in many developing countries.³

The dilemma faced by policy makers in addressing the large presence of the informal sector is whether the objective of policy should be to reduce the incidence of informality in the economy and relocate as many workers as possible to the formal sector, or to promote the wellbeing of workers in the informal sector and take steps to enhance its vitality, productivity, and dynamism.

At the heart of this dilemma are two competing considerations: on the one hand, formalized labor offers opportunities for more stable employment and high labor standards. On the other hand, the informal sector has, in many cases, produced increased employment opportunities, bringing relief to impoverished and underemployed populations.

Much more research would be needed to address this dilemma, and in all likelihood solutions would differ by region, country, and area.

However, we do know that precarious employment and low labor standards are common and extremely harmful in the informal sector.⁴ The challenge is to formulate development goals that promote the inclusion of poor populations in the formal sector without offsetting the benefits and opportunities generated by the informal sector.

Recommendations

- The new agenda should generate incentives and positive reinforcement for states and firms to include more poor people in the formal sector.

Question 4: What is the role of ecologically fragile areas in poverty alleviation?⁵

Environmental degradation and climate change endanger progress toward the eradication of poverty. Increasingly, extreme poverty is concentrated in ecologically fragile areas, and global environmental degradation threatens to expose huge numbers of people to severe deprivation.⁶

In ecologically fragile areas, the model of development that has raised hundreds of millions of people out of poverty in high-potential areas is less feasible, because a degraded resource

³ International Labour Organization. (2006). "Informal Sector."

<<http://www.ilo.org/public/english/protection/secsoc/areas/policy/informal.htm>>

⁴ Berry, A. *Inequality, Poverty, and Employment: What We Know*—forthcoming.

⁵ Section written by Rachel Payne, Academics Stand Against Poverty

⁶ Many of the most severe and far-reaching impacts of climate change will occur after the MDG successors have expired, in the year 2030 or later; however, avoiding these harms requires significant investment in climate change adaptation, as well as the development of legal protections for climate-displaced persons, in the next decade.

base—for example, decreased soil fertility or water quality—forces residents to choose between meeting urgent consumption needs and environmental protection. Deteriorated natural resources make ecologically fragile areas difficult to develop and poverty-prone: by some estimates, 60 percent of the global poor can be found living in fragile ecosystems.⁷

Climate change is expected to expose huge numbers of people to severe forms of deprivation. A 2-degree increase in average global temperature—which is now almost inevitable—could put an additional 100 million to 400 million people at risk from hunger⁸ and leave an additional 1 billion people with inadequate access to water in the next two decades.⁹

Human displacement from environmental degradation and climate change poses a major threat to progress toward ending poverty. Our current emissions trajectory could lead to warming of 5 degrees Celsius by the end of the century,¹⁰ and, according to the Stern Review, as little as 3-4 degrees of warming could create sea-level rise, flooding, and drought that could displace 200 million people by 2050.¹¹ Individuals displaced by environmental change are not protected by refugee law or climate change law and risk falling through the cracks of the international legal system, there being no institution with a mandate to serve their needs.¹²

Recommendations:

If the international community is to progress toward ending global poverty, the successors to the MDGs must include provisions to promote sustainable development in ecologically fragile areas and insure people against harms from climate change and other environmental disturbances. The new global development framework should:

1. Provide funding and partnership to communities in ecologically fragile areas, enabling them to invest in natural resource management.¹³
2. Mainstream climate change adaptation and sustainability into economic development planning, at the national and international levels.
3. Increase international financing for climate change adaptation. Current financing for adaptation is estimated to be less than 5 percent of what will be needed by 2030.¹⁴

⁷ See, for example, International Fund for Agricultural Development, “Combating Environmental Degradation” <http://www.ifad.org/events/past/hunger/envir.html> or International Development Research Council, “Comanagement of Natural Resources”

<http://www.idrc.ca/EN/Resources/Publications/Pages/ArticleDetails.aspx?PublicationID=990>

⁸ World Bank. *World Development Report 2010*, p. 5.

⁹ World Bank. *World Development Report 2010*, p. 5.

¹⁰ World Bank. *World Development Report 2010*, p. 1.

¹¹ *Stern Review: The Economics of Climate Change* (2006), p. vi.

¹² Docherty, B. and Giannini T. (2009). “Confronting a Rising Tide: A Proposal for a Convention on Climate Change Refugees.” *Harvard Environmental Review* 33, p. 357.

¹³ International Fund for Agricultural Development. “Combating Environmental Degradation.”

¹⁴ World Bank. *World Development Report 2010*, p. xxi.

These funds may be raised through a global tax on carbon emissions or by fulfilling the OECD commitment to dedicate 0.7 percent of GNI to development assistance¹⁵.

4. Support the development of an international legal instrument articulating the rights of persons displaced by climate change and other environmental disturbances, as well as an international agency responsible for serving and supporting the resettlement of people who have been uprooted.

Question 5: How should inequality be addressed for inclusive development?

The income level of poor people can be understood as a function of two factors: global average income and their position relative to the global average. By raising the global average income, economic growth tends to reduce poverty; however, this effect is offset by decline in the relative position of the poor. Such decline does not merely counteract the poverty-reducing effects of growth—it also subjects the poor to increasing personal domination and social exclusion in their home countries. Substantial progress against poverty is possible with a focus on protecting and enhancing the relative position of the poor. This emphasis is especially urgent in light of the evident ecological costs of rapid growth.

The last decade has seen increased economic growth go hand-in-hand with rising domestic inequality in the vast majority of countries.

Global income inequality¹⁶ is stark:

- Top quarter: 90.34 percent of global income.
- Second quarter: 6.74 percent of global income.
- Third quarter: 2.14 percent of global income.
- Bottom quarter: 0.78 percent of global income¹⁷.

Global income inequality¹⁸, domestic and global, is rising:

- Since 1988, the richest five percent of human beings have gained 3.49 percent of their share of global income, the bottom half has lost 0.61 percent, and the bottom quarter has lost 0.38 percent.
- Had the poorest quarter held steady, its 2005 share of global household income would be 49 percent higher than it is today.
- Had the poorest quarter gained the 3.49 percent that was gained by the richest five percent, the poorer half would have doubled its share to 7.02 percent in 2005, which would be an increase sufficient to end severe global poverty¹⁹.

The severity and constant growth of inequality explain, to a great extent, why poverty

¹⁵ Fankhauser, S. (2009). "The Range of Global Estimates," in *Assessing the Costs of Adapting to Climate Change*. London: International Institute for Environment and Development, p. 11.

¹⁶ Calculated on the basis of market exchange rates.

¹⁷ Data courtesy of Branko Milanovic, World Bank Research Group.

¹⁸ Calculated as the relative share of the bottom quarter relative to the top quarter.

¹⁹ Data courtesy of Branko Milanovic, World Bank Research Group.

reduction is lagging behind economic growth. **The evidence is clear: inclusive growth and bringing the benefits of development to those thus far excluded from economic expansion depend upon reducing inequality.**

It is widely accepted that the MDGs lacked sufficient emphasis on equity and equality²⁰. Income is only one dimension of poverty among many others that require a focus on equality in goal setting and progress measuring. Other important dimensions include access to services, financial inclusion, women's empowerment, social security, employment and education.

Equality and inclusive growth should be considered conditions for successful progress on all dimensions of poverty and should be incorporated into all new development goals.

Recommendations:

1. The new framework should include inequality reduction goals and targets. Examples of how such goals might be tracked are:
 - a. **Share of the bottom quarter:** the relative share of the bottom quarter of population in total income, globally and nationally.
 - b. **Relative poverty:** the proportion of people living below the relative national poverty line for their own country (usually defined as less than a quarter of the national per capita household income).
 - c. **Gini coefficient:** level of the Gini coefficient for income inequality, globally and for each country.
2. The new agenda should have an explicit focus on equality and equity across all development goals, based on principles of human rights and human development, and geared towards ensuring that those who are most marginalized participate in the benefits of development and growth.
3. Measurement of progress on all goals should be disaggregated at the national and sub-national levels and aggregated at the global level.
4. In particular, across all goals, targets should be set and progress measured for the most excluded populations, including women and girls and other traditionally marginalized groups such as the disabled people, racial, religious, and ethnic minorities, and lesbian, gay, bisexual, and transgendered individuals.
5. In certain areas, it might be desirable to weight progress on indicators using equity criteria so that progress made by the poorest and most excluded counts for more than progress in other groups.

Question 6: Can service delivery be made universal at a reasonable cost?

In order to answer this question, we must first answer the several others: Which services would be made universal? At a reasonable cost to whom? By when?

²⁰ ECE, ESAP, UNDESA, UNICEF, UNRISD, Un Women (2012). *Addressing Inequalities: The heart of the post-2015 agenda and the future we want for all*. UN System Task Team on the Post-2015 UN Development Agenda. New York; UNDP (2012). *Millennium Development Goals Report 2012*. UNDP: New York.

A good starting point would be to say that: (1) we are asking whether service delivery can be made universal by 2030; (2) the reasonable cost is both for the donor community and for developing countries; and (3) the main services to be delivered are health, education, infrastructure, clean water, food security and social security

For all these services, there is great disparity between countries and localities. For example, enrollment in secondary school is 90% in Cuba but only 18% for Central African Republic. Some developing countries have already made great strides (e.g. Brazil) and some have not (e.g. India and Malawi).

This means that for some countries, especially upper-middle and high-income countries, universal service delivery is achievable at a reasonable cost and that for some it probably isn't.

This poses a dilemma regarding whether or not universal service delivery goals are desirable. If we set them, we run the risk of a demoralizing failure in countries that are very far from universal delivery. If we don't set them, we run the risk of setting under-ambitious goals for countries for which universal delivery by 2030 is, in fact, achievable.

Recommendations

1. One way out of this dilemma is by committing to disaggregated goals and targets for service delivery. The targets could be determined country by country or by income level categories through a maximally participatory deliberation process. The aim would be to ensure feasible but highly ambitious service delivery goals and to establish universal targets for all countries in which this is feasible (probably for all developed and most upper-middle income countries).
2. In any case, service delivery goals should not be set as isolated silos: the benefits of education, for example, are dependent on the possibilities of employment after education and on gender equality. Service delivery goals should be set in a holistic way, taking into account the inter-dependence between services and with other dimensions of development.

[3] List of Contributors

The following experts have been consulted as part of the Global Poverty Consensus Report project. The views expressed in this document do not represent their official positions but are rather an attempt to synthesize their input into a clear assessment of the state of academic consensus on issues relevant to the post-2015 agenda.

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