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Rethinking the Post-2015 Development Agenda: Eight Ways to End Poverty Now

Abstract: The debate about the Sustainable Development Goals (SDGs), which are to replace the Millennium Development Goals (MDGs) when they expire in 2015, is moving very quickly. Weighing in on this debate, we argue that if the SDGs are to be as effective as they can realistically be, concrete responsibilities must be assigned to specific competent actors, measurement methods involved in development targets must not be allowed to be changed midway, and the tracking of progress must be left to independent experts. New development goals should aim for inequality reduction, a more comprehensive view of poverty, and, most importantly, systemic reforms of global institutions. The world will not make decent progress against poverty until the most powerful agents accept real action commitments, not only in the marginal area of development assistance, but in all their policy and institutional design decisions, at both the domestic and especially the supranational level. We end with eight examples of institutional reform goals – ranging from deterring trade barriers to mitigating the effects of lost corporate tax revenues on poor populations – that should be included in the new list.

Keywords: Millennium Development Goals, Sustainable Development Goals, global institutional reform, global inequality, institutional reform goals

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Introduction

The Millennium Development Goals (MDGs) are a landmark global agreement on reducing poverty and related deprivations. Praised for conveying the need to end poverty in a clear and concrete message, but decried for undermining efforts to build national capacities for development, the MDGs have been the subject of controversy since their inception in 2001. For better or for worse, they have influenced aid and national development priorities for more than a decade.

The official debate about the Sustainable Development Goals (SDGs), which will replace the MDGs when they expire in 2015, is moving very quickly. If the SDGs are to be as effective as they can realistically be, our political leaders must push well beyond the framework of *A New Global Partnership* of the United Nations' Secretary-General's so-called High-Level Panel (HLP) of eminent persons on the Post-2015 Development Agenda.[1] As we explain below, the twelve goals proposed in the report suffer from the same key defects as the original MDGs: they are general wishes without concrete tasks and responsibilities assigned to specific competent actors, and they *do not meet civil society aspirations for inequality reduction, systemic reforms of global institutions, and a more comprehensive view of poverty*.

1 The report *A New Global Partnership: Eradicate Poverty and Transform Economies through Sustainable Development* of the High-Level Panel is available online under www.un.org/sg/management/pdf/HLP_P2015_Report.pdf (accessed 5 November 2013).

Once Again a Wish List Only…

While the MDGs commendably bring focus on poverty and poor people, they are goals without commitments. They do not include any reference to how they are supposed to be achieved or who is accountable for achieving them. For example, despite the fact that we know that the child mortality goal will be missed by far, there is no one in particular who can be held accountable for missing it. Of the goals, the only one that deals directly with the responsibilities of states and international institutions, MDG 8, is entirely devoid of measurable targets.

The new goals are, once again, a wish list only. Goals worthy of the name would be assigned to specific actors, making clear the concrete tasks each such agent is supposed to get done. Take, for example, the new 4a: 'End preventable infant and under-5 deaths'. At whom is this instruction directed? What efforts does it require from states acting domestically, from states acting beyond their own borders, from international agencies and organizations, from pharmaceutical companies, from agribusinesses, from resource-extracting firms, from other multinationals, from affluent citizens? Without any hint of an answer to these questions, each competent agent and agency will easily support adoption of the general 'goal' and then look to the others for relevant action. The most influential agents, who are generally best placed to advance the objective, will also be best able to divert attention away from their own responsibilities. One of the poorest countries might be blamed for not reducing its hunger rate from 60 to 30 percent, while an upper-middle-income country might rest easy with the much less demanding task of reducing its hunger rate from 2 to 1 percent. This is precisely what happened with the MDGs, where the poorest countries ended up being held solely responsible for not bringing down their huge deprivation rates fast enough. The lesson we must learn is evident: *new development goals should contain a clear reference to whose goals they are supposed to be, clearly specifying the responsibilities of competent agents*.

An Abysmally Low Poverty Line

There is a welcome move in the report from the language of reduction to that of eradication of poverty. Yet this remains confined to 'extreme' poverty, which the World Bank has defined ever more narrowly by replacing the original threshold of $1.00 per person per day in 1985 US-dollars (as referenced in the UN Millennium Declaration and in MDG-1) with a lower $1.08 per person per day in 1993 US-dollars, and then with an even lower $1.25 per person per day in 2005 US-dollars. Each of these revisions has led to a much better looking poverty trend – just as the Food and Agriculture Organization's (FAO) recent revision of how they count the hungry has led to a much better looking hunger trend. There are two clear lessons here: *the definitions and measurement methods involved* *in development targets must not be allowed to be changed midway; and the tracking of progress must not be entrusted to politically exposed agencies like the FAO and the World Bank, but should be left to an independent international group of top-level academic experts.*

The Bank's poverty measurement exercise also provides an extremely incomplete picture of the evolution of world poverty and, relatedly, gravely distorts the incentives that ought to motivate policy makers at the national, subnational and supranational levels. Many of the hardships that constitute poverty in the real world – the lack of safe water, of basic education, of leisure time and of access to public officials; the scourges of debt bondage, child labor, and discrimination against women and girls – are completely ignored when one merely ascertains whether a household's income or expenditure has as much purchasing power per person per day as $1.25 had in the United States in 2005.

Still, even getting everyone above this latest abysmally low poverty line would, obviously, be better (other things equal) than the alternative. But, again, it also matters how responsibility for achieving such a 'zero goal' is allocated. Some of the poorest countries still have very high poverty rates, and cannot achieve the large required poverty reductions without substantial support from wealthier countries: through aid and, more fundamentally, through supranational rules that are less hostile to the needs of poor populations.

Only a Nod to Inequality

There is brief recognition in the report of the immense socioeconomic, civil and political inequality that pervades our planet. But this comes without acknowledging the fact that inequality has greatly increased since 1990 (the baseline year of the MDGs). *A New Global Partnership* celebrates progress towards the MDGs as a victory when in fact the poor would have done vastly better if they had been allowed merely to participate proportionally in global economic growth. This is clear from the evolution of the global household income distribution at market exchange rates, as tracked by Branko Milanovic, lead economist in the World Bank's Research Department. As the nearby table shows, the poorest fifth of the world's population, if it had maintained its minute 0.851 percent share of global household income through the 20-year period following 1988, would have earned 28 percent more income at the end of this period than it actually did.[2]

It is also worth pausing to reflect on how minuscule the lower incomes actually are. In 2008, the poorest fifth topped out at $223 per person per year, the fourth fifth at $460 and the middle fifth at $1181. In any credible sense of the term, the poorest 60 percent of the human population with their meager 5.3 percent of global household income are still suffering serious poverty.

2 Here we are assuming that growth in the global average income would have been the same.

Segment of World Population	Share of Global Household Income, 1988	Share of Global Household Income, 2008	Absolute Change in Income Share	Relative Change in Income Share
Richest 5 percent	42.872	45.751	+2.879	+6.7%
Next 15 percent	42.958	39.137	–3.821	–8.9%
Second fifth	8.958	9.782	+0.824	+9.2%
Middle fifth	2.843	3.236	+0.393	+13.8%
Fourth fifth	1.518	1.428	–0.090	–6.0%
Poorest fifth	0.851	0.666	–0.185	–21.8%

The conventional prescription against poverty is economic growth. We can expect real per capita economic growth worldwide to average around 2 percent per annum. At this rate, it takes about 35 years for incomes to double — 35 years for the poorest fifth to climb from their present average annual income of $172 to the equivalent of $344 per annum in 2008 US-dollars. Even this slow climb is possible only if two optimistic assumptions hold: namely, that real annual growth in global per capita income can continue at about 2 percent and that the poor will participate proportionally in this growth. In actual fact, the poorest fifth lost 21.8 percent of its share of global household income from 1988 to 2008. Were this headwind to continue, then 35 years of growth would raise the average real income of the poorest fifth by only 30 percent. Ninety-two years would then be necessary to double real incomes in the poorest fifth. From a moral point of view, the avoidable suffering associated with such a development scenario would be indefensible.

It makes sense, then, to ask whether we should aim for faster poverty eradication by promoting not merely growth but also inequality reduction. Consider once more the table above. From 1988 to 2008, the richest 5 percent of the human population captured an additional 2.9 percent of global household income. Imagine this gain had instead gone to humanity's poorest two-fifths, raising their share from 2.4 to 5.3 percent. With this increase, the poorest fifth would already in 2008 have reached a higher income level than on the growth-only scenario they can expect to reach in 2100. And the richest 5 percent would still have participated proportionally in global economic growth, merely foregoing the *additional* gain that lifted their income from 8.57 to 9.15 times the global average income.

The question that should be central to the debates about formulating the SDGs, therefore, is what can be done, concretely, to check increasing global inequality for the sake of faster poverty eradication. In answering this question, we will need to look beyond official and non-governmental development assistance as solutions. Such efforts certainly affect the evolution of global poverty and income inequality — but not nearly enough to balance the centrifugal tendencies produced by the ordinary operation of the world economy as presently structured.

The Case for Reforming Global Institutions

To eradicate poverty, we must understand how it is reproduced on such a huge scale in an affluent world. The poorer half of humanity has been reduced to a tiny share of global household income by national and supranational institutional arrangements whose design only the rich can influence. While this poorer half of humanity receives only 3.3 percent of global household income, the top twentieth of humanity captures 46 percent (the former group contains 10 times more people and yet the latter group has 14 times more income).

Wealthy people and their associations – corporations, banks, hedge funds – have enormous advantages in scale, expertise and political influence. This enables them to do better than others under the existing rules. It also enables them to influence the formulation and application of such rules to their own advantage, thereby further increasing the share of national income they capture. The result is an inequality spiral with two mutually reinforcing trends: affluent citizens capture an ever larger share of national income and are also ever more successful in shaping the rules of the national economy in their own favor, for example by eliminating or reducing inheritance taxes or the progressivity of income taxes.[3]

Globalization has recently extended this familiar phenomenon to the supranational level, where a network of international rules and regulations is rapidly gaining an influential role in structuring the world economy and is thereby increasingly shaping the evolution of the global income and wealth distribution. In such supranational rule-making, the non-rich are even more marginalized than on the national level, because there is here no democratic counterweight to corporate lobbying, and no transparency, even *ex post*, in regard to intergovernmental negotiations. During the last twenty years, for example, strong uniform protections of intellectual property rights have been incorporated into the global trading system through initiatives such as the WTO's Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement. Under this punishing regime, most new life-saving drugs have been placed out of the reach of a large majority of the world's population. By contrast, the WTO regime does not contain even weak protections of minimally decent working conditions.

3 For some compelling evidence, see 'Money and Politics: Ask what your country can do for you', *The Economist*, (October 1, 2011), www.economist.com/node/21531014 (accessed 11 November 2013). This article recounts how the investment research firm Strategas has been selecting, in each calendar quarter, those ten percent of companies in the S&P 500 index which spend the most on lobbying as a percentage of their assets. The 'Strategas Lobbying Index' tracks the investment returns that would be realized by investing and reinvesting each quarter equal amounts into these 50 biggest spenders on lobbying. This investment strategy would have outperformed the S&P 500 by an amazing 11 percent annually over the 2002–11 period. For a real-world example of how lobbying works, see Raquel M. Alexander, Stephen W. Mazza, and Susan Scholz, 'Measuring Rates of Return on Lobbying Expenditures: An Empirical Case Study of Tax Breaks for Multinational Corporations', *Journal of Law and Policy* 25/4 (Fall 2009), 401–57. The 93 corporations that lobbied for the *American Jobs Creation Act* spent $282.7 million on their effort and harvested $62.5 billion in tax savings (Ibid., p. 404) — a 221-fold return on their investment.

The SDGs are an appropriate occasion to call for the reform of such unjust arrangements. Supranational institutional rules and practices, unlike development aid projects, are directly under the control of the world's most powerful states. Here clear reform goals with strong accountability provisions could really make a difference. While it is hard to establish who exactly is responsible for slow development in some poor country, it is much easier to know which governments are blocking needed reforms on tax dodging or access to advanced medicines.

The closest *A New Global Partnership* gets to considering institutional reforms is a nod to the 'special responsibilities' of developed countries 'in ensuring that there can be no safe haven for illicit capital and the proceeds of corruption, and that multinational companies pay taxes fairly in the countries in which they operate'.[4] But what exactly are these responsibilities? Is it enough for each rich country to supervise the activities of banks in its own jurisdiction? Or must these rich countries together force the world's tax havens and secrecy jurisdictions to cooperate? Without a clear specification of tasks, each actor will favor the most minimal interpretation of its own responsibilities – as has been very much in evidence during the ongoing MDG period. If the stated commitments to solidarity and shared responsibility are to be more than lip service, future work on hammering out the official development goals for the 2015-30 period should specify plausible institutional reform goals that could be implemented by the more affluent countries, thereby reducing the headwinds present institutional arrangements are blowing against the poor.

In the form that they are now, the proposals by the High-Level Panel are not geared to achieve success. They may do little more than divert attention from the scandal that a majority of the world's population is still living in life-threatening poverty.

Eight Ways to End Poverty Now

The world will not make decent progress against poverty until the most powerful agents accept a real responsibility to take poverty into account and real action commitments – not merely in the marginal arena of development assistance, but across the board in all their policy and institutional design decisions, at both the domestic and especially the supranational level. In light of this point, it would be highly desirable for some institutional reform goals, or IRGs, to be included in the new list. Here are eight examples, ranging from deterring trade barriers to setting up a standing fund for pharmaceutical innovation:

> 1 – There are barriers that distort trade and diminish trading opportunities for poor populations. To deter such protectionist

4 High-Level Panel (2013), p. 10.

barriers and help offset their effects, rich countries providing subsidies or export credits shall commit to paying a share of the value of such subventions into a Human Development Fund. This share would be 2 percent in 2016 and rise to 30 percent in 2030, raising about $6 billion to $90 billion a year over that period.

2 – Pollution and climate change impose huge costs on current and future populations, especially the world's poor. To help deter pollution and offset its effects, all countries shall agree to pay a fee to the Human Development Fund, based on per capita carbon dioxide emissions that exceed four metric tons per person per year. This fee would be $1 per excess metric ton in 2016 and rise to $8 in 2030. This would yield about $14 billion rising to $100 billion annually.

3 – Arms exports to the less developed countries fuel conflicts, civil wars and violent repression. To help deter such sales and offset the harm they produce, arms-exporting countries shall agree to pay a share of the value of such exports into the Human Development Fund. This share would be 5 percent in 2016, rising to 40 percent in 2030, raising an amount rise from approximately $1.4 billion to $10 billion annually.

4 – Sham transactions and mispriced trades among subsidiaries of the same multinational corporation enable it to realize its profits in jurisdictions where tax rates are low or zero. To help deter such profit shifting and help mitigate the effects of capital outflows and lost corporate tax revenues on poor populations, states shall agree to require multinational corporations to pay to the Human Development Fund an alternative minimum tax (AMT) equal to the amount by which all national taxes they pay fall short of a minimum percentage of their worldwide profits. This minimum percentage is to be set at 5 percent in 2016 and to increase to 12 percent in 2025. All states shall commit to cooperate in enforcing the AMT against any companies with operations in their jurisdiction.[5]

5 – To attract capital, some jurisdictions allow the maintenance of secret bank accounts, whose real owners and beneficiaries remain anonymous. Between $21 and $32 trillion are estimated to be so hidden, which amounts to between 9 and 13 percent of all private

5 A similar idea was recently floated by German Finance Minister Wolfgang Schäuble, 'ECB should limit amount of liquidity in the eurozone , says Wolfgang Schäuble', *Telegraph*, (2013), www.telegraph.co.uk/finance/financialcrisis/10006065/ECB-should-limit-amount-of-liquidity-in-the-eurozone-says-Wolfgang-Schaeuble.html (accessed 11 November 2013).

wealth on this planet.[6] Because such accounts facilitate corruption, embezzlement, drug trading, terrorism and human trafficking, states shall commit to ending this practice as soon as reasonably possible by imposing collective sanctions on the offending banks and countries. Funds whose beneficial owners remain undisclosed in 2020 must be regarded as ownerless.

6 – The populations of many less developed countries are burdened by large debts accumulated by their rulers for purposes that were not approved by or beneficial to the general public. In the future, such loans are to be discouraged by states jointly stipulating that loans are to be recognized and enforced as genuine national obligations only if the borrowing government has been certified as minimally legitimate at the time of the loan by a Southern Debt Expert Committee (SDEC). Lenders and their home countries must promise not to exert pressure on countries to service debts incurred by previous rulers who were not certified by the SDEC.

7 – The populations of some less developed countries suffer from massive natural resource outflows that are not approved by or beneficial to the people. States shall agree that future such exports will be vetted by a Southern Resource Export Expert Committee to determine whether they are acceptable to or serve the interests of the population. Should the committee find that neither condition is met, then subsequent acquisitions are to be discouraged and partly compensated for by requiring buyers to pay a percentage of the value of the acquired natural resources into the Human Development Fund. This percentage can be gradually increased during the 2015-30 plan period.

The Human Development Fund would not merely discourage and reduce harmful activities. It would also raise funds for realizing other institutional reforms, such as:

8 – To stimulate pharmaceutical innovation to fight diseases of the poor, and to improve access to new medicines, states shall agree to establish a Health Impact Fund that offers to reward any new medical advance based on its health impact, provided it is sold at cost. The HIF

6 James Henry, *The Price of Offshore Revisited* (Tax Justice Network 2012), p. 5, www.taxjustice.net/cms/upload/pdf/Price_of_Offshore_Revisited_120722.pdf (accessed 11 November 2013). Total private wealth worldwide is estimated at $241 trillion in *Global Wealth Report 2013* (Credit Suisse 2013), p. 3, https://publications.credit-suisse.com/tasks/render/file/?fileID=BCDB1364-A105-0560-1332EC9100FF5C83 (accessed 11 November 2013).

will be financed initially at $6 billion annually and then expanded as experience warrants.[7]

By working to implement at least some of these global institutional reforms, the most affluent countries would make a positive start toward addressing and reversing the relentless economic and political marginalization of the poor. This reversal should be supported by commencing a practice of carefully examining the expected impact of proposed global institutional design decisions on global poverty. Additional support should come from universal national development goals focusing on the full realization of human rights, universal access to adequate social security and social services, and the rapid elimination of excessive economic and social inequalities. Total eradication of all aspects of severe poverty by 2030 is the right idea. But to make this happen we need more than just a universal agreement that it should happen.[8]

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7 See www.healthimpactfund.org (accessed 11 November 2013).

8 This text is composed of two previously published texts. The first appeared as 'New Development Goals – A New Version, an Old Wish List' in the *Economic & Political Weekly* 48 (39), 23-5, and is authored by Thomas Pogge and Mitu Sengupta. The second text is authored solely by Thomas Pogge and appeared in October 2013 as a CROP Poverty Brief under the title 'The Post-2015 Deveopment Agenda: The Way Forward', www.crop.org/viewfile.aspx?id=490 (accessed 11 November 2013).