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Human rights, the MDG income poverty target, and economic growth

Edward Anderson and Andy McKay

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About the Authors

Edward Anderson is a Lecturer in Economics and International Development at the School of International Development at the University of East Anglia, Norwich, UK.

edward.anderson@uea.ac.uk

Andy McKay is Professor of Development Economics at the Department of Economics, University of Sussex, UK.

a.mckay@sussex.ac.uk

Contact:

edward.anderson@uea.ac.uk

School of International Development

University of East Anglia

Norwich, NR4 7TJ

United Kingdom

Tel: +44 (0) 1603 593664

Fax: +44 (0) 1603 451999

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For further information on DEV and the International Development UEA, please contact:

School of International Development

University of East Anglia, Norwich NR4 7TJ, United Kingdom

Tel: +44 (0)1603 592329

Fax: +44 (0)1603 451999

Email: dev.general@uea.ac.uk

Webpage: www.uea.ac.uk/dev

Executive summary

In recent years, a large number of governments in developing countries have developed strategies for achieving the MDGs. This paper asks whether the targets, indicators and strategies developed by national governments in relation to income poverty (part of MDG 1) are consistent with the human rights framework.

Section 2 introduces the conceptual framework to be followed in the study. This is based on the OHCHR (2008) report 'Claiming the Millennium Development Goals: a Human Rights Approach'. We first identify five ways in which the MDG income poverty target can be aligned with a human rights approach. These are: a) national poverty line(s) used to measure poverty should correspond to the human rights notion of an adequate standard of living; b) poverty measures should reflect the depth and severity of poverty, and not just the incidence of poverty; c) poverty measures should be disaggregated, as far as possible, along lines of race, ethnicity, gender, language, religion, and other prohibited grounds of discrimination; d) additional 'input' or 'output' (as opposed to 'outcome') indicators should be developed which reflect the extent to which important poverty-reducing policies are being taken; and e) poverty reduction targets must be sufficiently ambitious, without being entirely infeasible or unrealistic.

We then discuss three main ways in which strategies designed to promote economic growth can be consistent with a human rights approach. These are: a) each policy for promoting economic growth must raise, directly or indirectly, the realisation of at least some human rights; b) any policy for promoting economic growth which has an adverse impact on at least some human rights for at least some groups must be strongly justified; and c) the potential contribution of 'social' policies to achieving and sustaining economic growth should not be ignored.

Sections 3 and 4 document the analysis carried out. These sections focus on seven countries, three from Africa (Ethiopia, Kenya and Uganda) and four from Asia and Pacific (Bangladesh, Cambodia, Indonesia and Vietnam). In each case, recent Poverty Reduction Strategy Papers (PRSPs), national Millennium Development Goal Reports (MDGRs), and other relevant government documentation are reviewed. This analysis is complemented by a review of the regional MDGRs for Africa and Asia, and with consultation with key experts in each country.

Section 5 then outlines the conclusions and recommendations. In terms of targets and indicators, there are four main conclusions. First, there is often insufficient discussion about how official poverty lines are calculated. Second, although most of the countries analysed do monitor the depth and/or severity of poverty, in no case are targets set for these measures. Third, although the majority of countries analysed

provide disaggregation estimates of poverty by region, few report disaggregation along other lines, such as age, gender and ethnicity. Fourth, although many of the focus countries have adjusted the global MDG income poverty target to their own conditions and circumstances, there is virtually no discussion as to how this adjustment is made, and whether the chosen national target is sufficiently ambitious. In terms of growth strategies, there are two main conclusions. First, in many of the countries analysed, the links between policies of these sort and human rights are either taken for granted, or are discussed at a general level without supporting evidence. Second, the likely distributional effects of growth-enhancing policies are discussed only sporadically, as is the potential need for compensatory or mitigatory measures.

On the basis of these conclusions, we make a series of recommendations, namely that all governments: a) report in more detail how income poverty lines are calculated, and promote an open and transparent discussion about what constitutes an adequate and/or acceptable standard of living; b) adopt targets for reducing the depth and severity of poverty, and not just for reducing the incidence of poverty; c) report on the feasibility of disaggregating poverty estimates by prohibited grounds of discrimination; d) define a set of 'process' indicators for the income poverty target, which can be monitored over time; e) report the methods they use to determine nationally-specific income poverty targets; f) set out more clearly how 'economic' policies identified for raising economic growth will promote the realisation of human rights; g) consider more carefully which policies for raising growth are likely to adversely affect some groups in society, and finally h) not neglect the role of more 'social' policies in raising economic growth.

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1 Introduction

In recent years, a large number of governments in developing countries have developed strategies for achieving the MDGs. Generally, this has involved two main steps. The first is to adapt the global MDG targets and indicators to the national context; the second is to formulate a strategy for achieving them. From a human rights perspective, the key question is whether the targets, indicators, and strategies developed by national governments are consistent with the broader human rights framework.

This background paper aims to shed light on this key question in two main ways. The first is to ask whether the targets and indicators developed by national governments in relation to income poverty are consistent with the human rights framework. Income poverty is one important aspect of MDG 1, the goal to eradicate extreme poverty and hunger. The second is to ask whether the policies in national MDG strategies designed to promote economic growth are consistent with the human rights framework. Such policies are often centre-stage in MDG strategies, reflecting the widespread consensus that economic growth is essential, if not always sufficient, for achieving the MDGs.

The paper focuses on seven countries, three from Africa (Ethiopia, Kenya and Uganda) and four from Asia and Pacific (Bangladesh, Cambodia, Indonesia and Vietnam). In each case, the analysis is based on a review of recent Poverty Reduction Strategy Papers (PRSPs), national Millennium Development Goal Reports (MDGRs), and other relevant government documentation. This analysis is complemented by a review of the regional MDGRs for Africa and Asia, and with consultation with key experts in each country.

The paper is organised as follows. Section 2 introduces the conceptual framework to be followed in the study. This is based on the OHCHR (2008) report 'Claiming the Millennium Development Goals: a Human Rights Approach'. Section 3 then provides a detailed examination of the two key issues described above for Asia and Pacific, while Section 4 covers Africa. Section 5 then provides the conclusions and recommendations.

2 Conceptual framework

According to the OHCHR, there are four key elements to a human rights approach to the Millennium Development Goals. These are:

- *align the Goals with human rights* by harmonizing MDG targets and indicators with human rights standards;
- *be transformative, not technocratic* by adopting a human rights-based approach to empowerment and participation;
- *prioritize human rights* by making policy choices and resource allocation decisions within a human rights framework;
- *claim the MDGs* by ensuring enforceable rights, accountability mechanisms and sustainable strategies.

In this section, we first discuss what ‘aligning the Goals with human rights’ implies with respect to the MDG income poverty target. We then discuss what ‘prioritizing human rights’ implies with respect to government strategies for promoting economic growth.

2.1 Aligning the MDG income poverty target with human rights

It is possible to identify five main ways in which the MDG income poverty target can be aligned with human rights approach.

First, the national poverty line(s) used to measure poverty should correspond to the human rights notion of an adequate standard of living.

At the global level, progress towards the MDG income poverty target is measured using the international \$1-a-day poverty line. In monitoring trends at the national level however, governments are advised to use national poverty lines. There are different approaches to setting national poverty lines, but generally they all involve estimating the amount of income or expenditure required to purchase a set of basic food and non-food items (e.g. clothing, housing).¹

From a human rights perspective, governments are obliged to progressively realise the right of everyone to “an adequate standard of living ..., including adequate food, clothing and housing” (ICESCR, Article 11). The MDG income poverty target will be

¹ Useful summaries of the different methods used to calculate income poverty lines are provided by Ravallion (1998), Kakwani (2003) and Stewart et al. (2007).

well-aligned with this right if the basic food and non-food items included in the calculation of national poverty lines can be considered adequate. It will not be well aligned if some households do not have access to the levels of food, clothing and housing considered to be adequate, despite being above the official poverty line.²

Second, poverty measures should reflect the depth and severity of poverty, and not just the incidence of poverty.

The MDG income poverty target is defined in relation to the proportion of people living below the poverty line. This is a measure of the incidence of poverty: it simply counts the number of people living below the poverty line, and expresses that number as a percentage of total population.

From a human rights perspective, governments are obliged to give sufficient attention to the most deprived or marginalised people in society, who may be a long way below the poverty line. This requires using poverty measures which also reflect the depth and/or severity of poverty, and not just the incidence, of poverty. Examples of such measures include the poverty gap ratio, and the squared poverty gap ratio.³

Third, poverty measures should be disaggregated, as far as possible, along lines of race, ethnicity, gender, language, religion, and other prohibited grounds of discrimination.

The MDG income poverty target is also defined in relation to poverty measured at the national or international level. From a human rights perspective, governments are obliged to ensure that rights are exercised without discrimination (e.g. by race or ethnicity), and also to ensure equal rights (e.g. between men and women). This requires that poverty measures be disaggregated across groups within countries, defined along these sorts of lines.

Measuring poverty at the disaggregated level can of course be difficult. In some cases (e.g. gender or age), it requires going beyond the standard household-level measures of income poverty, and looking at the intra-household allocation of resources. Here, specialised surveys may well be required. In other cases (e.g. ethnicity, language or religion), region of residence may sometimes be used as a proxy indicator.

² The precise meaning of the term adequate will differ according to context (CESCR, Special Comment 12), and will need to be determined through open and transparent discussion.

³ The poverty gap ratio is one of the official MDG indicators for monitoring progress towards the income poverty target. It is defined as the average income or expenditure shortfall, relative to the poverty line, across the whole population, with the non-poor considered to have a shortfall of zero. The squared poverty gap is calculated in a similar fashion, except that a higher weight is placed on those households who are further away from the poverty line.

It should also be recognised that, in some circumstances, an argument could be made against providing disaggregated measures of poverty (at least in the public domain), on the grounds that this would have the potential to cause damaging social conflict or violence.

Fourth, indicators which reflect the extent to which important poverty-reducing policies are being taken should be defined and monitored.

The indicators associated with the MDG income poverty target are all examples of 'outcome' indicators. These reflect the extent to which the ultimate objectives of government policy are being achieved.

From a human rights perspective, it is important to assess not just whether the key outcomes are being achieved, but also whether governments are making sufficient efforts to achieve them. This requires defining and monitoring indicators which reflect the extent to which important poverty-reducing policies are being taken should be defined and monitored.

For example, one might seek to monitor the proportion of the population with access to government safety net programmes, or the share of government expenditure devoted to poverty-reducing sectors. These are referred to in the human rights framework as 'process indicators', and as 'input' and 'output' indicators in the standard monitoring and evaluation (M&E) framework.

Finally, poverty reduction targets must be sufficiently ambitious, without being entirely infeasible or unrealistic.

It is generally accepted that national governments should choose MDG targets which are relevant for their own context, rather than simply adopting the global MDG targets. This applies to the MDG income poverty target as much as the other MDG targets. Three main sorts of approaches are available for setting nationally-specific targets:

- 'looking back': look at the rate of progress achieved in the recent past, and see if that can be sustained and/or improved upon slightly. This is reasonable, since past progress might give at least some indication of the country's feasibility and the constraints it faces. This was also the approach used to set the global MDG targets (see Vandemoortele 2007). However, it is problematic when current circumstances differ from the recent past (e.g. the price of a country's main export has doubled, in which case a significantly higher rate of progress might now be feasible).

- ‘looking across’: look at the highest rates of progress achieved by otherwise similar countries, and see if these rates can be achieved. The problem here is that of finding ‘similar’ countries: all countries are different to some extent and have different feasibility constraints.
- ‘looking within’: take a close hard look at existing national circumstances, and on that basis ask what rate of progress is feasible, drawing on economic models, costing assessments, and fiscal space analysis.

From a human rights perspective, targets must be set in a way which is consistent with the obligation on governments to ‘progressively realise’ economic, social and cultural rights, to the maximum of available resources. Clearly, this requires national MDG targets to be ambitious, although not unrealistic, which should be assessed by at least one (and preferably more) of the above sorts of approaches.

In Section 3 we discuss the extent to which these five requirements for aligning the MDG income poverty target with a human rights approach are met in each focus country.

2.2 Prioritising human rights: the role of economic growth

There is widespread consensus that economic growth is essential for meeting the MDGs. Put simply, many of the Goals would simply be unattainable in a context in which growth is absent, particularly for low-income countries. For this reason, policies for promoting growth are often centre-stage in MDG strategies. From a human rights perspective, economic growth is also of clear importance, contributing to the realisation of several economic, social and cultural rights.⁴ It does not follow, however, that every single policy designed to promote growth will necessarily promote the realisation of human rights. Instead, some growth policies may conflict with a human rights approach. For example, building a large dam may promote growth, and employment opportunities, but could potentially result in violations of the right to food, housing and environmental health (OHCHR 2008:18).

The human rights framework does not prescribe specific policy choices, but it does provide a framework for assessing the “reasonableness” of such choices (OHCHR 2008: 12). Here, it is argued that policy choices designed to promote economic growth are reasonable if three main conditions are met.

First, each policy for promoting economic growth must raise, directly or indirectly, the realisation of at least some human rights.

⁴ This is demonstrated in part by the clear empirical correlation that exists, across and within countries, between per capita GDP and attainments in a range of welfare outcomes.

A strong emphasis in MDG strategies on promoting economic growth is clearly not inconsistent with a human rights approach. However, a strong case must be made that each policy for raising economic growth will promote the realisation of at least some human rights.

To give one example, if fiscal incentives are to be used to promote foreign direct investment (FDI), a strong case must be made to show how the resulting foreign direct investment will raise the realisation of human rights. This could involve, for example, estimating the likely impact of greater FDI on local employment and wage levels. To give another example, if a conservative fiscal and monetary policy is adopted to reduce inflation, a strong case must be made to show how lower inflation will raise the realisation of human rights. This could involve, for example, looking at how lower inflation raises households' purchasing power and access to food.

In addition, where policies for promoting growth have resource implications, it is important that the potential alternative use of those resources into account. For example, if a government uses fiscal incentives to promote foreign direct investment, it must make the case that the revenue used up in providing those incentives could not bring about an even greater increase in the realisation of human rights, if used elsewhere (e.g. on health or education). This follows from governments' obligations under human rights framework to progressively realise those rights to the maximum of available resources.

Second, any policy for promoting economic growth which has an adverse impact on at least some human rights for at least some groups must be strongly justified.

Some policies for promoting economic growth may have an adverse effect on at least some groups in society. Such policies are not automatically ruled out under a human rights approach, but they must still be strongly justified. This has been made clear by the UN Committee on Economic, Social and Cultural Rights (CESCR), in relation to the principle of 'non-retrogression':

"Moreover, any deliberately retrogressive measures ... would require the most careful consideration and would need to be fully justified by reference to the totality of the rights ... and in the context of the full use of the maximum available resources." (CESCR General Comment No.3, paragraph 9).

For example, it could be that an adverse effect on one human right is offset by gains in another right. Alternatively, it could be that an adverse effect on the rights of a more advantaged group is offset by a positive effect on the rights of a more disadvantaged group. If justifications of this sort cannot be made, any individuals or

groups which would otherwise experience a deterioration in at least some human rights as a result of a particular policy must receive adequate compensation.⁵

Sometimes of course, it may be difficult to establish with any certainty the links between a government's policy choices and human rights outcomes. However, it is still reasonable to expect that national governments carry out some form of analysis for large reforms. Methods are available for doing this, falling under the broad headings of poverty and social impact analysis and human rights impact assessments.

Third, the potential contribution of 'social' policies to achieving and sustaining economic growth should not be ignored.

A wide range of evidence supports the view that improvements in human development (e.g. better health, nutrition and educational attainments) have a significant positive impact on productivity and economic growth, particularly over the medium to long-term. In deciding the amount of resources allocated to social sectors, these effects should be taken into account. For example, an affordability assessment of government expenditure on health or sanitation could take into account the reduction in the number of working days lost to illness each year likely to occur as a result. An exclusive focus on 'economic' policies for promoting economic growth is unlikely to be consistent with a human rights approach.

In the next section we assess the extent to which the above conditions are met in each focus country.

⁵ The issue of what constitutes adequate compensation is clearly a critical issue, although one which is not addressed here.

3 Asia and Pacific

3.1 Regional MDG reports for Asia and Pacific

Regional MDGRs for the Asia and Pacific region are prepared jointly by the UN ESCAP, the UNDP and the ADB. Since 2003, reports have been produced on a more or less annual basis.⁶ Each report gives an up-to-date picture on progress towards the goals, and assessments of which countries are likely to meet or not meet each target. They also make recommendations for policy-makers at the local, national and regional levels.

3.1.1 Income poverty in Asia and Pacific: targets and indicators

In monitoring trends in income poverty, the regional MDGRs tend to focus on the international \$1-a-day poverty line. Information on poverty measured at national poverty lines is typically relegated to annexes. This is not consistent with a human rights approach, since the \$1-a-day poverty line is unlikely to correspond to an adequate standard of living in all countries of the region.⁷

The MDGRs also focus almost exclusively on headcount measures of poverty, with any information on measures of the depth or severity of poverty typically relegated to annexes (see, for example, MDGR 2006: 2). This is again inconsistent with a human rights approach.

There is no attempt in any of the regional MDGRs to adapt the global MDG income poverty target to the Asian context. Instead, the 50% reduction in poverty between 1990 and 2015 is taken as a given, and there is no discussion of whether or not this target is sufficiently ambitious for the region. If anything, the view appears to be that the global targets should not be adapted (see MDGR 2005: 31). This is inconsistent with a human rights approach, especially given that it is generally accepted that the \$1-a-day poverty target will easily be met, or indeed has already been met, in the region (MDGR 2006:14, MDGR 2007:7; see also Annex 1).

There is a clear and consistent emphasis in the regional MDGRs on differences in rates of progress towards the MDG income poverty target across countries in the region. This is problematic, since it does not reflect the fact that different countries may set different income poverty targets, as they are recommended by the UN to do.

⁶ For a list see: <http://www.adb.org/Poverty/mdgs/adb-escap-undp-partnership.asp>.

⁷ The 2008 MDGR does argue that national poverty lines are more appropriate measures of poverty, as compared with the \$1-a-day poverty line (p.22). The 2003 report provides perhaps the clearest account of trends in national poverty estimates (p.39); it also discusses differences in rates of progress when using international and national poverty lines (p. 46-47).

There is no discernible assessment in any of the regional MDGRs of any 'process' indicators related to the MDG income poverty target. This is something which could be strengthened, from a human rights perspective. On the one hand, some analysis of trends in national-level process indicators could be made, on a country-by-country basis. For instance, one could compare levels and trends across countries in the region in the share of government expenditure going towards pro-poor sectors. This is done in the 2006 MDGR (p.10-11), but for health and education expenditure only.

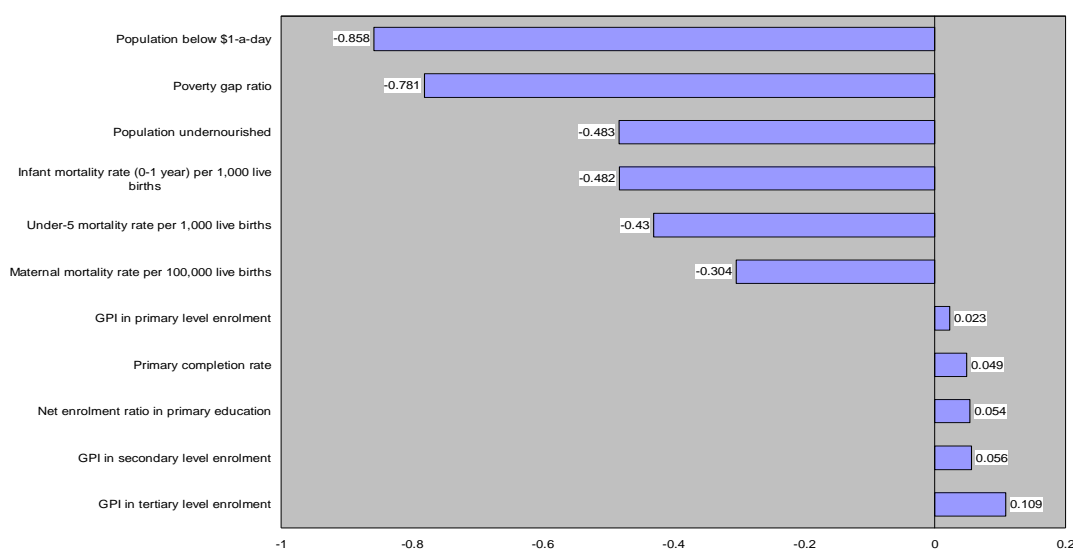
On the other hand, some analysis of additional regional-level process indicators could be made. One potential such indicator is the share of concessional aid resources allocated by development institutions in the region, such as the ADB, to the poorest countries, and/or those most lagging in terms of meeting MDG targets. This is something which is done in various MDGRs (e.g. 2006:12-13, 2007: 28), in the context of MDG 8, but only for aid as a whole, rather than aid from development institutions in Asia in particular.

3.1.2 Economic growth strategies in Asia and Pacific

The regional MDGRs in Asia do not set out a detailed strategy for promoting economic growth. This is to be expected since they are not government documents. They do, however, provide broad advice on both the role of economic growth in achieving the MDGs, and the sorts of policies and interventions which can promote growth. This is most notably the case in the reports for 2003 and 2008.

The 2008 MDGR provides a useful comparison of the effect of economic growth on achievement of the different MDG indicators (p.41, repeated in Figure 1 below). Clearly, although relevant for most MDGs, economic growth has a more powerful effect on income poverty than it does on under-nutrition, child mortality or primary education.

Figure 1 Economic growth and the MDGs in Asia and the Pacific



Source: MDGR 2008: 41.

The 2008 MDGR also presents evidence that economic growth, although necessary, is typically not sufficient to meet the MDGs. This is most obvious for those MDGs in which growth has relatively little impact (see Figure 1), but it is also the case for income poverty as well. In particular, “of the 17 countries currently off-track on the basis of current growth rates, 10 would still fall short of the target for income poverty [if GDP per capita growth rates were increased by 3 percentage points] ... The shortfall for other indicators are likely to be even greater” (p.43).

The 2008 report also recognises the important point that policies to promote the achievement of the MDGs may well have beneficial impacts on the rate of growth (p.50): in other words, the direction of causality is not in one direction only.

The 2008 report distinguishes between broad types of economic policies for achieving ‘pro-MDG’ economic growth. These are:

- economy-wide institutional and policy reforms, e.g. privatisation, deregulation, liberalisation, capital account convertibility, to promote private investment, competition and efficiency;
- macro-economic stabilisation, e.g. fiscal and monetary discipline so as to keep inflation low, interest rates moderate and exchange rates stable;
- sector policies and interventions, e.g. expansion of rural infrastructure to support the agriculture sector;

- public expenditure and revenue policies, e.g. making the structure of taxation more progressive, and allocating sufficient expenditure to pro-poor sectors.

Under the first heading, the 2008 MDGR notes that such policies have the potential to have adverse effects on the poor, “at least in the short to medium run, and that they need to be accompanied by “active labour market interventions” and “robust safety nets” (p.47). This is desirable from a human rights perspective. Under the second heading, the report also notes that there is a risk of adopting an excessively cautionary stance against inflation, which could lead to inadequate public investment and potentially adverse effects on economic growth and poverty. This is also desirable from a human rights perspective: ensuring that low inflation is considered a means to an end, rather than an end in itself.

We now turn to the three sampled countries from the region, Bangladesh, Indonesia and Vietnam.

3.2 Bangladesh

The MDGR for Bangladesh was jointly prepared by the Government of Bangladesh and the UN Country Team in Bangladesh, and released in February 2005. The government’s strategy for meeting these targets is set out in more detail in the PRSP. This was prepared entirely by the Planning Commission and released in October 2005.

3.2.1 *Income poverty in Bangladesh: indicators and targets*

In Bangladesh, two national poverty lines are used: a standard/upper poverty line and an extreme/lower poverty line. Both are calculated using the ‘cost of basic needs’ method (World Bank 2007: 3). What is missing, in both the MDGR and the PRSP, is information on how the poverty lines are calculated: for example, a discussion of what constitutes a person’s basic needs in the Bangladeshi context.

The MDGR reports measures of the incidence, depth and severity of poverty, which is consistent with a human rights perspective. The MDGR also disaggregates the poverty measures between rural and urban areas, and by four main regions (Chittagong, Dhaka, Khulna and Barisal, and Rajshahi), which is also consistent. What is missing is any disaggregation along other lines, e.g. by age or gender.

The PRSP sets a target for reducing the proportion of people below the upper poverty line to 25% by 2015, and the proportion of people below the lower poverty line to 9.5% by 2015 (p.194). These targets are slightly more ambitious than those set out in the MDGR, 29% and 14% respectively, which were based on the ‘global’ MDG target (i.e. a halving of the 1990 headcount by 2015). What is missing is any

discussion of how the poverty targets in the PRSP are determined, and in particular whether they are sufficiently ambitious. This is despite a recognition in the PRSP of the need, for human rights reasons, to eradicate poverty in the “shortest possible time”.⁸

The PRSP sets out a large number of ‘input’ and ‘output’ indicators relevant for assessing whether steps towards meeting the income poverty target are being taken. Examples include the share of pro-poor expenditure in total public expenditure; the percentage of poor and ultra-poor with access to micro credit; and the proportion of farmers with access to low cost inputs. These are all good examples of ‘process’ indicators in the human rights framework.⁹ What is missing, however, are any benchmarks or targets against which progress can be assessed.

3.2.2 *Economic growth strategy in Bangladesh*

The PRSP argues that an acceleration of economic growth is “essential” to achieve the MDGs (p.62). This statement may be true, but no evidence is provided to support it. In particular, the PRSP does not make a convincing case to suggest that the MDGs could not be achieved by a more inclusive, or ‘pro-poor’, pattern of growth, rather than an acceleration of the rate of growth.¹⁰

In terms of achieving a higher rate of economic growth, raising the rate of investment is regarded in the PRSP to be an essential, major challenge (p.62). This will partly be addressed by policies to raise private investment, which are summarised in Section 3 of the PRSP ‘Policy Matrix’.¹¹ Here, one can identify policies which have the potential to adversely affect the human rights of at least some groups. These include:

- ‘Reform labour laws to prevent politicisation’ (p.247). Depending on what is involved precisely, this policy could conceivably cause a decline in labour rights (e.g. right to form trade unions).

⁸ The full reference in this context is as follows: “The vision proposed here adopts a comprehensive approach premised on a rights-based framework, which highlights the need for *progressive realisation of rights in the shortest possible time*” (p.193; italics in original).

⁹ Income poverty itself is considered in the PRSP to an ‘outcome’ indicator, as it also is in the human rights framework.

¹⁰ In contrast to the PRSP, the MDGR simply argues that the promotion of “strong economic growth” is a key challenge in meeting the income poverty target in Bangladesh. This is undeniable, but does not address the question of whether an *acceleration* of the rate of growth is necessarily required.

¹¹ The ‘Policy Matrix’ summarises the Government’s strategic goals, the policy actions it has recently taken, the proposed policy actions in the PRSP, and its future priorities (after the PRSP). These are 19 Policy Matrices, each covering a separate area of policy. This is a very useful aspect of the PRSP in Bangladesh, in terms of assessing the government’s policy choices from a human rights perspective.

- 'Government to acquire land and then hand over these ... to potential investors for setting up new industries' (p.248). Depending on the government's policies regarding compensation and/or re-settlement (which are not made clear in the PRSP), this policy could adversely affect the rights of existing land-users or owners.

In these cases therefore, there is potential for conflict between growth policies and human rights. In this context, what is missing from the PRSP is a recognition of these potential conflicts, and any discussion of how they might be resolved or rectified (e.g. by making clear the policies regarding compensation and re-settlement).

In terms of financing the additional investment, the PRSP sees the mobilisation of increased national savings as vital (p.62). Part of this will be achieved by increased public savings (ibid.). Generating public savings requires that the government raises more revenue, from domestic sources, than it spends on current goods and services.¹² The surplus can then be used to finance investment. The problem with this way of financing investment is that the short-run benefits of investment spending are often low relative to the revenue raised. Current tax-payers, who do not experience the full long-run benefits of the investment, may therefore be adversely affected. From a human rights perspective therefore, the policy of raising public savings to finance investment requires strong justification, something which is lacking in the PRSP.

The PRSP also sees privatisation as important, in terms of boosting private investment but also in terms of generating public savings. There is a broad commitment to accelerate the pace of privatisation, and to reduce system losses and improve bill collection (75-76). This is another case for careful examination, although here there is at least a recognition in the PRSP that some groups may be adversely affected by the policy, and need for appropriate mitigating measures (p. 76).

Another key element of the Government's growth strategy is maintaining macro-economic stability. The policies proposed to achieve this objective are set out in Section 1 of the Policy Matrix 1. They include a commitment to maintain the current level of foreign exchange reserves (p.70), and to keep domestic borrowing by the government to 2 percent of GDP or below per year (p.189).¹³ There is no specific target for inflation; the PRSP instead refers to the "cautious monetary policy" applied in recent years, which has "helped maintain a relatively low inflation rate" (p.69).

¹² The usual definition of public savings is the surplus of current revenues over current expenditures (e.g. Roy and Heuty 2005: 170). Public savings can in this sense be seen as 'forced savings', to the extent that they are often generated via taxation, rather than voluntary private decisions to save at a given rate of interest. The policy to raise additional tax revenues, to help restrain government borrowing, is made clear on pages 67 and 189.

¹³ External borrowing by the government, mainly from bilateral and multilateral donors at highly concessional rates, is forecast to account for another 2-3% of GDP per year. The current level of foreign exchange reserves in the country, equivalent to around 3 months imports (p.70,188).

What is lacking here is a case to show that the adopted macro-economic stance is good for human rights. For example, there is no fiscal sustainability analysis in the PRSP showing that domestic borrowing of (say) 3 percent of GDP would be too high.

Another significant element of the PRSP growth strategy is trade liberalisation (p.83). Here, proposed policies include a reduction in the average tariff rate on imports to 20% (from a current rate of around 27%) and a continued rationalisation of quantitative restrictions (p.82, 244). There are also plans to raise direct and indirect taxes (e.g. VAT, supplementary duty), to compensate for lower revenue from tariffs (p.86, 238, 244). The PRSP does make a case that this policy will promote some human rights; in particular, poor households are considered to benefit through higher employment (e.g. in the garments sector) and through higher growth more generally (p.83). What is lacking is a more detailed analysis, taking into account all channels of impact (e.g. the rise in VAT as well as the rise in employment).¹⁴ This could be based on poverty and social impact analysis methods.

Another aspect of the government's growth strategy is relates to its tax policy. Here, there is a commitment to raise domestic tax revenue to just under 10% of GDP, an increase of 1.5 percentage points (p.188), as a way of reducing borrowing and financing additional expenditure. However, the aim appears to be to avoid any tax rises which might reduce private investment, e.g. corporation taxes.¹⁵ Such a strategy could conflict with a human rights approach. From a human rights perspective, tax rises which might reduce private investment should not be ruled out *automatically*. If such taxes are not going to be raised, a case needs to be made that the positive direct effects (on human rights) of spending the revenue generated would be offset by the negative indirect effects (on human rights) of the reduction in private investment.

3.3 Cambodia

The MDGR for Cambodia was prepared by the Government of Cambodia with funding from UNDP and SIDA. It was published in November 2003. The two major documents outlining the Government's overall development and poverty reduction strategy are the SEDPII covering the period 2001-05 and the National Poverty Reduction Strategy (NPRS) covering the period 2003-5.

3.3.1 *Income poverty in Cambodia: indicators and targets*

¹⁴ It is worth noting that there are plans in the PRSP to support women workers who may lose jobs as a result of the phasing out of preferential tariffs for garment exports from Bangladesh to OECD countries (p.84).

¹⁵ For example: "A fiscal policy entails the design of [revenue and expenditure] plans in such a manner that the growth opportunities, particularly those benefiting the poor, are maximised. This can be achieved only if revenues are raised in a manner that does not reduce business incentives" (p.67).

In the MDGR, the global MDGs are tailored to the Cambodian context. For MDG 1, the target for Cambodia is to halve, between 1993 and 2015, the proportion of people whose income is less than the national poverty line. The poverty line is based on the expenditure required to consume 2,100 calories per day, plus an allowance for non-food expenditure.

In terms of trends, the data in the MDGR and NRPS suggested that the country is off-track towards meeting this target. There are, however, considered to be comparability problems with the surveys making comparisons problematic (see NRPS: 32). A more recent World Bank poverty assessment (World Bank 2006: 17-18) argues that poverty was higher in 1993 than originally thought, but fell by more over the 1990s. According to these more recent figures, the country is on-track towards meeting the original target of halving the 1993 level of poverty by 2015.

The MDGR contains a quite detailed regional breakdown of poverty levels by region.¹⁶ However, there is relatively little discussion of measures of the depth or severity of poverty. This is of importance given that the recent World Bank study found that “the magnitude of consumption shortfall of the extreme poor, and the proportion of the extreme poor among the entire poor population, was as acute in 2004 as it had been in 1994” (ibid. 28).

3.3.2 *Economic growth strategy in Cambodia*

In terms of macroeconomic policy, the overall budget deficit will be limited to available concessional assistance (i.e. aid), with no domestic financing of the budget (NRPS: 134). This represents a slightly more cautious stance than other countries, such as Bangladesh where 2% of GDP is regarded to be an acceptable amount of domestic borrowing. The government has a target to increase reserves of foreign exchange held at the Central Bank. In 2002, these were sufficient to finance around 2.9 months of total imports, but the projection was that this should increase to around 3.5 months by 2007.

Another key area is private sector development. Factors considered to be holding back the expansion of the private sector include weak infrastructure, poor institutions and inefficient bureaucracy. Another is “increasing labour cost” and relatively high minimum wages (NRPS: 73). It would be of slight concern from a human rights perspective if it was felt that the growth in wages needed to be suppressed in order to promote private investment.

¹⁶ The World Bank provides a more detailed breakdown of poverty rates, which show that the incidence has risen in mountainous/plateau areas. This increase, however, turns out not to be statistically significant.

Cambodia has liberalised its trade regime significantly in recent years, and its goal is to join the WTO (NRPS: 71-74). The government argues that the export-based development strategy has been “critical in expanding job opportunities, especially for female workers” (ibid: 73). It also recognises, however, that future liberalisation could create winners and losers. It is a positive development therefore that the NPRS commits the government to look into these potential impacts carefully, e.g.:

“Ex-ante poverty and social impact analyses will be conducted in order to better predict both the positive and negative consequences of the trade strategy, as well as ensure that the benefits are directed to the poorest, and the RGC will carefully monitor impact on the most vulnerable groups” (NRPS: 74).

In terms of fiscal policy, the government is committed to re-orienting the allocation of government expenditure; in particular, reducing the share going to defence and security and increasing the shares going to education, health, agriculture and rural development. This is undoubtedly a positive step from a human rights perspective. It also represents good practice in that the strategy clearly sets out which sectors are to experience reductions in expenditure, in order to finance higher social spending. Debt servicing is expected to account for around 15-20% of total revenue/expenditure each year (NRPS: 51). This is considered to be a large amount, and explains why the government is reluctant to borrow any further from non-concessional sources in the short to medium-term.

There is also a target to raise government revenue, mainly through an expansion of VAT and improved collection of existing taxes. It is recognised that an expansion of VAT could have an adverse impact on the poor, and for this reason the government decided in 2001 to provide VAT exemptions on imports of agricultural inputs and machinery (129). More generally, the government commits to “undertake analysis of the poverty and social impact of specific revenue measures, and/or support analysis by partners and others, to provide further information to inform decision-making” (130). This is a positive step, and mirrors a similar commitment made under the trade liberalisation strategy.

3.4 Indonesia

Three MDGRs have been produced in Indonesia, for the years 2004, 2005 and 2007. Each contains a fairly extensive discussion of recent progress towards the MDGs in the country, and a broad outline of the government’s strategy for achieving the MDGs. The government’s overall development strategy is set out in the National

Medium Term Development Plan (RPJM), the most recent of which relates to the period 2004-09..¹⁷

3.4.1 *Income poverty in Indonesia: indicators and targets*

The poverty line in Indonesia is calculated using the cost of basic needs method. Nutritional requirements are set at 2,100 calories per day, alongside 32 non-food items, ranging from “clothing and housing to bus fares” (MDGR 2007: 5). Separate poverty lines are calculated for rural and urban areas. The poverty line was revised by the government in 1998, to reflect higher standards of living, changing consumption patterns, and changes in government policies (MDGR 2004 26-27). This is all consistent with the human rights approach.

Measures of the incidence, depth and severity of poverty are reported in the 2004 MDGR (p.28, 91). Disaggregated data for around 30 different provinces are also shown in this report (p.90-93), and also in the 2007 MDGR (p. 6). This is also consistent with a human rights approach, although a disaggregation on any other lines (e.g. age or gender) is still missing.

In the MDGR, the income poverty target is to halve the 1990 poverty headcount by 2015. This translates into a target of 7.5% by 2015.¹⁸ The government’s target is to reduce the poverty headcount to 8.2% by 2009 (RJPM ch.16: 13), which is slightly more ambitious than the target set out in the MDGR. What is missing is a discussion as to what might be an appropriate poverty target for Indonesia. This is despite the recognition in the the MDGR (2007) that “MDGs are global goals but ... they should be adapted to the Indonesia national as well [as] sub-national situation” (p.36). In this context At current rates, it is very unlikely that the government’s own target will be met (see Annex 2).

In terms of other indicators, no ‘process’ indicators in relation to income poverty are defined or monitored. In the RJPM, there is no clear M&E framework and no discussion of outcome, output or input indicators. From a human rights perspective, a good such indicator would be the share of public expenditure allocated to food security and rural infrastructure. These are identified in the RJPM as sectors which will receive greater allocations, although no quantitative targets or benchmarks are offered.

¹⁷ The MDGs are referred to in the RPJM, but are not considered to be “fully mainstreamed” in it (UNDP 2008: 5). It is expected, however, that the next RPJM will be linked much more closely to the achievement of the MDGs (ibid.).

¹⁸ This represents a halving of poverty measured using the old poverty line, even though poverty is now measured using the new poverty line. In principle, one could still calculate poverty at the old poverty line, given access to the underlying data, but this does not appear to have been done. This raises complex but important questions as to whether, and if so how, poverty lines should be adjusted over time (e.g. as a country gets richer). This issue is discussed by Ravallion (1998) and Kakwani (2003).

3.4.2 *Economic growth strategy in Indonesia*

Attaining high economic growth is a clear objective in the RJPM. There is no formal analysis of the role of growth in contributing to poverty reduction or other welfare outcomes; instead there is a more general discussion that “the increased welfare of the people” is “expected to be attained” by “enhancing the quality of growth and stimulated by the average economic growth rate of 6.6 percent per year” (Section 34, p.13).

In the government’s view, achieving the target rate of growth requires a large rise in the rate of investment. The largest increase is planned for private investment, which is to rise from 16% to 24% of GDP over the period; public investment is to rise by a smaller amount, from 3.4% to 4.1% (ibid., p.14, 21).

Most (around two-thirds) of the additional investment will be financed out of higher national savings. In turn, around half of the rise in national savings will come from higher public savings. As discussed in Section 3, a policy of raising public savings requires strong justification from a human rights perspective; such a justification is lacking in the RJPM.

Macroeconomic stability is seen in the RJPM as a “prerequisite” for high and sustainable economic growth (ibid.,10). One policy in this area is to maintain the existing level of foreign exchange reserves, at around US\$36 billion (ibid., 11). The aim here is to reduce vulnerability to external shocks. This is of course consistent with a human rights approach; what is lacking is any justification for the particular level of reserves targeted.¹⁹

A second policy in this area is to reduce inflation from around 7% in 2005 to 3% in 2009 (ibid., 12). The only justification given for the figure of 3% is that it is the average rate prevailing in neighbouring countries (Section 24, 3). This is not a good justification from a human rights perspective. A more relevant issue is whether, on balance, reducing inflation from 7 to 3% will lower poverty and raise the realisation of human rights, directly or indirectly. Discussion of this issue is lacking. In any case, given the rise in world commodity prices during 2008, this target is highly unlikely to be achieved, or could only be achieved at great cost.

A third policy is to reduce government debt, from 54% of GDP in 2004 to 31.8% in 2009 (Section 34, 11-12).²⁰ No real justification is given for this large reduction in

¹⁹ In months of imports, the reserves will however decline slightly: from 6.6 months in 2004 to 4.6 months in 2009. It is estimated that foreign exchange reserves now amount to more than \$50 billion (UNDP 2008:3).

²⁰ This would achieve a similar reduction to that witnessed over the previous period. Note that, if GNP is growing at around 6% per year, simply not taking on more public debt over the five-year period could bring

government debt. If anything, the RJPM instead argues that a less restrictive fiscal stance would be possible, for example: “with a fiscal sustainability that is better than before the crisis, the latitude is opened for increasing government budget spending to stimulate investment and increase basic public services for the people” (ibid.).

Another part of the government’s growth strategy is to raise tax revenues, with the target being a rise in their share of GDP by 0.5 percentage points per year over the 5-year period (ibid., 13). Very few details are provided as to how this will be achieved, other than a mention of “pursuing reforms in policies and in the administration of taxes and customs” (Section 24, 7). From the projected public accounts, it appears that around half of the additional tax revenue will come from income taxes (Section 34, Table 34.4). This is consistent with a human rights approach, although details on the types of tax reforms being proposed, and an assessment of their likely distributional impacts, are lacking.

Public expenditure is also to be restructured in a broadly pro-poor direction (Section 14, p.13). Sectors identified to receive greater allocations are education, health, housing, food security and rural infrastructure; sectors identified to receive lower allocations are subsidies, particularly untargeted subsidies. From a human rights perspective, the impacts of scaling down subsidies should also be considered carefully, with some prior analysis of distributional impacts, and consideration of potential mitigating measures, being required.²¹

3.5 Vietnam

The most recent MDGR for Vietnam was carried out by the Government of Vietnam and published in August 2005.²² It documents how the global MDG targets are translated into appropriate targets for Vietnam, referred to as the Vietnam Development Goals (VDGs), and discusses recent rates of progress towards these targets. The government’s development strategy is set out most recently in the Government’s Five-Year Socio-Economic Development Plan (SEDP), published in March 2006 and covering the period 2006-2010. This adopts, with one or two amendments, the goals and targets set out in the MDGR. More importantly, it sets out in detail the proposed policies and interventions designed to achieve them.

3.5.1 *Income poverty in Vietnam: targets and indicators*

about a large reduction in the debt-GNP ratio (depending on inflation and exchange rate movements). As it is, the government will take on board a small amount of additional debt over the period.

²¹ In this context, it is worth noting that the government has in the past designed compensatory or mitigating measures following large changes in public expenditure. In 2005 for example, it introduced an unconditional cash transfer programme to directly mitigate the impact of reducing untargeted fuel subsidies, which raised the price of fuel faced by consumers (UNDP 2008: 4). This programme is expected to last for some time (ibid.)

²² Earlier MDG reports were conducted by the UN Country Team in Vietnam, in 2001, 2002 and 2003.

The income poverty line in Vietnam is calculated on the basis of estimated expenditure required for consumption of 2,100 calories per day, and on the assumption that non-food expenditure makes up two-thirds of total essential expenditure (MDGR, 18).²³ No evidence is presented to back up this assumption however.

The MDGR reports measures of the incidence and depth of poverty, but not the severity. It also presents disaggregated information on poverty in rural and urban areas, in eight major regions of the country, and for two ethnic groups: Kinh and 'other' (ibid. 20). A more detailed breakdown, by 61 cities and provinces, is also provided (72-75). This is desirable from a human rights perspective; what is missing is any discussion of disaggregation along other lines, e.g. by age or gender.

In the SEDP, the government's target is to reduce the poverty headcount to 10-11% by 2010 (SEDP, 141). This is slightly more ambitious than the target set out in the MDGR, which was 15-16% by 2010, and significantly more ambitious than the 'global' income poverty target, which had already been achieved by 2004 in Vietnam. This is of course consistent with a human rights perspective. What is lacking is any detail on how the government's latest target is determined, or discussion as to whether it is sufficiently ambitious.²⁴ Achieving this target would, after all, simply represent roughly the same rate of progress as achieved since the late 1990s (see Annex 2).

In terms of other indicators, neither the MDGR or the SEDP identifies any 'process' indicators which reflect the extent to which important steps towards meeting the income poverty target are being taken. This is problematic from a human rights perspective, since it makes it more difficult to assess the government's own efforts to reduce income poverty.

3.5.2 *Economic growth strategy in Vietnam*

"Boosting" the rate of economic growth is one of the main goals set out in the SEDP (p.57).²⁵ There is little discussion, however, of why an increase in the rate of growth is necessary. One of the justifications appears to be that it will enable Vietnam to become a middle-income country as quickly as possible: the phrase "quickly getting our country out of the low income group" (p.58) is emphasised in bold italics. This

²³ A food poverty line is also calculated (ibid., 18), which appears to be used to measure hunger. No information is provided in the MDGR about how the food poverty line is calculated. It is common practice, however, to define the food poverty line as the standard poverty line minus the estimated expenditure on non-food items.

²⁴ The World Bank believes that "the social and economic targets established in the [SEDP] are ambitious but achievable" (World Bank 2006: 38), but again it is not clear on what basis this is being claimed.

²⁵ This having been said, the growth target in the SEDP is an average rate of 7.5-8.0% per year in real terms (p.58), which is only slightly higher than the rate of growth achieved over the previous five-year period.

justification would not be consistent with a human rights perspective, in which economic growth is a means to an end, rather than an end in itself.

To achieve the higher rate of growth, the SEDP emphasises greater investment, efficiency and productivity increases within sectors, combined with new opportunities for exports and the development of services (p.59). Total investment, including domestic and foreign, is projected to rise to 40% of GDP, a rise of 2.5 percentage points over the previous five-year period.

Achieving macroeconomic stability is regarded as one of the country's achievements in recent years (p.10). Over the SEDP period, public debt is forecast to rise from 44% to 51% of GDP by 2011.²⁶ This is considered by the World Bank and IMF to be within reasonable limits (World Bank 2006, 13, 38), although the SEDP itself provides no justification for the size of increase envisaged. There is also to be a steady building up of foreign exchange reserves, designed to help cushion adverse external shocks.²⁷ What is lacking is again any justification for the size of increase; in fact, neither the current nor projected level of reserves is recorded in the SEDP.

Another aspect of the government's growth strategy is trade liberalisation. Vietnam joined the WTO in 2007 and is committed to further liberalisation of its trade regime over the next 5-7 years. This includes a reduction in import tariffs, increase in import quotas, and a reduction of subsidies (e.g. cheap credit, seeds and utilities) to the agricultural sector (World Bank 2006, 54). It is recognised that trade liberalisation in Vietnam could have adverse impacts on at least some groups or regions (ibid.: 59). However, there is no evidence in the SEDP of any recognition of these potential effects.

From a human rights perspective, the government should look at the potential distributional implications of WTO accession. This should take into account the proposed rise in domestic taxation to offset the decline in government revenue from import tariffs (see SEDP: 62), as well as the likely effects on employment, wages and consumer prices. A recent assessment of the welfare effects of WTO accession has been provided by the IMF in its 2007 survey for Vietnam, but this was done at a highly aggregated level and does not address that different groups in society may well be affected differently.

Another aspect of the government's growth strategy is investment in infrastructure. There is a commitment that the structure of State budget expenditure will be adjusted to "promote the mobilization of funds for development investment in

²⁶ The projected fiscal deficit for the period is 5% of GDP per year (p.63), although the amount of this which will be funded by concessional foreign as opposed to domestic borrowing is not made clear.

²⁷ This is implied by the project surplus in the overall balance of payments is forecast to be in surplus (p.63), of around \$1 billion per year (p.63).

building infrastructure for the industrialization and modernization process” (SEDP, 132). Improved infrastructure can of course contribute to the realisation of a range of human rights. What is missing from the SEDP is details of the areas of government expenditure which will be cut in the re-allocation process. There is a danger that, from the point of view of promoting human rights, as the government is placing too much emphasis on infrastructure, at the expense of other sectors of expenditure. This depends very much on the sort of infrastructure spending.²⁸

One potential area in which revenue savings will be made is privatisation, via reductions in state subsidies to public enterprises. This reflects the SEDP commitment to “gradually reduce and ultimately abolish all expenditures of subsidy nature in the State budget for State enterprises such as tax exemption, debt suspension, debt clearance, or preferential loans” (SEDP, 133). Here, there is clear potential for the policy to have adverse effects on some groups, via unemployment. What is lacking from the SEDP is details of proposed mitigating measures. These have been used in the past (see World Bank 2006: 63-64), although from a human rights perspective they may now need expanding.

²⁸ In this context, the SEDP states that priority will be given to investments which “improve the infrastructure of socio-economic sectors with emphasis on transportation, telecommunication, the development of energy resources, of central irrigation system, and of rural infrastructure” (p.119).

4 Africa

4.1 Regional MDG reports for Africa

For Africa, two regional MDGRs were published in 2002, one a joint study by the UNDP and UNICEF, the other a joint study between the African Development Bank and the World Bank. A third regional MDGR was published in 2005, by the UN Economic Commission for Africa. The 2005 report contains a review of recent rates of progress, and a set of proposals for national governments to adopt as a way of accelerating progress.

4.1.1 *Income poverty in Africa: targets and indicators*

In the 2005 report, trends in the \$1-a-day poverty headcount between 1990 and 2000 are reported for Sub-Saharan Africa as a whole. There is no discussion of poverty measured at national poverty lines, or of trends in the depth or severity of poverty.

The UNDP-UNICEF report emphasises the importance of looking “beyond averages” to disparities in MDG achievement within countries (p.2). It fails to follow up on this to any great extent however, in terms of actual analysis. Despite mentioning widening disparities in terms of income, education, and mortality (p.25) for example, it doesn’t provide any supporting evidence.

In terms of income poverty targets, it is recognised that, at the regional level, Africa is not on course to meet the ‘global’ MDG target, of halving the 1990 headcount by 2015 (2005: 5). However, there is no discussion of whether this goal is realistic, or whether it might in fact be too ambitious for the region. At least in relation to pre-1990 trends, the target is much more ambitious than that for Asia (see Annex 1). Overall, there is little sign of any adaptation of the income poverty targets and indicators in the regional MDGRs for Africa; the focus is more on simply adopting the global targets and indicators.

4.1.2 *Economic growth strategies in Africa*

The 2005 MDGR does not provide a detailed analysis of the role of growth in reducing poverty. However, it does refer to previous work by UNECA which estimated that a rate of 7% per year is required to meet the MDGs (p.14). Despite the recent up-turn this rate has not yet been achieved by most countries.²⁹

²⁹ The UNDP-UNICEF report does however list four countries in the region which have achieved growth rates of this magnitude: Cape Verde, Mauritius, Mozambique and Uganda (p.1). The AfDB-World Bank report puts average growth in the region at 4% per year during 1995-2001, and notes that 14 countries achieved growth rates above 5% per year over the 1995-2001 period (p.10,11).

The 2005 MDGR also recognises that the sensitivity of poverty with respect to economic growth is low. This is related to the region's high level of income inequality, and partly explains the region's slow overall progress in reducing income poverty (p. 4-5). A similar argument is made in the AfDB-World Bank report, which argues that "in addition to achieving faster growth rates, it is essential that economic growth be broad-based to maximise its impact on reducing poverty" (p.14).

In terms of strategy, the 2005 MDGR argues that a "massive scaling up of public investment" is required in the region to meet the MDGs. In addition, only part of this can be financed from sources within the region; there is a "financing gap" – the difference between required investment and available savings – of between 10 and 20 percent of GDP in the region as a whole, which will need to be filled with external funding, mainly from aid (p.15). It is also recognised that tax collection rates are very low in the region, and that greater enforcement of taxes could help reduce the financing gap somewhat (ibid.). However, the report does not discuss the limitations and dangers, from a human rights perspective, of relying on taxes to fund increased investment.

The 2005 report also contains some summary analysis of the reasons for low growth in the region (p.13). This is consistent with a human rights approach, in particular since it highlights the effects of HIV/AIDS and gender inequality, as well as the more conventional 'economic' factors. From a human rights perspective, the potential adverse effects of malaria on economic growth would also be worth considering here, not least since free mass distribution of bed nets and anti-malaria medicine for all children is considered one of the key "quick win" policies recommended in the report. The AfDB-World Bank report also discusses the reasons for low economic growth in the region, although this places most emphasis on macroeconomic stability and sound policies as the drivers of growth (p. 11-12).

In terms of the specific policies discussed for stimulating growth, the focus in the regional MDGRs is on four main areas, namely:

- macroeconomic stability, including low fiscal deficits, low inflation, and stable exchange rates;
- rural development, including infrastructure, new technologies, diversification, land reforms and access to land, particularly for women;
- private sector development, external and domestic: through creating an enabling environment; particular support to small and medium-sized enterprises;

- mobilising domestic resources, e.g. private savings through improved banking and financial infrastructure; public revenues (e.g. by improving tax collection and administration); reducing waste/corruption in the allocation of public expenditure; and by encouraging public-private partnerships in the provision of social services.

In terms of external assistance, it is recommended that governments actively pursue further resources from abroad, such as remittances, aid, and debt relief. This is consistent with a human rights approach, since governments are required to use all possible resources, and not just domestic resources, in realising human rights. There is no real guidance provided in terms of raising resources from these sources.

4.2 Ethiopia

The MDGR for Ethiopia was prepared jointly by the Government of Ethiopia and the UN Country Team for Ethiopia, and published in March 2004. The government's strategy for reducing poverty over the period 2005-10 is set out in the Plan for Accelerated and Sustained Development to End Poverty (PASDEP), prepared by the Ministry for Finance and Economic Development and published in September 2006. This followed on from the earlier Sustainable Development and Poverty Reduction Programme (SDPRP), published in July 2002.

4.2.1 *Income poverty in Ethiopia: indicators and targets*

Income poverty in Ethiopia is measured using a national poverty line, which is calculated using the cost of basic needs approach (PASDEP, 21-22). The line is set at roughly 1,075 Birr per person per year (PASDEP, 22; MDGR, 7). Use is also made of a food poverty line, which excludes non-food expenses.³⁰

Trends in the incidence, depth and severity of poverty are monitored (MDGR p.14, PASDEP p.23). Both the MDGR and the PASDEP show a disaggregation of poverty data by rural and urban areas, but no finer disaggregation by region, nor any disaggregation along other lines. This is despite the fact that disaggregated data by region are available (PASDEP, 220), and even more disaggregated data, by district, are planned for the near future (ibid., 221).

The target in the MDGR is to halve the income poverty headcount by 2015, with 2000 as the base year (i.e. over a 15-year period). This represents a more ambitious target than the global MDG, which is to halve poverty over a 25-year period. The MDGR

³⁰ In fact, reference is in fact made to three different poverty lines in the PASDEP (standard, moderate and extreme) but only the first of these is explained (p.22).

refers to analysis suggesting that this target is feasible, and not unduly unrealistic.³¹ The results of this analysis might be challenged on technical grounds, but the exercise itself is certainly favourable from a human rights perspective. In the PASDEP, the target is to reduce the level of the poverty headcount to 29% by 2009/10 (p.55), which is broadly consistent with the MDGR target (see Annex 2).

In terms of other indicators, the PASDEP sets out a range of relevant 'process' indicators relevant for achieving the income poverty target. These are wide-ranging, and spread across up to 20 policy areas in the overall 'Policy Matrix'. Not all of these are quantitative indicators however, and no targets or benchmarks are set which could be used for monitoring government effort.

4.2.2 *Economic growth strategy in Ethiopia*

A "massive push" for a higher rate of economic growth lies at the core of the Ethiopian government's development strategy (PASDEP, 46). This is seen as "imperative" in order to "eradicate the daunting poverty challenges faced by the country" (ibid.). The target for the growth rate is an average rate 7.3% per year over the period 2006-10.³² No justification is given for this figure however. In particular, it is unclear why this target is higher than the rate of 6% per year deemed in the MDGR to be the rate required to meet the income poverty target (see footnote 18).

To achieve the target growth rate, there is to be a large rise in investment: around 5 percentage points of GDP (PASDEP, 58). This rise will be financed entirely by additional national savings, which are projected to rise even more, by around 10 percentage points of GDP (ibid.,64). This is quite a different macroeconomic stance from the MDGR, which argued that most of the additional investment needed to raise the growth rate would need to come from foreign sources (MDGR, 33).³³

Part of the increase in national savings will come from public savings. This is illustrated by the fact that projected government revenue from domestic sources exceeds recurrent government expenditure, by an average of 5% of GDP per year

³¹ The analysis itself is composed of two main elements. First, it is estimated that a growth rate of real GDP of 6% per year is required to halve the 2000 poverty headcount by 2015 (p.18). This estimate is derived using estimates of the sensitivity of poverty with respect to economic growth. Second, it is claimed that the growth rate of 6% per year is in the country's limits, given appropriate policies (p.18, 32) and reasonably favourable external circumstances.

³² One might also question to what extent this can be regarded as a target, or simply a forecast. It is however referred to the growth target (e.g. p.207). The PASDEP does however also discuss an alternative scenario in which growth occurs at 10% per year.

³³ However, the MDGR did argue that there was a need to look into domestic resource mobilisation as a key issue (MDGR, 33).

(PASDEP, 264).³⁴ As set out in previous sections, a policy of raising public savings significantly needs strong justification from a human rights perspective.

In terms of macro-economic stability, government borrowing from domestic sources is projected to be around 4% of GDP per year, a figure which is referred to as “modest” (ibid. 62). There is a chance actual borrowing could be lower than this however, if aid inflows increase significantly over the period; the 4% figure assumes aid inflows follow past trends (ibid. 202).

An important part of the government’s growth strategy is industrial development. One part of this is to ensure the availability of land, and to streamline procedures by which businesses can access land (ibid. 151).³⁵ This is of potential concern from a human rights perspective, depending on how existing land-users or owners are compensated and/or resettled. Another aspect is to provide direct support to “strategic sectors”, such as textiles and garments, meat and leather and sugar processing (ibid.), which is estimated to account for around 2% of total government expenditure (p.160). This is again of potential concern: in a resource-constrained environment, it must be demonstrated how such spending will contribute to the realisation of human rights (e.g. contribution to employment and/or wage earnings), taking into account the potential alternative uses of the resources involved.

As regards external trade, the government of Ethiopia has recently initiated the process of WTO accession. This could have large distributional implications, which would need assessing, for example through poverty and social impact analysis.

Another aspect of the growth strategy is privatisation, which is to be strengthened and accelerated over the period (ibid. 155). A certain amount of labour “restructuring” is expected as a result, with any adverse social impacts to be mitigated through the introduction of a “voluntary separation package”. From a human rights perspective, such mitigatory measures are desirable.

Another aspect is a huge investment in road building, designed to dramatically improve the inter-regional road network, as well as “low class” roads connecting rural villages (PASDEP, 130). The share of public expenditure allocated to this activity (17%) exceeds that allocated to education (16%) or health (7%).³⁶ In this case, prior analysis was carried out on the poverty impacts of road investment (ibid., 131-

³⁴ It is not entirely clear, however, how capital and current spending are distinguished by the government. For example, the food security programme is financed under the capital budget (PASDEP, 207), for reasons which are not obvious or made clear.

³⁵ Proposals for new industrial estates, and mention of continued problems in businesses’ access to land, also feature (PASDEP, 159).

³⁶ It is also worth noting that even with this high level of expenditure on road-building, the PASDEP only budgets for about 40% of the total overall costs estimated to be required by an MDG Needs Assessment carried out in October 2004 (p.130). It is also recognised that cost pressures linked to higher oil prices could also force a certain rationalisation of spending plans in the immediate future (135).

132), which is consistent with a human rights approach. There is still a danger, however, that the rise in road spending will come at the expense of other important sectors of expenditure. Within the government's 'poverty-oriented' expenditure for example, there is a reduction in the share going to education.

Finally, there is also to be a large rise in tax revenue over the period, from 12% to 17% of GDP (p.58, 201). This will play an important part in raising public investment. Not much detail is provided in terms of how additional tax revenues will be raised, although the expansion of VAT will play an important role (p.62). From a human rights perspective, more assessment of potential distributional impacts of the proposed tax measures are required.

4.3 Kenya

Kenya's latest MDG Status Report was prepared in 2005 by the MDG Secretariat of the Ministry of Planning and National Development, with support from UNDP-Kenya and the Inter-Agency Committee. The MDG targets and indicators presented are the international ones, and it reports on recent progress towards a number of these targets. The Kenya PRSP was published in 2004, and is titled '*Investment Programme for the Economic Recovery Strategy for Wealth and Employment Creation 2003-2007*', or ERS for short. It provides a diagnostic of the economy and the poverty situation, and then sets out strategies for growth; equity and poverty reduction; and governance, before discussing issues of financing and monitoring and evaluation.

4.3.1 *Income poverty in Kenya: indicators and targets*

The Kenya MDG report adopts the international target of halving the proportion of those living on less than \$1-a-day by 2015. Estimates of income poverty in Kenya are based on national household surveys conducted by the Central Bureau of Statistics (CBS). Recent data shows that the poverty headcount increased through the 1990s into the early years of the current decade, from 45% in 1992 to 56% in 2002 (see Annex 2). This very poor performance suggests that Kenya has very little prospect of meeting the MDG target.³⁷

The MDG report does not provide any disaggregation of poverty data, nor does it report measures of the depth or severity of poverty. It does however list a series of vulnerable groups, including those living with AIDS or AIDS orphans, pastoralists, and pregnant and lactating women. The ERS, by contrast, presents a disaggregation of poverty by geographic area, by household size, and by characteristics of the household head, including gender, education level and land ownership. A poverty

³⁷ A new household survey was recently conducted in 2005/06, but poverty estimates are not yet available from this survey on the CBS website or in any official government documents.

mapping exercise shows a wide variation in poverty levels at a quite disaggregated level; for example in Nairobi where the poverty headcount is 50%, while in other locations the figure varies from 6% to 78%. The poverty map also reports variations in the depth of poverty across the country.

The poor performance in terms of poverty is squarely attributed to the poor performance of the economy, with most of the period being characterised by negative per capita growth of GDP. The MDG report set the objective of reducing poverty to 28% by 2010 and 10% by 2015. It aims for a similar reduction in food poverty. This is much more ambitious than the international MDG target, but it is also very unrealistic to imagine that poverty can fall this fast, especially with continued indifferent economic performance.

Income poverty as such is not listed as an outcome to be monitored in the ERS, though some related variables are (e.g. an increased share of government expenditure allocated to 'pro-poor' sectors). The fact that the ERS is not closely monitoring this key outcome is though a matter of some concern.

4.3.2 Economic growth strategy in Kenya

The macroeconomic strategy set out in the ERS sees the government's role as the facilitator for private sector growth and investment. The core objective is to restore economic growth, in a context of low inflation, declining fiscal imbalances, declining domestic borrowing and improving balance of payments. Export growth is seen as an important priority, as is the maintenance of a conservative monetary policy.

The ERS says little about the sectors on which faster growth is to be based. There is some discussion about the role to be played by tourism, by trade and by the industrial sector, as well as a more general discussion about trade and investment, but detail in each case is relatively short. The ERS has very little to say about the agricultural sector, the sector in which large numbers of the poor are employed. It also has relatively little to say about employment creation. These issues are discussed in more detail in the chapter on equity and poverty reduction, but as such are not really linked to growth.

There is though quite a substantial discussion about the role to be played by infrastructure, including roads, water and sanitation, communications and information, and energy. In many cases an important role is envisaged for the private sector, seeking to encourage private sector participation in these sectors. In some areas such as communications this may make sense, in others such as roads and electricity there may be grounds for some concern about possible poverty impacts. On the other hand, in the absence of more external support (see below) this may be the only available option.

The report has much more to say about sources of financing, both domestic and international. Detailed financing strategies are presented. Domestically there is an objective to limit government borrowing and to raise more tax revenue, in particular through an expansion of the tax base. Relatively little detail though is provided on how this is to be achieved; some forms of expansion of the tax base could have adverse poverty impacts, and this needs to be monitored. The government argues though that deficit financing is required, this is to be provided from external sources to reduce pressure on domestic financial markets and increase private sector access to credit.

A strong case is made in both the ERS and the MDGR for the need for much greater external support: sharply increased aid receipts and debt forgiveness. The ERS also presents simulations of the macroeconomic implications if fewer inflows are received, and presents the implications for reductions to core poverty expenditures. Undoubtedly the economy shows a high degree of dependence on external assistance, which still may not be fully forthcoming notwithstanding the change in government.

4.4 Uganda

The MDG Report for Uganda was jointly produced by the Ministry of Finance, Planning and Economic Development and by the UN Representatives in Uganda; it was published in 2004. It presents the MDG targets for Uganda, comparing the Government's own targets with the international targets, and reports on progress towards these targets. The Government's own strategy is set out in detail in its Poverty Eradication Action Plan (PEAP) 2004/05 to 2007/08. This is the third PEAP the Government produced; its first in 1997 was a forerunner of PRSPs. The PEAP serves as Uganda's PRSP.

4.4.1 *Income poverty in Uganda: indicators and targets*

Uganda is one of the leading countries in Africa in high quality analysis of income poverty drawing on household surveys which have been conducted frequently since 1992. Poverty analysis is based on a national, absolute poverty line, which is set with reference to food consumption needs and an allowance for non-food consumption.

The MDG report provides data on the poverty headcount which fell from 56% in 1992 to 36% in 2000, an impressive rate of reduction. It also discusses the disaggregated pattern of poverty reduction, in particular that Northern Uganda lags far behind the rest of the country and poverty there actually increased between 1997 and 2000, in sharp contrast to the rest of the country. Coffee farmers were one group that experienced fast poverty reduction over the 1990s.

The poverty reduction target set by the Ugandan Government is more ambitious than the international MDG. The latter would imply that poverty is reduced to 28% by 2015 (from 56% in 1990), but the government target is actually to reduce poverty to 10% by 2017. This seems like an appropriately ambitious target, but from information provided in the PEAP will be difficult to reach (see Annex 2). This is discussed more below.

The PEAP presents a somewhat more detailed analysis of poverty and inequality, and also presents estimates of Gini coefficients as measures of inequality. It does not though discuss the share of the lowest quintile, nor does it say much about poverty depth and severity measures. The pattern is of consistent reduction in the poverty headcount up to 2000. Poverty then increased between 2000 and 2002/03 though more recent data (not in the PEAP) shows another decline. The period since 1997 was also characterised by a significant increase in inequality, from a Gini coefficient of 0.37 in 1997 to 0.43 in 2002/03. This is accounted for in the PEAP by a number of factors including reduced prices and slower growth in agriculture, insecurity, and increased public sector wages associated with greater government spending.

The PEAP also presents a detailed disaggregation of poverty, looking at poverty by region, occupational group and gender. It also discusses poverty among various disadvantaged groups including orphans and vulnerable children, the elderly and the disabled, but stresses that more analysis of these groups is called for. It also talks about how temporary income shocks can often push households into chronic poverty.

The indicators used for monitoring in the PEAP relate to its five pillars: economic management, enhancing production, competitiveness and incomes; security, conflict resolution and disaster management; good governance; and human development. They monitor the poverty headcount and inequality, but there are no “directly related” intermediate indicators.

4.4.2 Economic growth strategy in Uganda

As noted above, the PEAP suggests that if GDP continues to grow by around 6% (its recent rate) and population at 3.6% then poverty is only likely to fall to 28% by 2013/14, in other words substantially below the government target. However, faster GDP growth, a reduction in inequality or a reduction in population growth would all have an important impact on poverty reduction.

The recent PEAP contains elements of all three of these, and places a particularly strong emphasis on economic growth. It sees a lack of emphasis on growth as being a deficiency of earlier PEAPs (which had a strong social sector focus). The growth strategy is strongly private sector led, seeing the role of government as providing

public goods (including infrastructure) and a supportive environment. The MDG report sees a relatively slow recent rate of economic growth, combined with fast population growth, as being a major constraint on faster poverty reduction. It also highlights problems of limited structural transformation, underemployment and low revenues.

The growth strategy places a strong emphasis on development of agro-processing industries (for domestic and regional markets in particular) and on the commercialisation of agriculture. It envisages substantial investment in expenditure on research and extension, with advisory services publicly funded but privately supplied. Other important policy measures relating to growth include reducing insecurity, investment in transport infrastructure, substantial development of the financial sector in rural areas, reduction in bureaucratic barriers to investment and development of electricity.

The PEAP strongly emphasises throughout the need for a stable macroeconomic environment. The country has a high fiscal deficit of around 12% of GDP, partly a consequence of aid inflows, but this is causing serious macroeconomic problems including exchange rate overvaluation, high interest rates and reduced bank lending to the private sector. The document sets out the government's commitment to reduce its deficit to 6% of GDP, and even its potential willingness to decline aid which might create instability. There is a strong commitment therefore both to raising substantially more domestic revenue and to limiting government spending. In fact it highlights an emphasis on quantity to the expense of quality in past levels of government spending.

There are some issues to consider from a human rights perspective. The emphasis on greater commercialisation of agriculture is almost certainly necessary, but may not be to the benefit of smaller farmers with insufficient – or insufficiently fertile – land. The advisory services may focus much more on medium and larger farmers to the expense of smaller farmers, and there may even be pressure on smaller farmers to rent out or sell their land; this needs to be carefully considered. Measures to raise domestic revenues – chiefly through increased consumption taxes – are likely to have adverse impacts on the poor; the distributional impact of these measures needs to be carefully considered. Plans to charge for electricity at commercial rates may also have adverse impacts from the poor even if there are plans to subsidise rural electrification. There is also talk of major investment in transport infrastructure in many areas including community roads, railways and the airport. Spending on railways and the airport may offer relatively little direct benefit for many groups in the population, at least in the short term.

The concern that increased levels of public spending have not necessarily translated into improved outcomes for the poor is certainly a matter of concern. The increased

levels of public spending potentially have adverse macroeconomic consequences which may impact on poor groups (e.g. higher inflation). Monitoring the effectiveness of public spending remains a major challenge.

It might be arguable that the latest PEAP places too much emphasis on growth and not enough on reducing inequality or population growth, but there are major challenges in achieving the latter. In general, though, it is important to stress that the Uganda Government has a very well developed poverty eradication structure which is highly ambitious. Moreover its first PEAP was highly successful in bringing about poverty reduction and substantially increased primary enrolment, among other factors. Progress towards the income poverty goal faltered in the period of the second PEAP, partly due to factors not directly under the government's control. The third PEAP tries to re-establish a highly ambitious environment for poverty reduction, with economic growth playing a key role in this.

5 Conclusion and recommendations

5.1 Income poverty: targets and indicators

The first issue addressed in this paper whether the targets and indicators developed by national governments in relation to income poverty are consistent with the human rights framework. Income poverty is one important aspect of MDG 1, the goal to eradicate extreme poverty and hunger.

Following from the analysis of the six focus countries in the preceding sections, the following five recommendations are made, in order to better align these targets and indicators with key human rights principles.

The first is that governments report in more detail how income poverty lines are calculated, and promote an open and transparent discussion about what constitutes an adequate and/or acceptable standard of living. In the majority of the countries analysed in this paper, there is insufficient discussion about how official poverty lines are calculated. This makes it impossible to assess whether the poverty line corresponds in any way to the human rights notion of an adequate standard of living. Of course, what is meant by “adequate” will differ across countries and according to context, but this does not mean that an open and transparent discussion around this meaning cannot take place.

The second is that governments to adopt targets for reducing the depth and severity of poverty, and not just for reducing the incidence of poverty. Although most of the countries analysed in this paper do monitor the depth and/or severity of poverty, in no case are targets set for these measures. The danger remains, therefore, that government attention will be focused on people who are just below the poverty line, at the expense of most deprived or marginalised people in society, who are a long way below the poverty line..

The third is that all governments report on the feasibility of disaggregating poverty estimates by prohibited grounds of discrimination. Although the majority of countries analysed in this paper provide disaggregation estimates of poverty by region, few report disaggregation along other lines, such as age, gender and ethnicity. The danger here is that favourable progress towards the income poverty target at the national, or even regional level, masks large and persistent disparities across groups, which may in turn reflect discrimination. It must however, be recognised that disaggregating income poverty within the household is inherently difficult exercise.

The fourth recommendation is that governments define a set of ‘process’ indicators for the income poverty target, which can be monitored over time, and with quantitative targets associated with each one. These are indicators which reflect the extent to which important policy steps towards meeting the income poverty target are being taken (e.g. the share of government expenditure allocation to ‘pro-poor’ sectors); in the M&E framework, they are referred to as ‘input’ and ‘output’ indicators. Although some of the countries analysed in this paper do report such indicators, some do not, and even among those that do, no quantitative targets are set. The danger, from a human rights perspective, is that there is no way of assessing whether a government is making sufficient effort in reducing poverty.

The final recommendation is that all governments report the methods they use to determine nationally-specific income poverty targets. Although many of the focus countries have adjusted the global MDG income poverty target to their own conditions and circumstances, and are recommended to do so by the UN, there is virtually no discussion as to how this adjustment is made. This makes it very difficult to establish whether a particular target is consistent with the human rights obligation to use maximum available resources in realising human rights.

5.2 Economic growth strategies

The second issue addressed in this paper whether the policies in national MDG strategies designed to promote economic growth are consistent with the human rights framework. Such policies are often centre-stage in MDG strategies, reflecting the widespread consensus that economic growth is essential, if not always sufficient, for achieving the MDGs.

Following on from the analysis in the preceding sections, two main recommendations are made in order to ensure that growth strategies do not conflict with human rights principles.

The first is that governments should set out more clearly how ‘economic’ policies identified for raising economic growth will promote the realisation of human rights. These include policies identified to promote macroeconomic stability (e.g. low inflation targets, fiscal surpluses) and private investment (e.g. provision of energy or transport infrastructure). In many of the countries analysed, the links between policies of these sort and human rights are either taken for granted, or are discussed at a general level without supporting evidence. The danger is that economic growth becomes to be seen as an end in itself, rather than a means towards the progressive realisation of human rights.

The second recommendation is that governments should consider more carefully which policies for raising growth are likely to adversely affect some groups in

society. Examples of policies of this sort include trade liberalisation and domestic tax reforms. These are key policies identified in strategies of most countries analysed in this paper, but the likely distributional effects of such policies are discussed only sporadically. The potential need for compensatory or mitigatory measures is also discussed only infrequently; here, more details should be provided.

The third and final recommendation is that governments should not neglect the role of more ‘social’ policies in raising economic growth. This is particularly the case when considering the medium to long-term, when growth is likely to be severely constrained if health standards in the population are poor, or if education attainments are low. This does not of course mean that human rights should be seen in instrumental terms, but it does argue against a narrow focus on relying only on conventional ‘economic’ policies to promote economic growth.

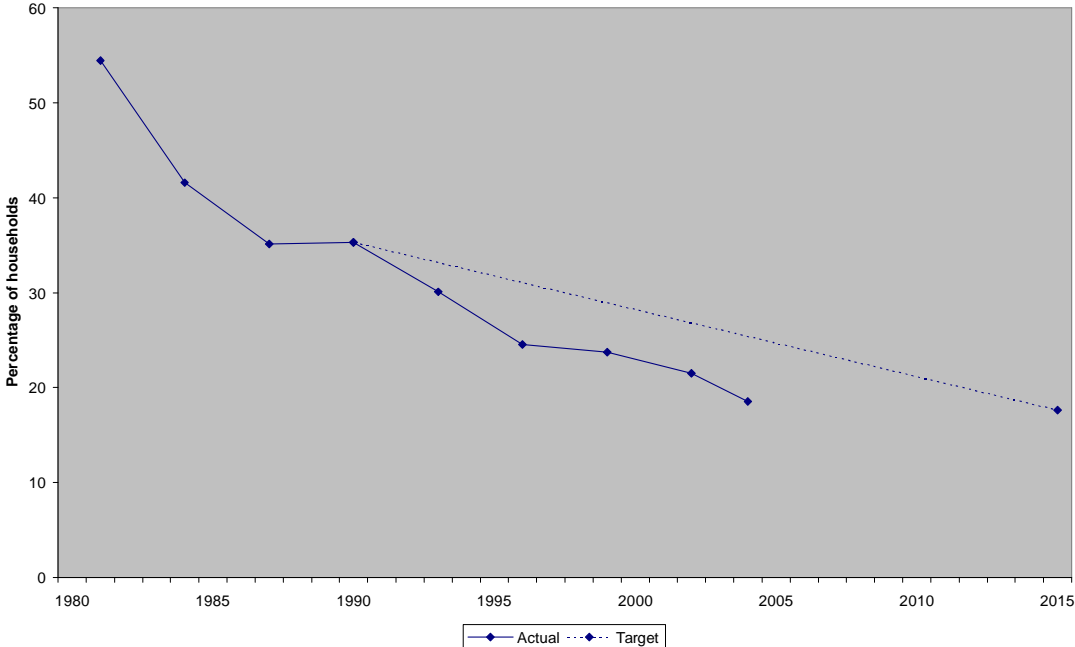
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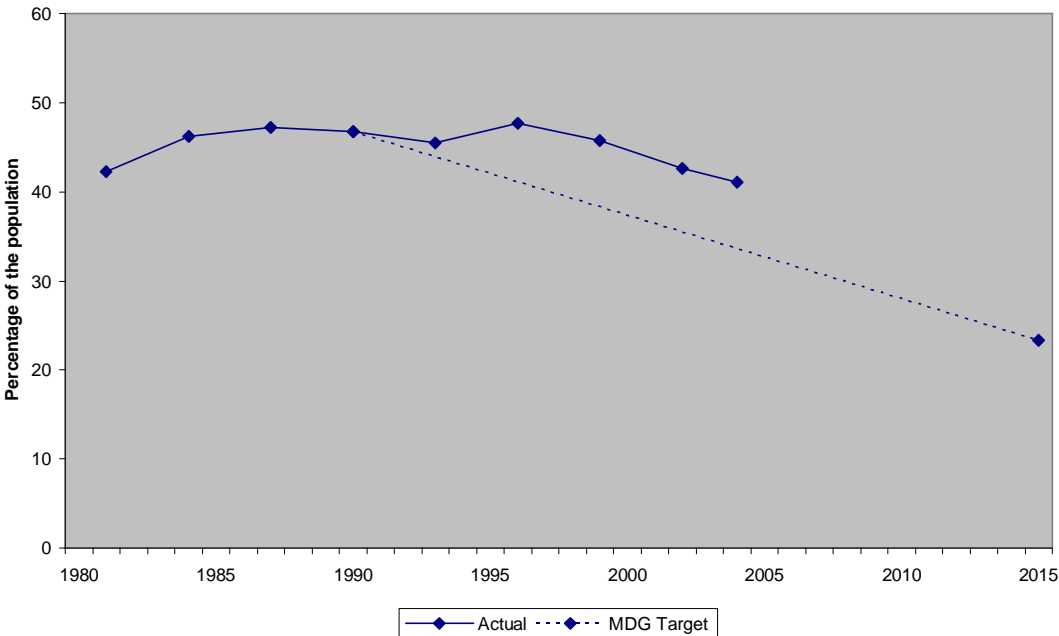
Annex 1

Income poverty trends and targets, 1980-2015 (regional estimates)

Asia and Pacific



Sub-Saharan Africa

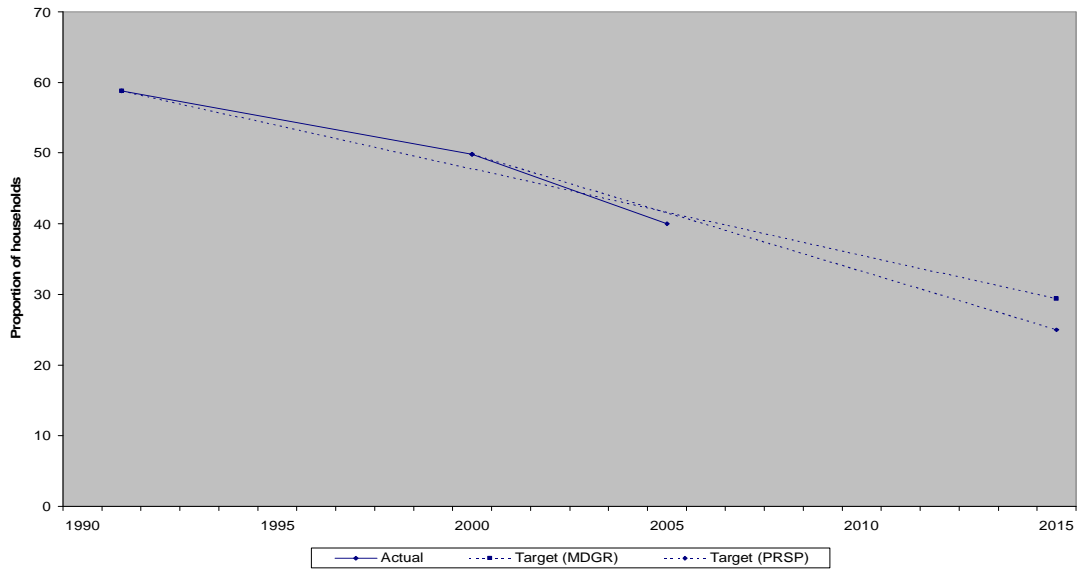


Notes: Poverty measured on basis of the \$1-a-day international poverty line.
Source: World Bank (2007)

Annex 2

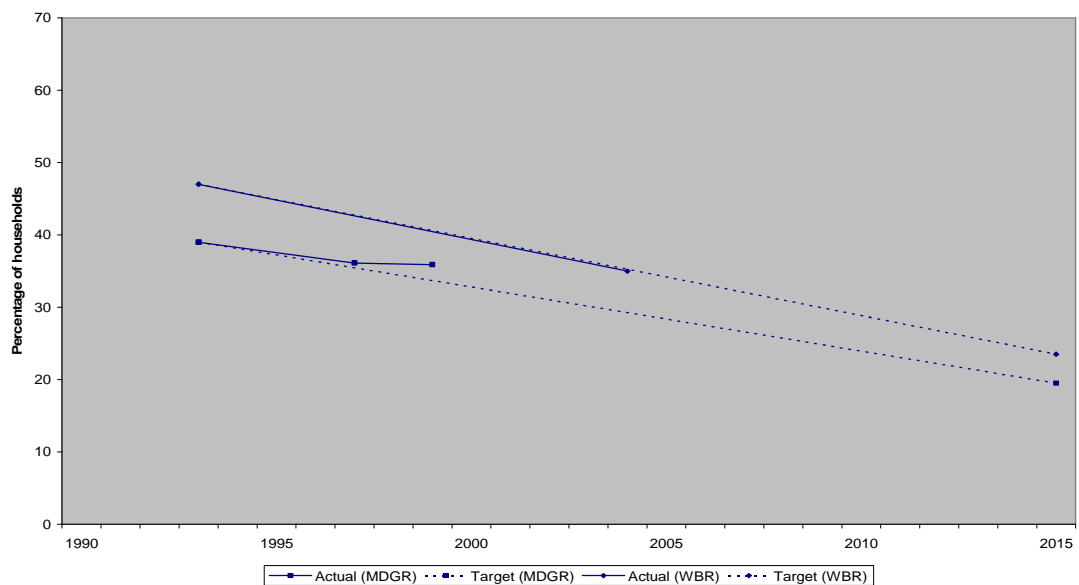
Income poverty trends and targets, 1990-2015 (national estimates)

Bangladesh



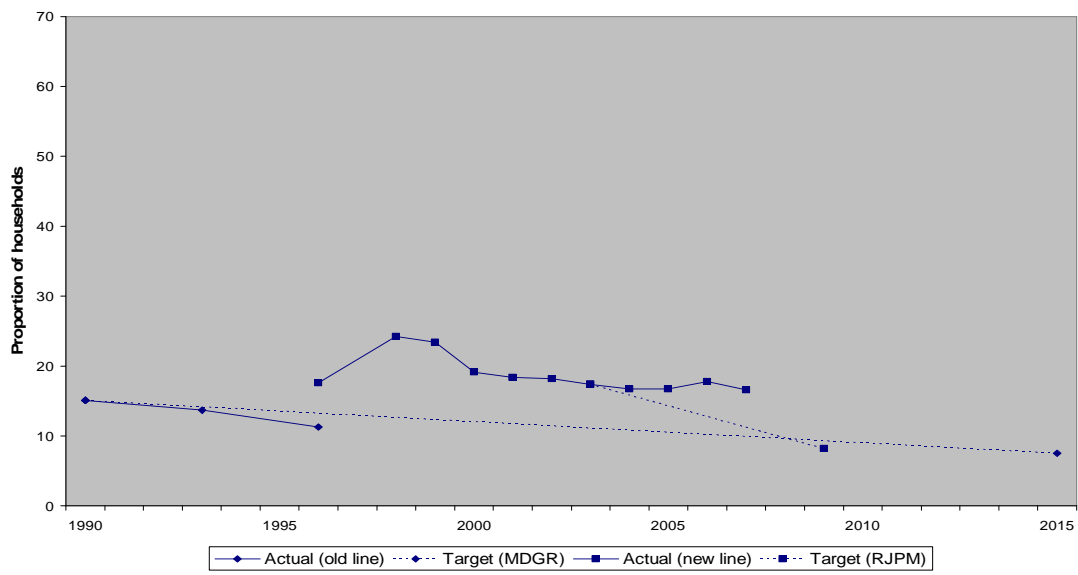
Notes and sources: Estimates refer to the upper poverty line; based on data in MDGR (p. 5) and PRSP (p.194).

Cambodia

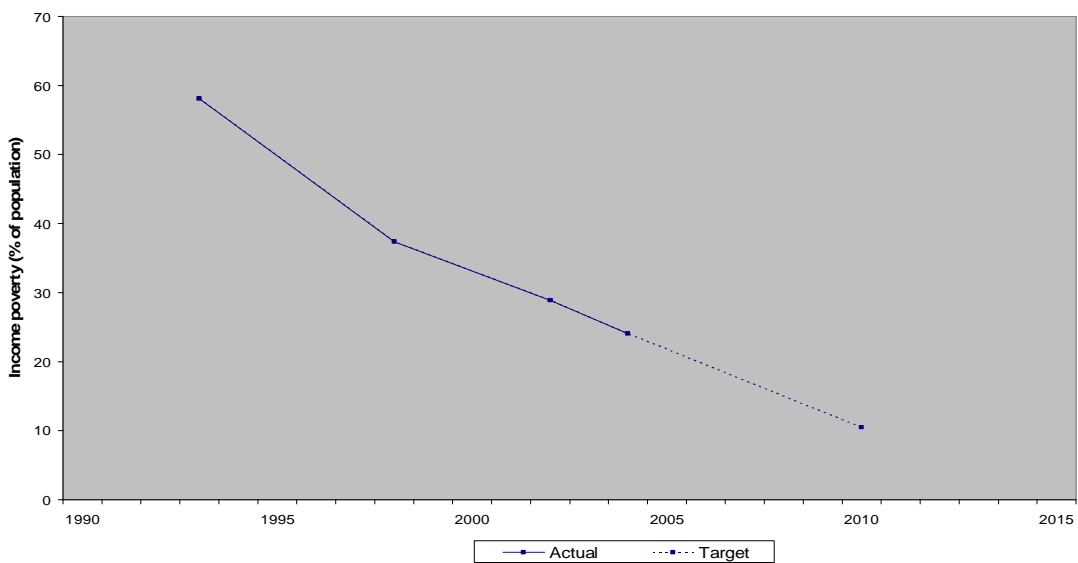


Source: Based on data in NRPS (2002) and World Bank (2006).

Indonesia



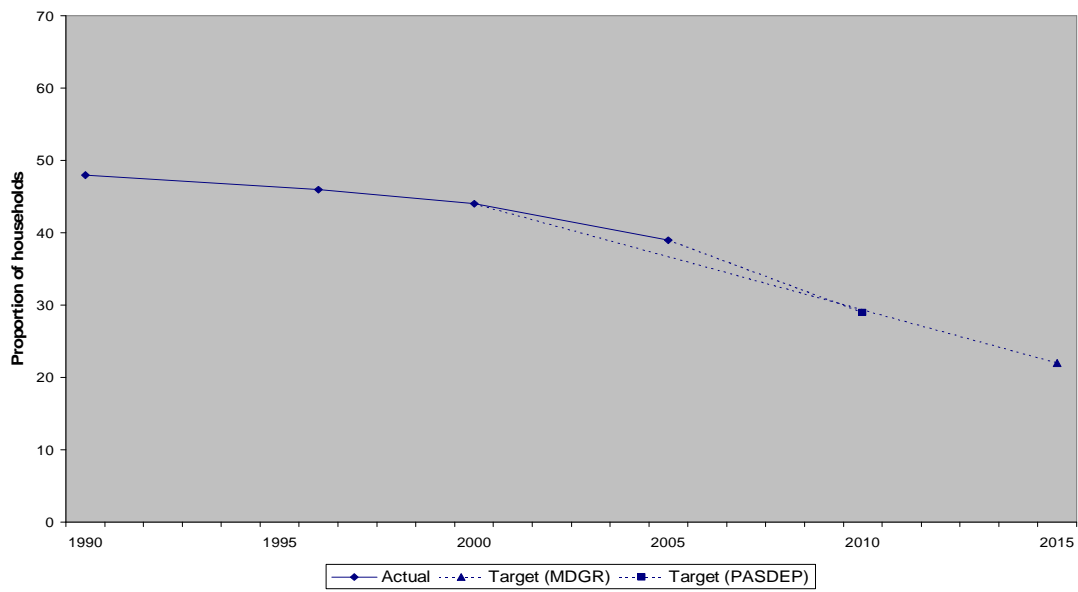
Vietnam



Source: Constructed from data in the SEDP (p.40, 141)

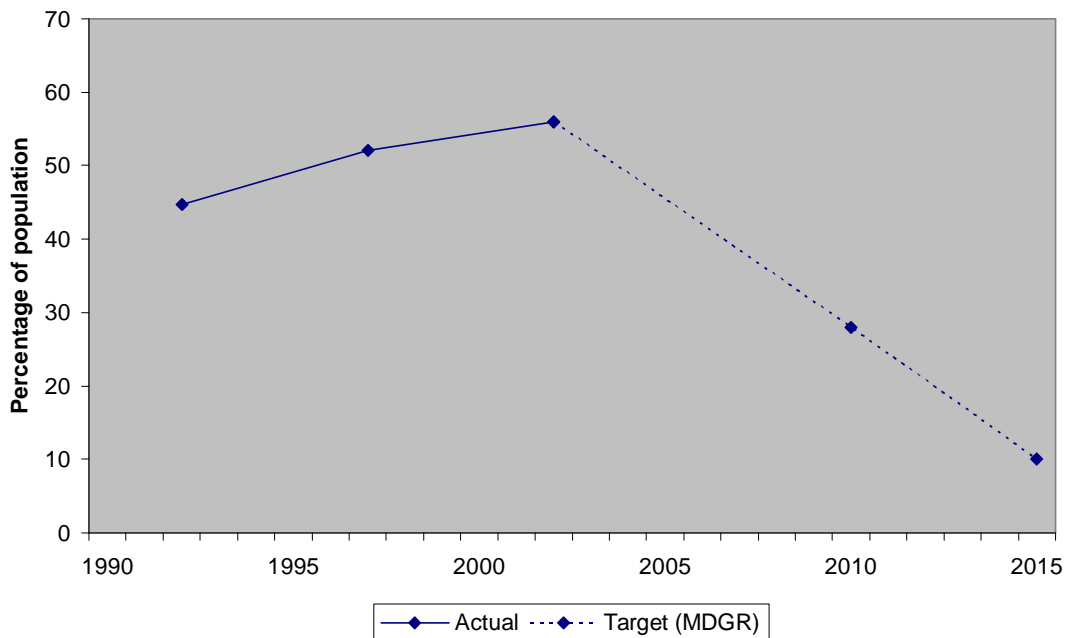
Annex 2 (cont.)

Ethiopia



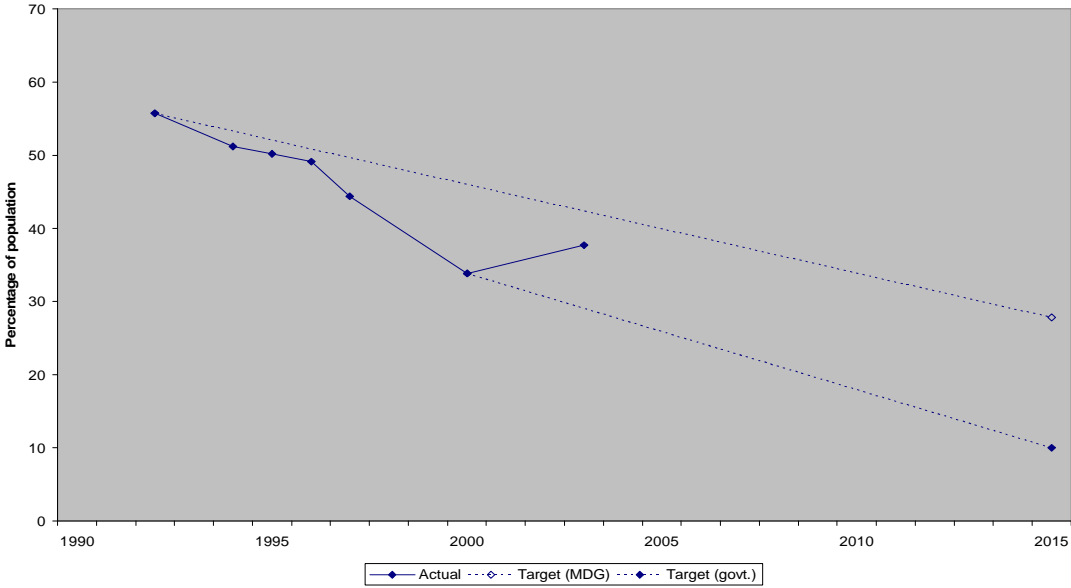
Source: Authors' calculations from MDGR (7,14, 42); PASDEP (23, 55).

Kenya



Source: MDGR (2005).

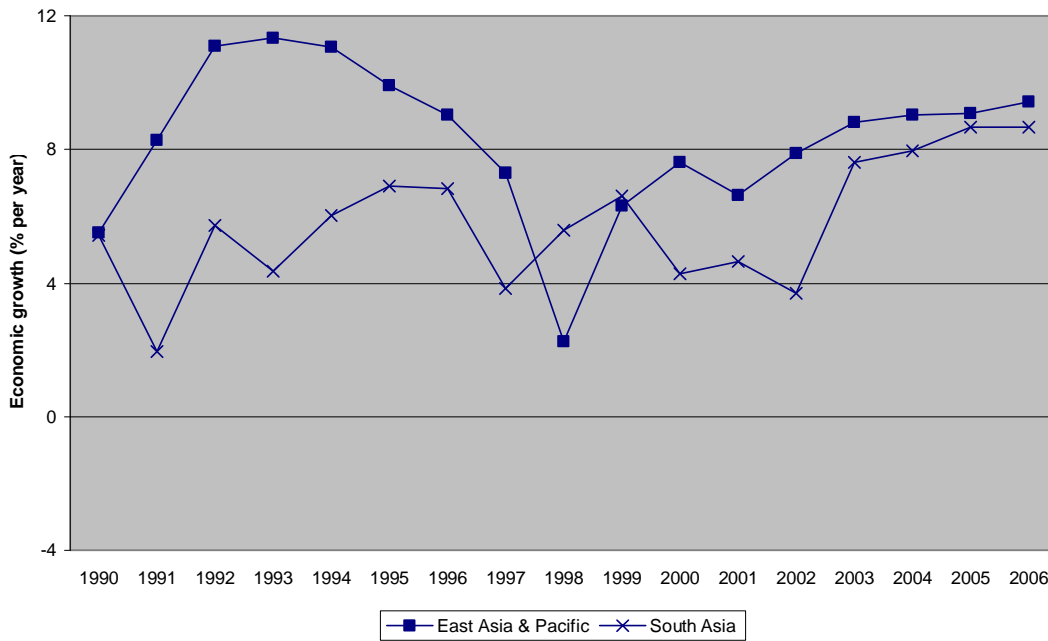
Uganda



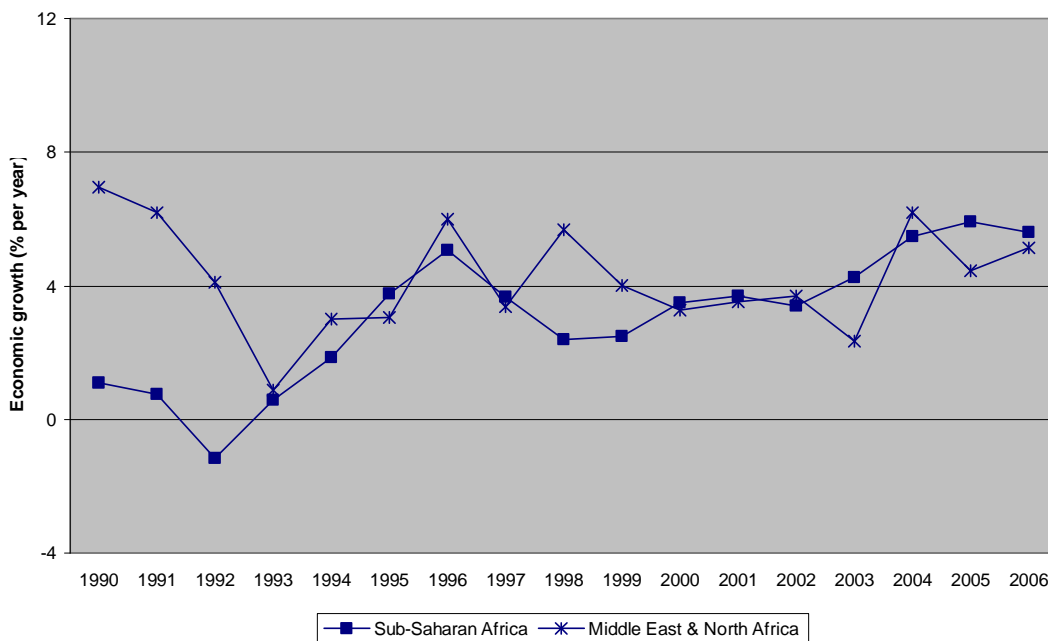
Annex 3

Rates of economic growth, 1990-2006

Asia and Pacific



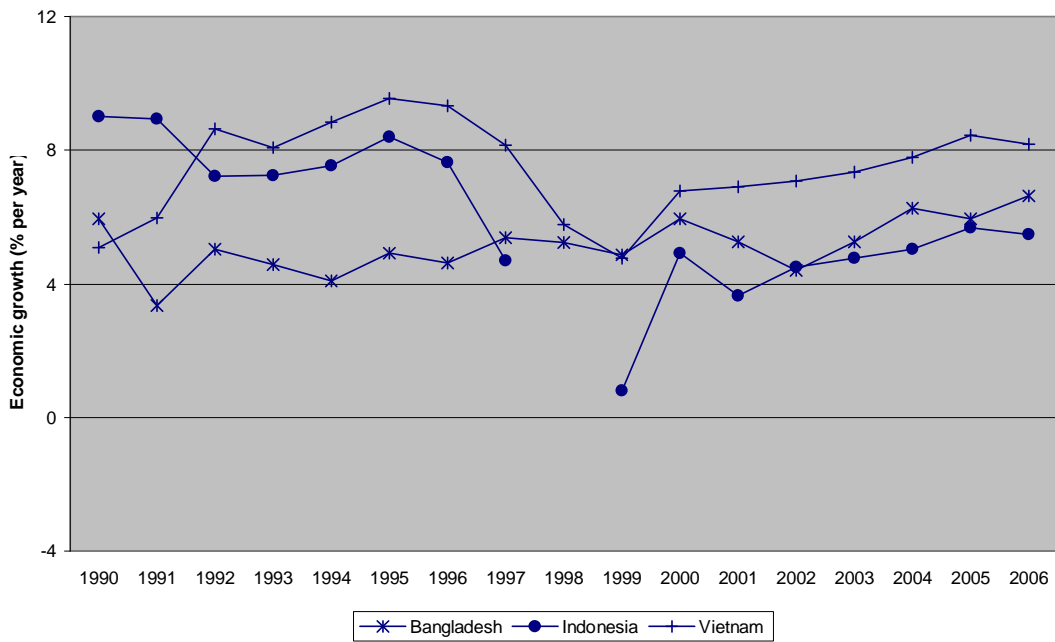
Africa



Source: World Bank.

Annex 3 (cont.)

The 3 focus countries in Asia



The 3 focus countries in Africa

