Poverty Reduction through Social Protection:
A Potential Form of Debt for Development Exchange

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In June 2000 the twenty-third Special Session of the UN General Assembly agreed to set a global goal for poverty reduction of halving severe poverty by 2015, the first time a global target for poverty reduction had been adopted by a global conference. Three months later this target was reiterated by the UN Millennium Summit and in 2001 the goal of reducing extreme poverty to half its 1990 level by 2015 became the first of the Millennium Development Goals (MDGs). Most countries adopted the MDGs quickly; others were more reluctant, amongst them the governments at the time in the USA and Australia. However, with changes of government they too have joined the rest of UN member states so that now nearly all countries and international institutions are committed to the goal.

The World Bank projects that the proportion of the total population of developing-countries living on US$ 1.25 a day or less (which has been used as the standard measure of severe poverty since 2008) in 2015 is likely to be 15 per cent, considerably less than half the proportion in 1990 of 42 per cent.[1] This would mean that about 920 million people would be living under the international poverty line in 2015, about half the number in 1990. This dramatic improvement is principally because of the estimated fall in poverty in China, but declines are also underway in other East Asian countries, in Latin America and the Caribbean and in South Asia. However Sub-Saharan Africa, Europe and Central Asia are expected to miss the target. The global financial crisis is expected to add 64 million more people in poverty than would have been so in the absence of the crisis. Progress in reducing poverty below US$2 is expected to be slower: about 2 billion people are expected to be living on US$2 or less in 2015.

These figures mean that despite significant economic growth in many countries huge numbers of people will remain oppressed by deprivation for the foreseeable future. *Even if the MDG target was achieved that would still leave nearly a billion people living in severe poverty.* Stronger, equitable economic and social development is essential and so too are additional means of poverty reduction.

Poverty is multidimensional, manifested through malnutrition, inadequate housing or water, poor sanitation, lack of access to health services or education and in gender disparities as well as income deprivation. Addressing the links between inadequate income, unemployment, overcrowded accommodation, hunger, disease, constrained access to health services, schools, safety and social protection let alone human rights and gender equity is complex and demanding. Yet improving any of these will influence capacity to influence others: improving employment opportunities, education, health, housing, water supplies, waste disposal and so on will contribute to easing other symptoms of poverty. One mechanism which Australians concerned about development commonly forget is the possibility of establishing or strengthening social protection as a means of directly reducing income poverty.

[1] World Bank, *Global Economic Prospects 2010: Crisis, Finance and Growth,* Washington, 2010, pp 41, 42

Yet the right to social protection has been widely recognised for decades and advocated as a cost-effective method of strengthening economic security. Article 22 of the 1948 Universal Declaration of Human Rights states that: 'everyone, as a member of society, has the right to social security' and Article 25 articulates that more fully as 'the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control'. Sixty years after its adoption by the UN General Assembly this right is no more than an aspiration for 80 per cent of the global population who still do not have access to social security. Governments, including Australia's, committed themselves at the World Summit for Social Development held in Copenhagen in 1995 to 'to develop and implement policies to ensure that all people have adequate economic and social protection during unemployment, ill health, maternity, child rearing, widowhood, disability and old age'. The Pittsburgh G20 Summit in September 2009 promised to 'continue to provide income, social protection, and training support for the unemployed and those most in risk of unemployment' and asked Labour Ministers to meet early in 2010 to consider whether further measures are desirable in relation to social protection, amongst other major themes. [2]

The International Labour Organisation (ILO) is currently advocating that:

> The international community should not just repair the problems identified by the crisis in global financial, monetary and economic systems, but should be advocating and supporting the development of a social protection floor to protect people during the crisis, and thereafter. A social protection floor could consist of two main elements that help too realize respective human rights: *essential services:* ensuring the availability, continuity, and access to public services (such as water and sanitation, health, education, and family-focused social work support); and s*ocial transfers:* a basic set of essential social transfers, in cash and in kind, paid to the poor and vulnerable to enhance food security and nutrition and provide a minimum income security.[3]

In crisis conditions, social security benefits, public health and nutrition programmes, and social services act as social, health and economic stabilizers thereby curtailing the potential social and economic depth of the recession, through avoiding or reducing poverty, ensuring continuity in services, and stabilizing aggregate demand.

The terms social security and social protection are often used interchangeably, though social security generally relates to formal financial support from governments and social protection has wider connotations including various community based and voluntary forms of support in cash and kind. The ILO writes that 'The objective of most social security schemes is to provide access to health care and income security, i.e. minimum income for those in need and a reasonable replacement income for those who have contributed in proportion to their level of income'.[4] The World Bank has in the past used the very limited concept of social safety nets, but the inadequacies of that approach are now widely recognised. Authors experienced in developing countries advocate that social security should also include such policies as access to productive assets, employment guarantees, minimum wages and food security. The ILO uses the broader concept of social protection which covers not only social security but also non-statutory schemes. The

[2] *Leaders' Statement: The Pittsburgh Summit,* 25 September, para 46
[3] ILO Briefing note on the *Global Financial Crisis: UN system joint initiatives.*
[4] ILO, *Social Security: A new consensus,* Geneva, 2001, p38

EU includes in its measure of social protection such social services as crèches and home help. '[T]he distinctiveness of social protection lies in its emphasis on risks and vulnerability as the main factors behind poverty and deprivation' write two experts.[5]

There can be no doubt about the benefits of social protection. It can prevent or alleviate poverty and reduce inequality and injustice. The net costs of starting social protection mechanisms are likely to be offset in due course by a better motivated, nourished, educated and healthier workforce. Reduction of inequality and despair reduces social tensions. The benefits of national social security schemes are shown by their universal use in successful developed countries so they are naturally an aspiration of developing countries.

Obviously there are large differences in the capacity of countries to provide social protection, yet it is inhuman to expect anyone to have to live in perpetual deprivation and insecurity. The contemporary world has unprecedented technical and economic capacity to ensure at least minimum levels of economic security for all people. Poverty eradication is principally a matter for national economic and social policies. However it is clear that there are many countries with average incomes per head below say a thousand dollars a year which have no hope of generating the income and services to escape the imprisonment of generalised poverty without external assistance. It is essential to aim to reduce poverty faster than economic growth alone will permit. The aim of extending social protection is to leap-frog the natural restraints on such progress.

Poverty reduction is generally discussed as a matter of increasing investment, improving access to credit at reasonable interest rates, strengthening education, improving health, extending infrastructure and each of those and other policies are vitally important means to for building employment and opportunities for self-help. But national social protection systems ranging from the Brazilian *Bolsa Familia* - Family Grant or Family Allowance – and the Indian employment guarantee to pensions and health care schemes can be powerful means for alleviating poverty. These schemes contribute to both poverty reduction and to increasing human capital.

One consequence of global interdependence is that all residents of rich countries can be aware of the enormity of the disparities and most respond by wanting to make some contribution to relieving hardship. A degree of altruism is common – on condition that there is confidence that assistance will be effectively used. Provided there is evidence of humane and efficient social protection being planned and better still starting to be delivered it is likely that voters in rich countries might well be supportive of a 'debt for social protection' exchange to inaugurate or extend a process of direct attempts to counteract poverty.

Initial contributions could be used to cover start-up costs for various forms of social protection including social security such as a pension scheme or social insurance. The start-up costs would be likely to include establishing administration and public education. Employers and local and provincial governments might well be responsible for some of this, depending on the type of scheme. Contributory schemes become self-supporting – over a period of years, so initial external assistance can be vital in quickly establishing a major scheme. This is particularly so in many developing countries where social security schemes fail to reach much of the informal sector. This is a particular difficulty for voluntary and especially micro-

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[5] Armando Barrientos and Peter Lloyd- Sherlock, 'Non-contributory pensions and social protection', Annex 2, *Welcome to the ILO's 5 Euro Project,* Geneva September, 2002, p 80

insurance schemes for which the availability of an initial subsidy can be a necessary condition for an effective foundation.

A recent paper from the ILO about whether low income countries can afford basic social protection evaluates a package which includes four elements: universal basic old-age and disability pensions; basic child benefits; universal access to essential health care; and social assistance like the Indian National Rural Employment Guarantee Scheme.[6]

A number of middle and low-income already have non-contributory old-age pensions including Brazil, Botswana, India, Mauritius, Lesotho, Namibia, Nepal and South Africa. The evidence of these programs is that they are not only of benefit to elderly people but also to their families and notably children. Cash benefit programs for children are in operation in some Latin American countries where they are conditional on school attendance. They have been found to be most effective when combined with after school activities. There are concerns though about the transferability of such schemes to countries in which the education and health care are poorly developed, which is one indicator of the importance of building them up within a social protection system. The Indian Guarantee of Employment Act guarantees 100 days of unskilled work per rural household to adults or an unemployment allowance if no work can be offered. One researcher comments that this type of scheme has the advantage that the beneficiaries select themselves: the non-poor do not participate because of the nature of the work and the low wages.[7]

The ILO has prepared detailed costing estimates for such schemes and concludes that: ‘low-income countries not only should but also can have social security systems that provide a basic package of health services to everybody, basic cash benefits to the elderly and to families with children and social assistance to a proportion of the unemployed. … A basic social protection package is demonstrably affordable … on condition that the package is implemented through the joint efforts of the low-income countries themselves … and of the international donor community’.[8] Steps towards such programs are already underway in additional countries such as Tanzania, Zambia, Mozambique and Nepal and other countries are expected to start soon.

Professor Anthony Clunies-Ross has prepared independent (and previously unpublished) estimates of ‘the apparent cost in dollars of foreign exchange that would be required to fill the estimated ‘gap’ for the year 2005 by which the household incomes (or expenditures) of people in low-income and lower-middle-income countries whose household incomes (or expenditures) per head were ***below the internationally accepted extreme-poverty borderline figure of 1.25 PPP dollars per head a day*** did ***in total*** fall short of that figure.’ That is, he tests whether the costs of social protection schemes such as those envisaged by the ILO are a theoretically feasible approach to major reduction of poverty. His aggregate estimates for all low- and lower-middle-income countries which had a total population of 4.8 billion people in 2005 are in the attached appendix. He concludes that the total cost would be around $94 billion. He comments that

> This total is well within the range of high-income OECD donors’ aid in some recent years (including 2005 and 2006), and, even added to existing aid,

[6] ILO, *Social Security Policy Briefings Paper 3: Can low-income countries afford basic social security?* Social Security Department, Geneva, 2008
[7] All information and comments are from ILO, 2008.
[8] *Ibid,* p 17

> would still be well within the range of what these donors *would be giving* annually if they fulfilled the pledge to transfer in aid 0.7 % of their own incomes (about $224.5 billion in 2005 at prices of that year when actual aid given was $106.8 billion[9]). Measured by the scale of rich countries' budgets these are far from astronomical figures. Making these calculations is not intended to imply that the best way of distributing the costs of meeting these very elemental needs of the 1.4 billion people estimated to be below the (1.25 PPP dollars a day) extreme-poverty line is for them all to be provided by the rich OECD countries. Both how they *should* be met and how realistically in the political context they *might* actually be met are further and separate issues; but the cost of meeting them from rich-OECD countries' resources must surely be of some interest and some relevance to these other questions.

Such estimates are far beyond the capacity of 'debt for social protection' schemes to finance. The point of including these figures is to show the overall feasibility of using social protection as a major means of poverty reduction and therefore to indicate that there are high priority and cost-effective opportunities for using such an approach in planning debt exchanges.

Nevertheless a 'debt for social protection' exchange could play a role in inaugurating or capitalising a new scheme. By increasing financial resources for a government at one point a 'debt for social protection' exchange could contribute to overcoming initial financial constraints. Another possible means of playing a role would be for debt swaps to be phased over a period of years, say ten, so as to contribute to the funds needed for early disbursement to members. Many social security schemes depend on building up assets through member contributions so to have starting grant or grants for early years would assist in enabling payment to be made to members from the start.

A third possibility would be for the funds from a debt swap to reduce debt service payments which could be used for a social protection scheme. For example, if a donor country forgave a debt of $500m, the recipient country could allocate the savings from the no longer required debt service to social security. Depending on the interest rate this could generate between $25 m and $50 m a year. This is a small amount but it could nevertheless be useful in facilitating the early years of a social protection program.

Whether or not social protection is taken seriously as an option for use of debt-for-development swaps, it is imperative that it become a focus for Australian aid for poverty reduction programs.

[9] See Clunies-Ross, Forsyth & Huq, 2009, p. 589, table based on OECD, Development Assistance Committee, International Development Statistics Online, http://www.oecd/dac/stats, consulted June-August 2009.

Appendix:

Cost of Filling the Extreme-Poverty Gap from Abroad: an arithmetic exercise with agenda

Professor Anthony Clunies-Ross

Magnitude in foreign-exchange of the aggregate (extreme) total poverty gap

This is an exercise with very modest objectives. It aims simply to show the apparent cost in dollars of foreign exchange that would be required to fill the estimated 'gap' for the year 2005 by which the household incomes (or expenditures) of people in low-income and lower-middle-income countries whose household incomes (or expenditures) per head were ***below the internationally accepted extreme-poverty borderline figure of 1.25 PPP dollars per head a day*** did ***in total*** fall short of that figure.

Another way of expressing this is to say that the intention is to estimate the (extreme) ***total poverty gap*** in those countries for the year and to convert it into dollars of foreign exchange.

The data used are entirely World Bank figures published in issues of the World Bank's *World Development Report (WDR)* and *World Development Indicators (WDI)*, together with the 'Poverty data' supplement to *World Development Indicators 2008*[10].

There was a major revision of World Bank national-income and poverty figures for developing countries based on price surveys in 2005 that had been greatly improved. The results of this revision were embodied in the 2008 edition of *World Development Indicators* and its 'Poverty data' supplement. There were often big differences between the poverty figures reported then and those that had been published earlier, and correspondingly different estimates of PPP equivalences of currencies.

Though the calculations are related to the year 2005, the figures used to indicate the extent of poverty for various countries for various countries (expressed as *proportions of population* failing to reach the relevant poverty lines) are based on surveys conducted at various times. Where there is a choice I use those from as close to 2005 as possible.

The 2008 *WDI* and its 'Poverty data' supplement give, for each country, implied 'exchange-rates' between US dollars of foreign exchange and that country's PPP dollars. For almost all of the developing countries these figures imply that each actual US dollar will buy goods and services equal in that country to considerably more than one PPP dollar (generally between 2 and 4 PPP dollars). It seems perfectly legitimate to treat these figures as exchange-rates. They have been used here to convert *total poverty gaps* expressed in PPP dollars into US dollars of foreign exchange.

The 'poverty gap' figures given as percentages in *WDI* and *WDR* statistics are what are called *normalized poverty gaps (NPGs).* In relation to a particular poverty line such as 1.25 PPP dollars a day, a country's NPG expresses the percentage that its total poverty gap (TPG) – the aggregate amount by which some of its residents fall short of the poverty-line income – bears to what the population's total income would be if everyone received exactly the poverty-line income.

[10] http://siteresources.worldbank.org/DATASTATISTICS/Resources/WDI08supplement1216.pdf

So: $NPG = TPG_{PPP} / N.y_a$

where N is the total population and

y_a is the income per head at poverty-line a in PPP dollars p.a.

TPG_{PPP} is the total poverty gap in PPP dollars p.a.

Hence $TPG_{PPP} = NPG.N.y_a$

and $TPG_{\$US} = NPG.N.y_a.\, E_{\$US/PPP}$

where $TPG_{\$US}$ is the total poverty gap in \$US p.a.

$E_{\$US/PPP}$ is the exchange-rate \$US per PPP dollar

Where the poverty-line is 1.25 PPP dollars a day, $y_a = 1.25*365.2425 = 456.553$

Where it is 2.00 PPP dollars a day, $y_a = 2.00*365.2425 = 730.485$

This is of course because there are 365.2425 days on average in a year in the Gregorian Calendar.

Table 1 Low-income countries: total extreme-poverty gaps in $US millions per year

Country name	(1) Population 2005, m.	(2) NPG 2005, %	(3) =(1)*[(2)/100] *456.553 TPG$_{\$PPP}$ 2005, m.	(4) $E_{\$US/PPP}$	(5) = (3)*(4) TPG$_{\$US}$ 2005, m.
Afghanistan	n.a.				n.a.
Bangladesh	142	13.1	8492.8	0.37	3142.3
Benin	8	15.7	573.4	0.42	240.8
Bhutan	0.918	7.0	109.8	0.36	39.5
Burkina Faso	13	20.3	1204.8	0.38	457.8
Burundi	8	36.4	1329.5	0.32	425.4
Cambodia	14	11.3	722.3	0.31	223.9
Central African Republic	4	28.3	516.8	0.50	258.4
Chad	10	25.6	1168.8	0.39	455.8
Comoros	0.6	20.8	57.0	0.57	32.5
Congo Dem. Rep.	58	25.3	6699.5	0.45	3014.8
Cote d'Ivoire	18	6.8	558.8	0.55	307.3
Eritrea	4				n.a.
Ethiopia	71	9.6	3111.9	0.26	809.1
Gambia	1.5	12.1	82.9	0.26	21.5
Ghana	22	10.5	1054.6	0.41	432.4
Guinea	9	32.2	1323.1	0.33	436.6
Guinea-Bissau	1.6	16.5	120.5	0.41	49.4
Haiti	9	28.2	1158.7	n.a.	n.a.
India	1095	10.8	53992.0	0.33	17817.4
Kenya	34	6.1	946.9	0.39	369.3
Korea Dem. Rep.	22				n.a.
Kyrgyz Republic	5	4.4	100.4	0.28	28.1
Laos	6	12.1	331.5	0.28	92.8
Liberia	3	40.8	558.8	0.49	273.8
Madagascar	19	26.5	2298.7	0.32	735.6
Malawi	13	32.3	1917.1	0.33	632.6
Mali	14	18.8	1201.7	0.46	552.8
Mauritania	3	5.7	78.1	0.37	28.9
Mongolia	3	3.6	49.3	0.35	17.3

Table 1 Low-income countries -- continued

Country name	(1) Population 2005, m.	(2) NPG 2005, %	(3) =(1)*[(2)/100] *456.553 TPG$_{\$PPP}$ 2005, m.	(4) E$_{\$US/PPP}$ 2005	(5) = (3)*(4) TPG$_{\$US}$ 2005, m.
Mozambique	20	35.4	3232.4	0.37	1196.0
Myanmar	51				n.a.
Nepal	27	19.7	2428.4	0.31	752.8
Niger	14	28.1	1796.1	0.43	772.3
Nigeria	132	29.6	17838.4	0.46	8205.7
Pakistan	156	4.4	3133.8	0.32	1002.8
Papua New Guinea	6				n.a.
Rwanda	9	38.2	1569.6	0.33	518.0
Sao Tome & Principe	0.2			0.53	n.a.
Senegal	12	10.8	591.7	0.48	284.0
Sierra Leone	6	20.3	556.1	0.37	205.8
Solomon Islands	0.5				n.a.
Somalia	8				n.a.
Sudan	36				n.a.
Tajikistan	7	5.1	163.0	0.24	39.1
Tanzania	38	46.8	8119.3	0.35	2841.8
Timor Leste	1.0	19.1	87.2		n.a.
Togo	6	11.4	312.3	0.46	143.6
Uganda	29	19.1	2528.8	0.36	910.4
Uzbekistan	27	15.0	1849.0		n.a.
Vietnam	83	4.6	1743.1	0.30	522.9
Yemen Republic	21	4.2	402.7	0.36	145.0
Zambia	12	32.8	1797.0	0.54	970.4
Zimbabwe	13			1.48	n.a.
Totals with full data	**2149**				**49406.7**
Totals with population data (all except Afghanistan)	**2326**				

Table 2 Lower-middle-income countries: total extreme-poverty gaps in $US millions per year

Country name	(1) Population 2005, m.	(2) NPG 2005, %	(3) =(1)*[(2)/100] *456.553 TPG$_{\$PPP}$ 2005, m.	(4) $E_{\$US/PPP}$ 2005	(5) = (3)*(4) TPG$_{\$US}$ 2005, m.
Albania	3	<0.5	<6.8	0.49	<3.4
Algeria	33	1.4	210.9	0.43	90.7
Angola	16	29.9	2184.1	0.51	1113.9
Armenia	3	1.9	26.0	0.39	10.1
Azerbaijan	8	<0.5	<18.3	0.35	<6.4
Belarus	10	<0.5	<22.8	0.36	<8.2
Bolivia	9	9.7	398.6	0.28	111.6
Bosnia & Herzegovina	4	<0.5	<9.1	0.46	<4.2
Brazil	186	1.6	1358.7	0.56	760.9
Bulgaria	8	<0.5	18.3	0.38	6.9
Cameroon	16	10.2	745.1	0.48	357.6
Cape Verde	0.507	5.9	13.7	0.78	10.7
China	1305	4.0	23832.1	0.42	10009.5
Colombia	46	6.1	1281.1	0.47	602.1
Congo Republic	4	22.8	416.4	0.51	212.4
Cuba	11				n.a.
Djibouti	0.793	5.3	19.2	0.48	9.2
Dominican Republic	9	0.9	37.0	0.57	21.1
Ecuador	13	3.2	189.9	0.42	79.8
Egypt	74	<0.5	<168.9	0.27	<45.6
El Salvador	7	6.7	214.1	0.50	107.1
Georgia	4	4.4	80.4	0.41	32.9
Guatemala	13	3.8	225.5	0.53	119.5
Guyana	0.751	3.9	13.4	0.44	5.9
Honduras	7	10.2	326.0	0.43	140.2
Indonesia	221	4.6	4641.3	0.41	1902.9
Iran	68	<0.5	<155.2	0.30	<46.6
Iraq	n.a.				n.a.
Jamaica	3	<0.5	<6.8	0.60	<4.1
Jordan	5	<0.5	<11.4	0.54	<6.2

Table 2 Lower-middle-income countries -- continued

Country name	(1) Population 2005, m.	(2) NPG 2005, %	(3) =(1)*[(2)/100] *456.553 TPG$_{\$PPP}$ 2005, m.	(4) $E_{\$US/PPP}$	(5) = (3)*(4) TPG$_{\$US}$ 2005, m.
Kazakhstan	15	<0.5	<34.2	0.43	<14.7
Lesotho	1.795	20.8	170.5	0.55	93.8
Macedonia	2	<0.5	<4.6	0.39	<1.8
Moldova	4	1.7	31.0	0.35	10.9
Morocco	30	0.5	68.5	0.55	37.7
Namibia	2	24.6	224.6	0.67	150.5
Nicaragua	5	5.2	118.7	0.38	45.1
Paraguay	6	3.4	93.1	0.32	29.8
Peru	28	2.0	255.7	0.45	115.1
Philippines	83	5.5	2084.2	0.39	812.8
Sri Lanka	20	2.6	237.4	0.35	83.1
Suriname	0.449	5.9	12.1	0.59	7.1
Swaziland	1.131	29.4	151.8	0.52	78.9
Thailand	64	<0.5	<146.1	0.40	<58.4
Trinidad	1.305	1.1	6.6	0.61	4.0
Tunisia	10	<0.5	<22.8	0.45	10.3
Turkmenistan	5	7.0	159.8	0.36	57.5
Ukraine	47	<0.5	<107.3	0.33	35.4
Total with full data (all except Cuba and Iraq)	**2403**				**<17476.6**
Total with population figures (all except Iraq)	**2414**				

Table 3 Low-income and lower-middle-income countries combined: sum of total extreme-poverty gaps in $US millions per year

Countries	(1) Population 2005, m.	(2) NPG 2005, %	(3) =(1)*[(2)/100] *456.553 TPG$_{\$PPP}$ 2005, m.	(4) $E_{\$US/PPP}$	(5) = (3)*(4) TPG$_{\$US}$ 2005, m.
Total with full data	2149+2403 = **4552**				49406.7+ <17476.6 =**<66883.3**
Total with population figures (all except Iraq and Afghan-istan)	2326+2414 = **4740**				

The countries *covered by poverty-gap estimates* here are, as far as we can see, all the low-income and lower-middle-income countries for which the World Bank gives recent poverty figures. With others listed in the tables above, they appear to cover all low-income and lower-middle-income countries except for some tiny states with less than half a million people each. The 2007 *WDR* gives the total population in these two income categories in 2005 as 4828 million. This is 1.06 times the 4552 million for which we have poverty data here. To raise the 66833.3 million US dollars (which as indicated is a *maximum* needed for filling the TPGs considered in these calculations) in that proportion would require $70843.3 million. To allow arbitrarily an addition of a third for administrative costs[11] and wastage of any scheme designed actually to fill the gaps, together with a certain amount of over-filling that would inevitably be required in practice in order to go reasonably close to filling it completely, would bring it altogether to around $94.4 billion. This total is well within the range of high-income OECD donors' aid in some recent years (including 2005 and 2006), and, even added to existing aid, would still be well within the range of what these donors *would be giving* annually if they fulfilled the pledge to transfer in aid 0.7 % of their own incomes (about $224.5 billion in 2005 at prices of that year when actual aid given was $106.8 billion[12]). Measured by the scale of rich countries' budgets these are far from astronomical figures.

Making these calculations is not intended to imply that the best way of distributing the costs of meeting these very elemental needs of the 1.4 billion people estimated to be below the (1.25 PPP dollars a day) extreme-poverty line is for them all to be provided by the rich OECD countries. Both how they *should* be met and how realistically in the political context they *might* actually be met are further and separate issues; but the cost of meeting them from rich-OECD countries' resources must surely be of some interest and some relevance to these other questions.

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[11] The recent interesting and ambitious ILO publication (brought into the discussion in the second part of this paper), *Can low-income countries afford basic social security?,* Social Security Policy Briefings Paper 3, Geneva: ILO, 2008, adds, for administrative costs alone, 15% of the direct amounts of transfers to persons under the scheme it examines.

[12] See Clunies-Ross, Forsyth & Huq, 2009, p. 589, table based on OECD, Development Assistance Committee, International Development Statistics Online, http://www.oecd/dac/stats, consulted June-August 2007.

These results [and those of other calculations Clunies-Ross has made] have the encouraging implication that, whatever the political and administrative obstacles, the actual costs of the transfers required, combined with those of the projected health-service provision, and hence of doing much of the job of protecting people across the poorest quarter to a half say of the world's population from extreme destitution, are not outside the realm of financial possibility.

References

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