

Is there a joint field of cooperation among the BRICS countries in measures against poverty and extreme poverty?

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Abstract—The article uses World Bank methodological approaches to show that the BRICS countries have very significant differences in their level of development, which impact on the share of the extremely poor. Using two key indicators: GNI per capita and human capital index, the author shows that 5 countries (Brazil, China, India, South Africa and Russia) can be classified as three different groups. Achieving the main goal of sustainable development - the eradication of extreme poverty should not only be the main task of the four BRICS countries, but also be addressed in each of them, including Russia by different methods. The author then draws a conclusion that using the deprivation poverty indicator, as opposed to income poverty, complicates the cross-country analysis of this phenomenon in the BRICS. Finally, he notes the particular relevance of eliminating extreme poverty among young generations, the presence of which reduces the country's ability to grow human capital.

Keywords—*extreme poverty; income poverty; BRICS group; GNI; World Bank; human capital*

I. INTRODUCTION

Following the 2015 UN report, The Millennium Development Goals¹, which summed up some results to achieve the millennium goals, the world community adopted a new ambitious plan "Transforming our World: the 2030 Agenda for Sustainable Development" (UN, 2015. A / RES / 70/1). In this UN document, the fight against extreme poverty in all countries of the world to achieve the goal of eradicating it remains in first place. At the same time, it is recognized that the achievement of the target figures by 2030 seems unlikely. An analysis of the fulfillment of the Millennium poverty target allows us to agree with this point. The purpose of this study is to answer the question: can the BRICS countries, which largely determine the global trend, pursue a coordinated or even synchronized policy in relation to the objectives of Goal1: End poverty in all its forms everywhere. Continuous monitoring of poverty in the world is carried out by the World Bank [1], the work of which we rely on in our study.

Doubts about the possibility of a coordinated policy of the BRICS countries are associated with several reasons. Firstly, the Group includes 2 of the world's largest states by population, which are moving along the path of social, economic and demographic development in different ways and different policies. Secondly, although the BRICS countries are not the

most problematic in the world, since none of them belongs to the least developed countries, they differ sharply in the depth of the sustainable development problems. Between them there is a huge gap in the level of development, which is associated not only with the depth of poverty, as the main subject of analysis of this article, but also with other key or important development parameters. In our brief study, we do not consider the problem of inequality in these countries, although Brazil refers to the countries where one of the world's most severe inequality ratios is noted. [2].

The poverty determination methodology has been widely studied in scientific works both in the West: Hagenaars [3], Ferreira [4], Atkinson [5], and later in Russia: Mozhina [6], Tkachenko [7, 9], Manning and Tikhonova [8]. Based on an analysis of a number of studies defining the concept of poverty and the poverty line, we came to the conclusion that poverty is a multidimensional phenomenon that differs in connection with country and socio-group characteristics. We can say that poverty, varying in time and space, will always exist in one way or another, if poverty is understood as deprivation. The WB also intends to introduce such nonmonetary poverty in the international statistical system, complementing the SDG indicators system [10, p. xxi].

II. RESULTS AND DISCUSSION

Analyzing the goal of eliminating extreme poverty in the BRICS countries and the possibility of coordinating efforts by governments, it is advisable to proceed only from the income poverty methodology. Only such an approach at this stage in the development of these countries allows a comparative analysis of the dynamics of this indicator and, accordingly, the effectiveness of the national policy. Such an analysis does not reject the methodology of international organizations on poverty in deprivation among the poorest. For example, deprivations such as access to clean drinking water, sanitation, good nutrition, etc. Our approach does not deny the value of studies where extreme poverty and income poverty are analyzed along with deprivation poverty [11]. But in this case, we leave such a statement of the problem outside the scope of the study, since we are interested in the results of a comparative analysis. And as it was shown, the BRICS countries to such a large extent differ in their access to basic conditions in the field of health, education, social protection, which does not allow a

¹ The Millennium Development Goals Report 2015 (1 July). United Nations. New York, 2015. 75 p.

comparative analysis to be carried out quite correctly without additional complex calculations. In addition, such estimates are hampered by significant information gaps for BRICS countries such as India and South Africa.

To identify the gap in the development of the BRICS countries, we will use the Human Capital Index [12], although it measures the human capital of the next generation. But this is precisely what determines the future potential and growth opportunities of the national economy, as well as the readiness of society and the state for a focused policy. Two BRICS countries are not even included in the first hundred countries with an index of 0.41 – South Africa (126th in the world) and 0.44 – India (114). Brazil is in 81th place (0.56), while in China it is much better – 0.67 (46th place). Russia in the BRICS group has the best indicator – 0.73, but ranks outside the top thirty countries (34th). It is obvious that, therefore, the BRICS countries belong to an aggregate indicator that reflects the survival and health status of the new generation, as well as the

ability of this generation to receive a high level of education, which obviously falls into 3 different categories. This must be taken into account when deciding on any joint action, including in the fight against poverty. The fact that the WB includes all BRICS countries in terms of GNI per capita in a group above the average (except India, which is in the group below the average), does not indicate their similarity in this indicator. The gap between the two "pole" points – Russia and South Africa is 1.8 times (fiscal year 2020). The problem of comparisons, in our opinion, also lies in the fact that the range of this group itself – from \$ 3.996 to \$ 12.375, according to the World Bank for fiscal year 2020 – is too large. It seems necessary to distinguish 2 subgroups of countries in this group, which will make the comparative cross-country analysis more accurate. But, probably, this is too complicated and expensive calculation process, therefore, the WB has such a wide range for the group above the average. We show the position of the BRICS countries in the classification groups according to the WB methodology (Table I).

TABLE I. THRESHOLDS FOR CLASSIFYING COUNTRIES BY PER CAPITA INCOME AND PLACE OF BRICS COUNTRIES IN GNI GROUPS

GNI per capita thresholds in US \$ (Atlas methodology) *	Data for calendar year				
	2012	2015	2016	2017	2018
Low income	<= 1,035	<= 1,025	<= 1,005	<= 995	<= 1,025
Low middle income	1,036–4,085	1,026–4,035	1,006–3,955	996–3,895	1,026–3,995
	IND 1.48	IND 1.60	IND 1.69	IND 1.83	IND 2.02
Upper-middle income	4,086–12,615	4,036–12,476	3,956–12,235	3,896–12,055	33,996–12,375
	CHN 5.93	ZAF 6.05	ZAF 5.47	ZAF 5.41	ZAF 5.75
	ZAF 7.57	CHN 7.91	CHN 8.21	CHN 8.63	BRA 9.14
	BRA 12.36	BRA 10.16	BRA 8.93	BRA 8.67	CHN 9.47
		RUS 11.77	RUS 9.75	RUS 9.23	RUS 10.23
High income	>12,616	>12,476	> 12,235	> 12,055	> 12,375
	RUS 13.48	-	-	-	-

Notes: countries are ranked in ascending GNI. Source: databank.worldbank.

China's success is noteworthy, despite the decline in economic growth rates – in fiscal 2019, China was ahead of Brazil by GNI per capita. Let us consider the dynamics of a decrease in the share of the extremely poor population in the BRICS countries by three levels (thresholds) of the global poverty line which are identified by the WB methodology. It must be emphasized that even India, the country with the lowest per capita income in this group, in accordance with the WB methodology, should measure extreme poverty at the rate of \$ 3.20 per day. This follows from the fact that the country is included in the group of countries with low middle income (GNI per capita index). The rest of the BRICS countries to report on SDG achievement Goals 1.1.1 should measure this share on the extreme poverty line of \$ 5.50. The table also shows data based on the \$ 1.90 line to display the full picture, although it is set by the WB for the poorest countries. In its methodology, the WB explicitly clarifies that the threshold of \$ 1.90 (taking into account the 2011 PPP) was calculated as the average poverty line found in the 15 poorest countries, ranked

by per capita consumption level. Therefore, even a country that is in the lower subgroup of the middle-income group of countries should apply, according to the WB recommendation, the line of 3.20, not \$1.90². Two facts should be highlighted that testify to different tasks and opportunities in the fight against extreme poverty among the BRICS countries. First, despite the lack of complete data, it is obvious that India and South Africa, even at this low rate, have a higher share of extreme poverty than the global average. Secondly, South Africa in the mid-2010s experienced an extremely negative process of growth in the share and, consequently, the number of poorest people. At the same time, India, due to general economic growth with a rather high rate of GDP annual growth (about 7%), is reducing the number of poorest, although, in our opinion, by insufficient rates. Estimating the size of this population is rather difficult, since the methods of household surveys were changed³ by the Government of India in 2014–15 in comparison with 2011–12 (in more detail [1, pp.32–33]).

² Our extensive reasoning is related to understanding the achievement of the goal of eradicating poverty by 2030 on the basis of the general poverty line for this group of countries. Since, being guided by the indicator of the poorest countries, many governments of medium-developed states do not need to take any activity in the policy of poverty reduction, but this is obviously not so.

³ The differences between the surveys in the methods used: survey-to-survey imputation and HFCE lead to the fact that the gap in the indicators of the proportion of the population in extreme poverty is 2-3 percentage points

It should be noted that we are worried about poverty statistics for India, which does not allow us to measure either the measure of India's achievements by Millennium Development Goals indicators, which ended in 2015, or compare the measure of its achievements with other BRICS countries. This is the largest country in terms of population, and, therefore, each percentage point of extreme poverty is almost 12 million people (2011) who are in social isolation or in close proximity to it. If India had maintained even the rate of decline in extreme poverty observed in 2009-2011 with a threshold of \$ 3.20⁴, then by 2015 the share of this population would decrease to 44.7%⁵. On the whole, the gap between the BRICS countries, on the one hand, and developed countries, on the other, can be seen from the correlation of the main macroeconomic indicators of the group. If the share of labor in the countries of the group was 44% of the global indicator, then the share of GDP of these countries is only 20.7%, i.e. 2.13 times lower, and the share of exports and imports even lower: 2.34 and 2.51 times (2015). In 2018, this ratio improved slightly – 43.4% of the world labor force and 23.58% of world GDP, which is caused by higher economic growth rates. And although in the 2010s the economic growth of the BRICS countries was not so stable; they remain the most important participants in global economic progress. As in the 2000s, when not only their share in world GDP grew, but also in the absolute increase in world GDP, their contribution was more than 50% [13].

The latest data released by the World Bank for 2016–2017 available only in Brazil, but they need to be specifically

mentioned. There is a marked increase in the extremely poor among all three categories according to the three poverty lines given by the WB for countries with different levels of gross domestic income per capita. In 2017, compared with 2016, the share of the poorest increased from 4.3 to 4.8%, and compared to 2015, even by 1.5 percentage points. For the poverty threshold of \$ 3.20, the proportion of the extreme poor in Brazil increased by 0.3 percentage points by 2017. (up to 9.6%) or 1.6 percentage points over 2 years, the growth of the group of the poverty threshold of \$5.5 amounted to 0.3 (up to 21%) and 1.6 percentage points respectively. Therefore, it is difficult to agree with the conclusion that “Recent trends have revealed the successes in poverty reduction in three middle income economies – China, India and Brazil – which provide useful lessons for developing economies” [2, p.56]. Moreover, this is not just about poverty, but about extreme poverty, so such noticeable fluctuations are more likely to indicate the absence of an effective social damper. With the help of state policy, this damper would have to protect, in a recession and even more so crisis, the extreme poverty population from a further drop in income.

The only exception among the BRICS countries is China, where the share of the poorest population cut off by the poverty line for all three of thresholds has decreased. Even in Russia, the economic stagnation of 2015–16 led to an increase in the share of people living in extreme poverty, as can be seen from Table II.

TABLE II. EXTREME POVERTY RATE PER DAY IN BRICS COUNTRIES (% OF POPULATION)

Series Name	Country Name	1993	1996	2002	2005	2008	2009	2010	2011	2012	2013	2014	2015
1.90	World	34	29.4	25.5	20.7	18.2	...	15.7	13.7	12.8	11.2	...	10
	Russia	2.4	3.6	0.7	0.5	0.1	0	0.1	0.0	0.0	0.0	0.0	0.0
	Brazil	19.9	14.2	10.3	8.6	5.6	5.4	...	4.7	3.8	3.8	2.8	3.4
	China	56.6	41.7	31.7	18.5	14.8	..	11.2	7.9	6.5	1.9	1.4	0.7
	India	45.9	...	...	...	...	31.1	...	21.2	...	17.8*	...	13.4*
	South Africa	31.7	36.6	...	26.1	16.9	...	16.5	...	...	...	18.9	...
3.20	World	54.6	51.7	47.1	42.2	38.3	...	35.2	32.7	31.3	28.8	...	26.3
	Russia	10.8	11.3	4.7	3.2	0.5	0.5	0.5	0.3	0.3	0.3	0.2	0.3
	Brazil	36.4	27.3	22.4	19.7	13.5	12.5	...	10.3	8.7	8.2	6.9	8
	China	83.4	72.9	57.7	43.2	34.6	...	28.5	23.5	20.2	12.1	9.5	7
	India	81.1	...	...	...	...	69.9	...	60.4	...	...	...	...
	South Africa	50.1	56	...	48.6	37	...	35.8	...	...	...	37.6	...
5.50	World	68.1	67.4	64.1	60.4	56.6	...	53.9	52.2	50.7	48.7	...	46.1
	Russia	26.3	26.1	20.8	14.7	5.2	4.9	4	3.2	2.9	2.5	2.4	2.7
	Brazil	56.8	45.7	40.4	38.1	28.9	27.4	...	24	20.8	19.5	17.9	19.4
	China	96.3	92.3	80.6	70.5	60.6	...	53.4	49.2	44.3	36.3	31.5	27.2
	India	95.3	...	...	...	...	90.6	...	86.8	...	...	...	...
	South Africa	67.1	71.2	...	67.9	57.9	...	56.2	...	...	...	57.1	...

Note: 1.90, 3.20, 5.50 - Poverty headcount ratio at \$ a day (2011 PPP) (% of population); * data, survey-to-survey imputation methods (source [1, p. 32-33]). Source: <https://databank.worldbank.org>

⁴ It is this threshold that the WB methodology assigns to the group of countries with below-average income.

⁵ Calculated by the author by: databank.worldbank.org.

And although the three countries examined are distinguished in BRICS by high rural migration to cities, which always causes poverty growth, if accompanied by insufficient growth of the industrial sector of the economy, its impact was different. China did not show such a pronounced relationship between rural migration and the share of poverty as Brazil and India, although back in the 1990s the situation among the rural population of China was different.

III. CONCLUSION

What joint steps do we see in the possibility of finding a common field of interaction, while simultaneously solving the tasks of eliminating extreme poverty and improving the quality of employment, which the EU pays so much attention to. This is the participation of the BRICS countries in the Global Initiative on Decent Jobs for Youth program (International Labour Organization), which corresponds to the general tasks of the part of the social policy of any of the BRICS countries that relates to youth. These are the tasks – a global alliance to scale up action and impact on youth employment under – the 2030 Agenda for Sustainable Development. In addition, BRICS countries must exchange data on the dynamics of rural migration to cities and its impact on the economic situation of rural households.

The share of young people in the BRICS countries and especially its structural characteristics differ sharply between countries. But at the same time there are common features and most importantly - common tasks. The first of these is the reduction to the minimum possible size of the generation of youth who “Not in Education, Employment or Training,” the second task is to increase the professional education (training) of the youth of these countries. The third is the implementation of a special employment policy for young generations, which, firstly, helps to solve the first two problems, and secondly, leads to the growth of human capital, which is the main achievement of any BRICS country, although it is not indicated in the SDGs 2030. Moreover, as the most catastrophic problem for the country, we assess the presence of a young generation in extreme poverty. The main conclusion is that if we can talk about the possibility and necessity of social balance between the poor and rich, who own most of the financial and material wealth, then the situation with the poorest is completely different. The extremely poor, who have been in this status for many years, are socially excluded from society, therefore it is impossible to talk about any social balance in a society where such poverty exists. The recovery of society consists in the eradication of extreme poverty, therefore the social and economic policy of all the BRICS countries, to a lesser extent Russia, aimed at solving this problem should be not only a priority, but the main one. Without solving this problem, economic growth in India and South Africa, which have the highest share of the poorest, cannot contribute to the progress of society.

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