Preface: Transitioning to no poverty by 2030

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The first sustainable development goal (SDG 1) is "to end poverty in all its forms everywhere and for all", which seems to be non-negotiable for the "world we want", which would provide minimum living standards for all global citizens. However, the question remains: is this goal feasible, especially given the set-backs in the fight against poverty and the unequal access to health resources that we have observed in 2020 and 2021? If yes, how do governments and civil society need to engage and what resources are needed? In this book, we bring together a diverse set of perspectives on SDG 1 from leading scholars around the world. When we first invited scholars in 2019 to reflect on ending poverty by 2030, the world looked very different; or rather, the necessity of global social protection, decent and not only sufficient livings standards and strong international cooperation to fight global poverty became even more apparent—and the pandemic put a spotlight on the lack of these three components. The COVID-19 pandemic and the resultant lockdowns across the world have not only led to millions of lost lives across the world, but have also led to large numbers of people falling once again into extreme poverty.

The exact impact of the pandemic on poverty is already difficult to ascertain in the short term, due to data limitations in tracking the living conditions of the most marginalized communities in the world; and more so in the long term: it depends on the speed of the economic recovery across countries, as well as on the long-term consequences that the pandemic has on the health and education of poor households that might lead to long term poverty traps.

Given the uncertainty, estimates of researchers on the short-term impacts vary, but all agree that many of the gains made in the last twenty years in reducing poverty are likely to be lost. Lakner et al. (2021) estimate that around 120 million people around the world have additionally become extremely poor in 2020. In the absence of the pandemic, poverty was expected to decline by more than 30 million people in the year 2020. Sumner et al. (2020) estimate that, in some regions of the world, we might lose 30 years' worth of gains against poverty reduction. In their worst-case scenario, poverty would increase by about half a billion across the world. Using IFPRI's global model, Vos, Laborde et al. (2021) estimate that over 150 million additional people could have fallen into extreme poverty in 2020. Some initial estimations also indicate large, long-lasting impacts. UNDP (2020) estimates that the number of people living in extreme poverty will increase by 44–250 million (up from 861 million in No Covid Scenario) in 2030 because of the pandemic. In Chapter 2, Reddy estimates that an additional 500 million individuals will be poor (defined as less than 5 international dollars per day) in 2030 due to COVID-19.

This book starts with a broad perspective on the feasibility of ending extreme poverty by 2030—the likelihood of which has obviously decreased since the start of writing the chapters in 2019 and its publication in 2021. The first three chapters delve into data to present the current status of the progress made against the goals and projections of a reduction in poverty by 2030 across world regions (chapters 1–3). These chapters also discuss several challenges when it comes to measuring extreme poverty, pointing towards our limited understanding of the goal as such. The next six chapters (chapters 4 to 9) discuss the role of policies in ending poverty in all nations, which is now necessary to achieve the goal of no global poverty by 2030. The authors discuss selected essential policies needed to leave no low-income country and no person in middle-income countries behind in more detail, with a particular focus on social protection and investments in new generations, using case studies of countries from across the world. The last three chapters (chapters 10 to 12) discuss ways to mobilize the needed resources to successfully eliminate poverty in the 21st century: achieving SDG 1 requires not only good policies, but also substantive resources to invest in various poverty reduction policies.

Part 1: Is the World on Track to Achieving SDG 1?

A long list of indicators have been proposed for tracking the progress of SDG 1 of "ending poverty in all its forms everywhere" (United Nations 2017). These indicators refer to those deprived according to the international poverty line, the national poverty lines, poverty in all its dimensions, and those who lack access to basic public services and social protection. In addition, these indicators are meant to be disaggregated and tracked by sex and age. However, there is a lack of data to monitor all these indicators, especially by disaggregated groups. Hence, the international poverty line of 1.90 international dollars per day, which clearly defines the most extreme forms of poverty, is among the most likely indicator to be monitored and used to determine success in meeting SDG 1 by the international community by 2030. In chapters 1–3, we present diverse views on the measurement, history and potential future of global poverty. These chapters offer first-hand insights into both the challenges of understanding global poverty and achieving SDG 1.

In chapter 1, Roser and Hasell document the long-term history of poverty reduction and discuss the learnings from history for future progress in reducing poverty. They first show that from 1981 to 2017, extreme poverty in the world (defined as people living below 1.9 international dollars per day) has declined from 42 percent to 9 percent. They also document the changes using a societal poverty line that combines the absolute poverty line with a relative poverty line, defined based on average incomes in the individual's society. This poverty rate is not only higher, but has also declined at a slower rate: from 45 percent in 1990 to 28 percent in 2017. Similarly, they show that for higher absolute international poverty lines (such as, for example, 5.5 international dollars per day), the pace of decline in poverty has been slower as compared to that of a decline in extreme poverty. To further analyze historical poverty over the last two hundred years, they use average income data from national accounts and historical data on the extent of inequality in each country. These data have, of course, important limitations concerning coverage and quality, but the authors show that even though the exact extent of poverty reduction is difficult to deduce, the broad trends are clearly evident from the data. They find a more or less continuous poverty decline since 1820, with rapid acceleration in the second half of the 20th century. They argue that, based on historical progress made when it comes to poverty, reduction elimination is possible.

In chapter 2, Reddy takes a more critical perspective on how extreme poverty is defined globally and what this means for reaching SDG 1. The author argues that the societal understanding of poverty differs substantially from the technical understanding of how poverty is defined by governmental organizations. A societal understanding of no poverty would mean that everyone is able to meet their basic needs (food, clothing, shelter, etc.), whereas the technical definition is based on the 1.9 international dollars poverty line, which might not be enough to meet the costs to fulfill these necessities in countries that do not belong to the very poorest countries. There is a likelihood that SDG 1 will be met according to the technical view, but not by the societal view of what constitutes poverty. Reddy further estimates poverty using different poverty thresholds and various growth estimates, to determine if the world can achieve the SDG 1 targets. The estimations show that, for the 1.9 dollars international poverty line, poverty would be below 3 percent in almost all regions around the world by 2030, except in Sub-Saharan Africa. In Sub-Saharan Africa, poverty in 2030 is estimated to be between 32 and 53 percent, based on the growth projections that are used. However, the outlook and where the poor are located changes substantially if higher, and according to Reddy, "more realistic poverty" lines are used (2.52, 3.02 and 5.04 international dollars). Reddy estimates that with a poverty line of 5.04 international dollars (same as the United States Department of Agriculture food poverty line for the United States), about 35 percent of the world would be deemed poor in 2030, with a far larger fraction coming from South Asia.

In chapter 3, Ravallion argues that it is difficult to achieve the SDG 1 goal of "eradicating" poverty, because the current set of development policies do not reach the poorest. The author argues that linear projections currently used to estimate poverty rates in 2030 based on historical trajectories are misleading. The linear projections might indicate that we are on track to achieve SDG 1 goals, but we might fall short because of both slowing growth rates over the next ten years (even before the COVID-19 crisis) and the difficulty in reaching the very poorest, which has already become evident in many countries. The poorest might be hard to reach due to their remote physical location, persistent social exclusion, dynamic poverty traps and deficiencies in state capacity and policy in reaching the very poorest. Ravallion argues that the progress in poverty reduction declines substantially once a country reaches a poverty level close to 3%. Ravallion investigates the experience of 18 middle-income countries across the world that had reduced their poverty rate to 3 percent, and their success in terms of reducing poverty further. Ravallion finds that countries that have been successful in reducing poverty, both in East Asia and other places, witnessed a substantial decline in the pace of poverty rate reduction once they reached 3 percent levels. This experience was not driven by declines in growth rates, but by an inability to reach the poorest in society. The chapter argues that "business as usual" development policies might not be enough to reach the poorest and to achieve SDG 1, and that a change in policy frameworks is needed

Part 2: Policies to End Extreme Poverty

Building on the analysis of Ravallion, Klasen lays out the required policies for low-income countries, to end widespread poverty in the 21st century (chapter 4). Complementing chapter 4, Lay and Priebe focus instead on the poorest people in middle-income countries and the future policies needed to "leave no one behind" until 2030. Chapters 6–9 discuss two important dimensions of this policy agenda, namely social protection to reach the extreme poor left out of any growth processes, and investments in the future generation, so that as many people as possible can benefit from and contribute to the development of their countries.

In chapter 4, Klasen first argues that the growth-led reduction in poverty that helped achieve the Millennium Development Goal 1 (MDG 1) by 2015, namely reducing the share of people below the extreme international poverty line and who suffer from hunger by 50%, cannot be relied on any further for achieving SDG 1. MDG 1 was achieved because large populous countries like China and India were successful in substantially reducing poverty, even though many smaller countries did not achieve the MDG target. However, since SDG 1 calls for an elimination of poverty in each country in the world, for the goal to be met, all countries have to be successful, and that will be disproportionately harder. Moreover, the drastic declines in poverty in Asia have been led by a boost in agricultural productivity, industrialization and the development of export-oriented sectors. These three conditions might not be easy to implement across the poorest countries, who are still facing high extreme poverty rates of up to 30% in the 21st century.

Klasen identifies commodity sector-driven growth, conflicts, climate change and lack of fertility declines across different groups of countries as impediments to achieving SDG 1. High commodity prices that have helped several African countries to reduce poverty in recent years are no longer sustainable. The ill effects of a strong commodity sector—lack of structural change, lack of investment in agriculture and industry—severely limit any further progress in poverty reduction in these countries. A large number of poor people also live in conflict-ridden fragile states, and progress in these countries without international political (and military) commitment does not seem possible. The accelerating effects of climate change will further impact progress in poverty reduction in several countries. Parts of Africa have not experienced the decline in fertility rates usually associated with countries as they develop, leading to increased strain on scarce resources. To address these challenges, Klasen calls upon the poorest countries to implement country-specific policies (depending on the major challenge faced) to make progress in poverty reduction and to develop a broad social security net (see also chapters 6–7). He also calls on the international community to significantly expand non-reciprocal trade preferences, fund climate adaptation and provide increased political and military commitments for fragile countries.

In chapter 5, Lay and Priebe discuss the "leave no one behind" agenda and policies that would help middle-income countries to make it a reality. LNOB is a comprehensive principle that emphasizes social, economic and political inclusion that, according to the authors, must go beyond an anti-discrimination and/or an anti-poverty agenda. For policies, this implies a focus on key areas for economic and political participation—hence, education, social protection, and labor market policies. LNOB is an important guiding principle that can help guide national development policy in middle-income countries to eradicate poverty, as very unequal progress may threaten the development gains for poor countries graduating from low- to middle-income status. The authors first note that there are huge data limitations to identify who has been left behind in particular countries, and in particular related to the poverty status of migrants and people with disabilities. The authors go on to review policies that have worked in achieving LNOB goals in middle-income countries. In the sphere of education conditional cash transfers, policies to improve teacher quality (see also chapter 8), early childcare (see also chapter 9), and affirmative action programs are critical to provide knowledge and skills to all. For social protection policies (see also chapter 7), they conclude that a universal approach to social protection is effective and possible, with special emphasis given to increase coverage for marginalized people working in the informal sector. For labor policies (see also chapter 6), which are key for the poor to benefit from economic growth, Lay and Priebe indicate that large public work programs, minimum wage policies and affirmative action policies for various marginalized groups have been effective in generating decent employment. However, conclusions for labor market policies are less clear than for education and social protection, given that labor markets greatly depend on the macroeconomic developments of countries.

In chapter 6, Ruwanpura and Todd assess SDG 1 from the perspective of working women in Sri Lanka. Extreme poverty rates in Sri Lanka were 14 percent in 1985 and declined to below 1 percent in 2016. The authors outline that, despite this overall progress, women workers and minorities have made uneven progress. Even though women in Sri Lanka are highly educated and have had opportunities in the textile sector, they are concentrated in labor-intensive low-paying jobs and do not have any job security. Moreover, working Tamil minority women in Sri Lanka have to encounter discriminatory practices such as lower wages, derogatory language and abuse. Analyzing the labor law reforms proposed in 2019, the authors contend that though the reforms have several measures that are progressive, but overall they are catered towards attracting foreign investors rather than protecting the interests of the labor force. In particular, the reforms give employers the power to self-monitor and take away oversight from the state and unions. This will impact informal and vulnerable workers the most. Achieving sustainable poverty reduction as laid out in SDG 1, gender inequality and workers' rights need to be recognized and given their due importance—otherwise, women will be left behind. Additionally, the authors argue that the poverty reduction objectives of SDG 1 are intimately linked to other SDGs, and policies need to be more aware of these connections.

In chapter 7, Asiedu and Baku explore the goal of SDG 1 from the perspective of social protection policies in Ghana, a fast-developing country on the African continent. They argue that the rate of poverty reduction for one percentage point of economic growth has declined substantially over time in Ghana, and if the country is to achieve

SDG 1, it cannot rely merely on economic growth, but has to expand its social safety net. Ghana currently spends less than one percent of its GDP on social security schemes (0.63% in 2019), which is substantially lower than even most sub-Saharan African countries (2.16% of GDP). The authors argue that Ghana needs to spend more. The major current social protection schemes include the social grant scheme for vulnerable households, a range of education-focused programs providing free meals and schooling, and labor market interventions like a public works program. The authors also argue for the need for better targeting of these programs to improve the efficiency of public expenditures. The authors recommend the increased use of digital tools, like data obtained from the Taxpayer Identification Number (TIN) to better target benefits of various schemes to the people in need. A positive development in Ghana has been the decrease in reliance on international donors for social security expenditures, with more spending covered through domestic resources, making the social protection programs more sustainable.

In addition to social protection schemes, education is key to achieving SDG 1, as it contributes to economic development to finance any programs to alleviate poverty and, more importantly, provides a more equitable access to any gains from economic development.

In chapter 8, van der Berg discusses education challenges for seven southern African countries, namely South Africa, Mozambique, Lesotho, Zimbabwe, Eswatini and Botswana. The author argues that the MDGs led to a large expansion in enrollment and access to education in these countries and that the SDGs have rightly shifted focus to learning outcomes and equity, but this is not reflected yet in policies of southern African countries. “Learning poverty” is, hence, still widespread with little emphasis on measuring or determining whether children going to school are actually learning. The little that is known about learning levels among these countries indicates that it is very low – the average student in these seven southern African countries is between 3 and 6 years behind students in an average country where Pisa test is conducted. These countries do not regularly participate in international testing and many governments are not interested in measuring and monitoring progress in learning. A shift in focus from expanding and measuring access towards measuring and improving learning outcomes is essential to meet SDG 1.

In chapter 9, and building on van der Berg, Fink reviews the literature on early childhood education. Increasingly, it is being recognized that the early years of a child’s life are critical for various life outcomes, including the likelihood of suffering under poverty. Fink first documents the large gaps in the average development of children in low- and middle- income countries as compared to high-income countries. However, if he compares similarly endowed home environments across the world—with basic needs meet and mothers with completed secondary education—then these gaps disappear. Most of the lower development in early childhood in low- and middle-income countries are, hence, not driven by geographic or climate-related reasons, but linked to poverty and a lack of access to basic public services. A reduction in poverty will help narrow these gaps and a reduction in these gaps will lead to less poverty in the future. Early life interventions have been shown to have high returns, but have not been widely adopted in many countries around the world. Fink recommends home visit programs by trained community agents who provide regular guidance to parents on how to provide stimulating environments for children, as a way to reduce the early childhood gaps. These programs have proven to be effective in several countries and could be adopted at scale in many countries.

Part 3: Resources to End Extreme Poverty

In addition to targeted policies that differ across countries to achieving SDG 1 (see chapters 5–6), essential policies to increase social protection (see chapters 6–7) or providing better access to education to children across all ages (see chapters 8–9) require substantive resources. There are several alternatives to increasing resources—domestic taxation, revenue from natural resources, international development assistance, corporate taxation including of multi-national corporations, and borrowing from domestic and international markets. The last three chapters in this volume (chapters 10–12) discuss some of the challenges and steps forward in mobilizing resources for achieving SDG 1.

Beegle and de la Fuente, in Chapter 10, delve into the issue of how to mobilize resources and use them more efficiently for the poor across African countries. They first present evidence to show that many African countries still face a huge gap in the resources required to end extreme poverty. The authors argue that low levels of GDP on which to tax and limited ability to borrow from international markets restricts the resources that countries have to effectively address poverty. To increase resources, Beegle and de la Fuente recommend increasing direct tax compliance (such as income taxes) and decreasing reliance on indirect taxes (such as the value added tax), which are often regressive in nature, taxing the rich through property taxes, reducing lost corporate tax revenues due to transfer pricing policies (see also chapter 12), and increasing government revenues from extractive industries. Beegle and de la Fuente further argue that in addition to limited resources, the existing resources are often mistargeted and inefficiently used. In particular, the reallocation of energy and fertilizer subsidies to other sectors, and improving pro-poor spending within the sectors (towards goods and services used more by the poor, like elementary and secondary education and primary health services), would be two important first steps.

In chapter 11, Thiele analyzes another resource to end global poverty—international aid—and reviews the comprehensive literature on the impact of international aid on poverty and economic growth—including trade and foreign direct investment (FDI) as important drivers of growth. Thiele concludes that the impact of aid on growth is unclear, and that the literature lacks consensus on whether there is an impact or not. International aid leads to an increase in FDIs and exports of middle-income recipient countries, but this impact is missing among low-income countries. Thiele points to an important caveat that, due to inherent difficulties in identifying the causal impact of international aid on macro level development outcomes, the long-standing debate about whether aid can help countries to develop remains unsolved. However, the literature also suggests that foreign aid can support people directly to escape poverty. International aid targeted at improving social infrastructure leads to a substantial impact on reducing non-monetary poverty, such as higher school enrollment or lower child mortality. The open question is how much international aid can contribute to achieving the more ambitious social goals of the SDGs, which require much more context-specific and complex interventions than building social infrastructure.

In chapter 12, Brugger discusses the tensions among high-income countries between supporting low-and middle-income countries to raise sufficient revenues for social protection of the global poor through tax policies and pressure to uphold favorable tax frameworks for global corporations with headquarters in high-income countries. The chapter delves into the international political economy of international corporate taxation. To sustainably fund social security programs, countries need to mobilize resources locally through taxation and rely less on international aid (see also chapter 7). Industrialized countries have pledged to support low- and middle-income countries in developing their tax administration capacity. However, multinational corporations headquartered in high-income countries lobby for favorable tax frameworks, with their governments putting many countries in conflict between the two objectives. The author cites data indicating that the potential for raising domestic revenues in low-income countries by preventing the abusive tax avoidance by multinational corporations far exceeds tax avoidance by local companies. Abusive transfer pricing by multinational corporations allows profits to be transferred from high-taxation countries to lower-taxation countries, and in turn, avoiding taxation. Even though countries are internationally required to prize transactions within their organization as they would prize other unrelated companies (the arm's length principle), the technical capacity of tax administrations to monitor multinational companies on this arm's length principle is missing in many countries. Brugger documents various efforts to simplify the transfer pricing mechanism and shows that they have faced strong resistance and ultimately failed up to now. Even proposals to set up a more inclusive International Tax Organization (ITO) that has more representation from low- and middle-income countries have stalled. The author argues that if high-income countries are to take their pledge of ending global extreme poverty seriously, they must start thinking about their policies, as much as about policies in low- and middle-income countries.

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