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**Promotion and protection of all human rights, civil, political, economic, social and cultural rights, including the right to development**

## The parlous state of poverty eradication

### Report of the Special Rapporteur on extreme poverty and human rights\*

#### *Summary*

This report is submitted by Philip Alston. The world is at an existential crossroads involving a pandemic, a deep economic recession, devastating climate change, extreme inequality, and an uprising against racist policies. Running through all of these challenges is the **longstanding neglect of extreme poverty** by many governments, economists, and human rights advocates.

By single-mindedly focusing on the World Bank's flawed international poverty line, the international community mistakenly gauges progress in eliminating poverty by reference to a standard of miserable subsistence rather than an even minimally adequate standard of living. This in turn facilitates greatly exaggerated claims about the impending eradication of extreme poverty and downplays the parlous state of impoverishment in which billions of people still subsist.

While the Sustainable Development Goals have achieved a great deal, they are failing in relation to key goals such as poverty eradication, economic equality, gender equality, and climate change. They need to be recalibrated in response to COVID-19, the ensuing recession, and accelerating global warming.

Poverty is a political choice and its elimination requires: (i) reconceiving the relationship between growth and poverty elimination; (ii) tackling inequality and embracing redistribution; (iii) promoting tax justice; (iv) implementing universal social protection; (v) centering the role of government; (vi) embracing participatory governance; and (vii) adapting international poverty measurement.

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\* The present report was submitted after the deadline in order to reflect the most recent developments.

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## I. Introduction<sup>1</sup>

1. The world is at an existential crossroads involving a pandemic, a deep economic recession, devastating climate change, extreme inequality, and a movement challenging the prevalence of racism in many countries. A common thread running through all these challenges and exacerbating their consequences is the dramatic and longstanding neglect of extreme poverty and the systemic downplaying of the problem by many governments, economists, and human rights advocates.

2. COVID-19 is projected to push more than 70 million additional people into extreme poverty, and hundreds of millions more into unemployment and poverty.<sup>2</sup> More than 250 million people are at risk of acute hunger.<sup>3</sup> Poor people and marginalized communities have been the hardest hit in almost every country, both in terms of vulnerability to the virus and its economic consequences. Climate change, temporarily eclipsed from the front pages, is also on target to exacerbate the phenomenon of ‘climate apartheid,’ ensuring that low-income people bear the brunt of unconscionable climate policies designed to protect the status quo. And governments continue to pour money into repressive practices and carceral systems, while depriving poor communities of basic rights such as decent healthcare, housing, and education. While there is no magic bullet, taking extreme poverty seriously would address one of the main causes and consequences of these problems.

3. The first part of this report criticizes the mainstream pre-pandemic triumphalist narrative that extreme poverty is nearing eradication. That claim is unjustified by the facts, generates inappropriate policy conclusions, and fosters complacency. It relies largely on the World Bank’s measure of extreme poverty, which has been misappropriated for a purpose for which it was never intended. More accurate measures show only a slight decline in the number of people living in poverty over the past thirty years. The reality is that billions face few opportunities, countless indignities, unnecessary hunger, and preventable death, and remain too poor to enjoy basic human rights.

4. The second part argues that the international community’s principal policy response to poverty, through the Sustainable Development Goals (SDGs), is inadequately framed, failing, and in need of revitalization. The third part calls for a radical rethinking of existing approaches to poverty eradication.

## II. Extreme poverty is not being eradicated

5. Huge progress has been made in improving the quality of life for billions of people over the past two centuries, but it does not follow that “extreme poverty is being eradicated.”<sup>4</sup> Many world leaders, economists, and pundits have enthusiastically promoted a self-congratulatory message, proclaiming progress against poverty to be “one of the greatest human achievements of our time,”<sup>5</sup> and characterizing “the decline [in poverty]... to less than 10 per cent, [as] a huge achievement.”<sup>6</sup> Others have paid tribute to the role of economic growth and capitalism in lifting a billion people “out of dire poverty into something approaching a decent standard of living.”<sup>7</sup>

<sup>1</sup> Bassam Khawaja and Rebecca Riddell undertook outstanding research and analysis for the present report, as did Victoria Adelmant. Martin Ravallion, Sanjay Reddy, and World Bank officials provided immensely valuable advice, but share no responsibility for the final content.

<sup>2</sup> International Labour Organization, “As job losses escalate, nearly half of global workforce at risk of losing livelihoods,” 29 April 2020; Daniel Mahler, et al., “Updated estimates of the impact of COVID-19 on global poverty,” World Bank Blogs, 8 June 2020.

<sup>3</sup> World Food Programme, “COVID-19 will double number of people facing food crises unless swift action is taken,” 21 April 2020.

<sup>4</sup> Steven Pinker, *Enlightenment Now* (2018), p. 116.

<sup>5</sup> World Bank, “Decline of Global Extreme Poverty Continues but Has Slowed,” 19 September 2018.

<sup>6</sup> Martin Wolf, “The Case for Sane Globalism Remains Strong,” *The Financial Times*, 16 July 2019.

<sup>7</sup> Abhijit Banerjee and Esther Duflo, “How Poverty Ends,” *Foreign Affairs*, January/February 2020.

6. But these determinedly over-optimistic assessments generate many questions. What are the implications of serious challenges to the most prominent measure of global poverty upon which they rely? How can we reconcile them with so many other indicators that paint a far more troubling picture? Is the “huge achievement” as meaningful as touted? Can it withstand the onslaught of COVID-19 and climate change as well as the effects of extreme inequality, and if not, what does that tell us about how precarious progress has been? And how does the progress made compare to what could have been achieved with the immense wealth available?

#### A. Misplaced reliance on the World Bank’s international poverty line

7. Almost all of these celebratory accounts rely one way or another on the World Bank’s international poverty line (IPL), under which the number in extreme poverty fell from 1.895 billion in 1990 to 736 million in 2015, and thus from about 36 to 10 percent of the world’s population.<sup>8</sup> The United Nations has ensured the IPL’s status as the dominant benchmark by enshrining it as the main reference point in both the Millennium Development Goals and the SDGs. In addition, the Bank’s financial and intellectual clout ensure that almost all of the most glowing accounts of progress use its IPL statistics.

8. Certainly, the line is a highly admirable initiative that has likely done more to raise awareness and foster collective intent than any other single effort. However, the picture it provides is far from complete and it is important to recognize its principal limitations.<sup>9</sup> Many of these have been acknowledged by Bank officials, by a Bank-appointed expert group, and even by the economist responsible for developing the modern IPL. Yet the limitations nonetheless represent a strong indictment of the single-minded focus on this particular line and its use by many commentators—and the Bank—to underpin a misleading picture of progress against poverty.

9. What exactly is the IPL? The current line is derived from an average of national poverty lines adopted by some of the world’s poorest countries, mostly in Sub-Saharan Africa.<sup>10</sup> Unlike many national lines, it is not based on any direct assessment of the cost of essential needs. It is an absolute line, constant in value, calculated and expressed using purchasing power parity (PPP) dollars, which are designed to adjust for the costs of goods in different countries in a way that market exchange rates do not (notwithstanding the many challenges to the validity of the PPPs). According to the Bank, the line is a globally relevant yardstick that allows for the achievement of the same meager needs in every country.

10. The current line of US\$1.90 2011 PPP per day<sup>11</sup> represents what that amount could buy in the United States in 2011. Expressed in local currencies for the most recent years available, the line translates to living on 7.49 yuan per day in China, 1.41 euros in Portugal, 22.49 pesos in Mexico, 50.83 rubles in Russia, 355.18 naira in Nigeria, 910.15 pesos in Chile, or 36.27 rupees in India.<sup>12</sup> The IPL is of course well below the national poverty lines of most countries, and accordingly generates dramatically lower numbers in poverty. For example, using the most recent comparisons available, Thailand has a poverty rate of 0.0 percent under the IPL but 9.9 percent under the national line,<sup>13</sup> the United States, 1.2

<sup>8</sup> World Bank, *Poverty and Shared Prosperity 2018: Piecing Together the Poverty Puzzle* (2018), p. 2.

<sup>9</sup> Issues outside the scope of this report include critiques of the purchasing power parity rates, the methods of deriving previous IPLs and the consequences of shifting methodologies, and the problem of uni-dimensional money-metric approaches. Scholars including Sabina Alkire, Angus Deaton, and Sanjay Reddy have shed immense light on these problems.

<sup>10</sup> Francisco Ferreira, et al., “A Global Count of the Extreme Poor in 2012,” World Bank, 3 October 2015, pp. 39, 46.

<sup>11</sup> Except where noted, poverty lines are expressed in 2011 PPP dollars.

<sup>12</sup> Local currency conversions provided by the World Bank via email March 25, 2020. The conversion years are: 2018, Russian Rubles, Mexican Pesos, Nigerian Naira, Thai Baht; 2017, Euros in Portugal, Chilean Pesos; 2016, Chinese yuan; and 2014, South African Rand, Indian Rupee.

<sup>13</sup> 2018 figures. World Bank, “Poverty & Equity Brief: Thailand,” April 2020.

percent versus 12.7 percent,<sup>14</sup> South Africa, 18.9 percent versus 55 percent,<sup>15</sup> and Mexico, 1.7 percent versus 41.9 percent.<sup>16</sup>

11. This section reviews many of the IPL's principal shortcomings, as reflected in the "fierce technical debate" surrounding it.<sup>17</sup> Whatever its merits, the IPL should not be treated as the pre-eminent basis on which to determine whether or not the world community is eradicating extreme poverty, let alone as the benchmark for SDG 1 on poverty. The line is set so low and arbitrarily as to guarantee a positive result and to enable the United Nations, the World Bank, and many commentators to proclaim a Pyrrhic victory.

#### *A scandalous lack of ambition*

12. The IPL is explicitly designed to reflect a staggeringly low standard of living, well below any reasonable conception of a life with dignity. Under the measure, one can 'escape' from poverty without an income anywhere near that required to achieve an adequate standard of living, including access to healthcare and education. This standard is a world apart from the one set by human rights law and embodied in the UN Charter.

13. A number of alternatives illustrate the possibility of a very different approach. For example, David Woodward has proposed a "right-based poverty line" consistent with a minimum morally acceptable standard of living. He found that achieving an average infant mortality rate in 2010 would require a line 4.2 times higher than the Bank's then-IPL.<sup>18</sup> In 2006, Peter Edward proposed an "ethical poverty line" that would enable people to achieve normal human life expectancy, which produced a global headcount around three times higher than the IPL at the time.<sup>19</sup>

#### *Failure to achieve frugality*

14. While the Bank defends the line on the basis that it is intended to cover an intentionally meager set of basic needs, critics question how the line could cover even that. Robert Allen criticizes the line's reliance on 15 mostly tropical countries, rather than using any direct assessment of basic needs, thus ignoring higher spending on essentials like fuel and clothing in cold countries, and housing in wealthy countries. Using an austere approach to determine the lowest possible cost of a balanced 2,100 calorie diet and allowing for three square meters of living space, he calculates higher lines of \$2.63 in developing countries and \$3.96 in high-income countries.<sup>20</sup> His research generates a poverty headcount 1.5 times larger than the Bank's line, and suggests that simply meeting food or housing costs under that line could be extremely difficult, if not impossible, in certain countries.<sup>21</sup>

15. Sanjay Reddy has long argued that the Bank's approach is neither meaningful nor reliable, in part because it is not directly connected to the cost of basic needs and does not reflect "any ordinary language conception of poverty."<sup>22</sup> He draws attention to the minimum food cost figure calculated by the US government of \$5.04 per day in 2011,

<sup>14</sup> 2016 figures. United States Census Bureau, "Income and Poverty in the United States: 2016," 12 September 2017; World Bank, "Poverty headcount ratio at \$1.90 a day (2011 PPP) (% of population) - United States."

<sup>15</sup> 2014 figures. World Bank, "Poverty & Equity Brief: South Africa," April 2020.

<sup>16</sup> 2018 figures. World Bank, "Poverty & Equity Brief: Mexico," April 2020.

<sup>17</sup> Alex Cobham, *The Uncounted* (2020), p. 31.

<sup>18</sup> David Woodward, *How Poor is 'Poor'?: Towards a Right-based Poverty Line* (2010), p. 38.

<sup>19</sup> Peter Edward, "The Ethical Poverty Line: A Moral Quantification of Absolute Poverty," *Third World Quarterly*, vol. 27 (2006), p. 388.

<sup>20</sup> Robert Allen, "Absolute Poverty: When Necessity Displaces Desire," *American Economic Review*, vol. 107 (2017), p. 3713.

<sup>21</sup> Allen, "Absolute Poverty," pp. 3716-17.

<sup>22</sup> Rahul Lahoti and Sanjay Reddy, "\$1.90 Per Day: What Does it Say?," Working Paper 25/2015, The New School for Social Research (2015), p. 12; Thomas Pogge and Sanjay Reddy, "How Not to Count the Poor," in S. Anand, et al., (eds.), *Debates on the Measurement of Global Poverty* (2010), p. 42.

which vastly exceeds the \$1.90 that the Bank implies should have allowed a person to escape extreme poverty in the United States.<sup>23</sup>

#### *Societal differences*

16. Others contend that the IPL does not take into account varying societal standards. While PPP rates in principle adjust for different prices of the same goods in various countries, they do not reflect differences in the basic goods required to escape poverty. A cell phone or transport costs may not be essential to work in a low-income country, but are imperative in a high-income one. Martin Ravallion, the principal architect of the Bank's absolute "dollar-a-day" line in 1990, has since argued that a truly global perspective on poverty actually requires a relative approach. He proposes a "weakly relative" line to account for the costs of social inclusion in richer countries.<sup>24</sup>

17. Reddy advocates for a context-specific approach with a fixed "set of reference capabilities (freedoms to achieve specific beings and doings) that a person must be deemed to be able to have in order to be non-poor."<sup>25</sup> Pricing this locally would do away with the need for a single global poverty line while allowing for international comparisons, and would eliminate the uncertainty raised by the PPPs.

#### *Gender inequalities*

18. The prevailing method of measuring poverty is well-known to obscure gender differences because its estimate of per capita consumption assumes all resources are shared equally within the household, whereas research from China,<sup>26</sup> Africa,<sup>27</sup> and elsewhere shows widespread differences in resource allocation and consumption between women and men.<sup>28</sup> The implications are tremendous since nearly 100 million people lived a mere 10 cents above the poverty line in 2015. Even a slight systemic imbalance could mean the exclusion of millions of women living below the Bank's line from global poverty figures.

19. Of course, this is a fundamental data collection issue that extends beyond the Bank.<sup>29</sup> To its credit, the Bank readily acknowledges that its figures ignore intra-household inequalities,<sup>30</sup> has recently highlighted this phenomenon, and is exploring innovative methods for understanding individual poverty.<sup>31</sup>

#### *Overlooked groups*

20. The success story also airbrushes out the situation of hundreds of millions who are missing or severely underrepresented in survey data.<sup>32</sup> They often come from groups disproportionately affected by poverty, including homeless people, pastoralists, migrant workers, refugees and displaced persons, people affected by armed conflict, people residing

<sup>23</sup> Lahoti and Reddy, p. 13.

<sup>24</sup> Martin Ravallion, *The Economics of Poverty* (2015), p. 340; Shaohua Chen and Martin Ravallion, "Global Poverty Measurement when Relative Income Matters," *Journal of Public Economics*, vol. 177 (2019), p. 104046.

<sup>25</sup> Lahoti and Reddy, pp. 15-16.

<sup>26</sup> Raül Santaclàudia-Llopis and Yu Zheng, "Why Is Food Consumption Inequality Underestimated? A Story of Vices and Children," Working Paper 969 (2017).

<sup>27</sup> Caitlin Brown, Martin Ravallion, and Dominic van de Walle, "Are poor individuals mainly found in poor households? Evidence using nutrition data for Africa," World Bank Working Paper 8001, 9 March 2017, pp. 22-23.

<sup>28</sup> World Bank, *Poverty and Shared Prosperity*, pp. 125-49; Isis Gaddis and Dominique van de Walle, "Data gaps: The poor typical household surveys miss," World Bank Blogs, 25 January 2016.

<sup>29</sup> Caroline Criado-Perez, *Invisible Women: Data Bias in a World Designed For Men* (2019), ch. 13.

<sup>30</sup> Paul Romer, et al., "A Cover Note to the Report of the Commission on Global Poverty," World Bank, 18 October 2016, p. 3.

<sup>31</sup> World Bank, *Poverty and Shared Prosperity*, p. 144.

<sup>32</sup> Cobham estimates that over 350 million people are "systematically excluded from surveys and census data." *The Uncounted*, p. 157. Also, Anthony Atkinson, *Measuring Poverty around the World* (2019), p. 128.

in households but not considered members (such as domestic workers), and those in informal settlements.<sup>33</sup>

#### *China's outsized contribution*

21. Much of the progress reflected under the Bank's line is due not to any global trend but to exceptional developments in China, where the number of people below the IPL dropped from more than 750 million to 10 million between 1990 and 2015,<sup>34</sup> accounting for a large proportion of the billion people 'lifted' out of poverty during that period. This is even starker under higher poverty lines. Without China, the global headcount under a \$2.50 line barely changed between 1990 and 2010.<sup>35</sup> And without East Asia and the Pacific, it would have increased from 2.02 billion to 2.68 billion between 1990 and 2015 under a \$5.50 line.<sup>36</sup>

## **B. The Bank's response**

22. The Bank's response to the IPL's critics has been resolutely ambivalent. It has accepted the validity of many of the criticisms, acknowledged certain shortcomings, and recognized the need for multiple indicators of poverty and human development. However, it continues to give the IPL top billing in its messaging, much of its research, and its most high-profile analyses of global trends. For all of its careful qualification, the Bank is explicit that its focus remains on lifting people above that line.<sup>37</sup>

23. In 2015, the Bank sought advice on how best to measure and monitor global poverty by appointing a 24-member Commission on Global Poverty, led by Anthony Atkinson.<sup>38</sup> It subsequently accepted many of the report's 21 recommendations, conceding, for example, that there are legitimate questions over whether its line is too low to define a person as poor in *all* countries.<sup>39</sup> In 2018, it introduced a "societal poverty line" relative to countries' consumption levels, under which the poverty headcount has been nearly stagnant for 25 years.<sup>40</sup> It also reported on two higher-value lines that it considers typical of lower- and upper-middle-income countries, \$3.20 and \$5.50 respectively.<sup>41</sup>

24. Although the Commission urged the Bank to develop a basic needs-based estimate rather than relying on the yardsticks chosen by 15 of the world's poorest countries, the Bank maintains that "it would be paternalistic and disrespectful to question the choices" made by those countries.<sup>42</sup> This most uncharacteristic deference sits uneasily alongside the Bank's determination to influence various other domestic policy choices and the compelling concerns raised about national poverty lines in countries such as India,<sup>43</sup> Malaysia,<sup>44</sup> and China.<sup>45</sup> In 2019, a key Bank official acknowledged that "poverty is a

<sup>33</sup> Atkinson, pp. 129-130; UN Environment Programme, "Putting sustainable pastoralism on the global agenda," 23 June 2017; UN, "Refugees," available at <https://www.un.org/en/sections/issues-depth/refugees/>; International Organization for Migration, "Global Migration Trends," available at <https://www.iom.int/global-migration-trends>.

<sup>34</sup> World Bank, "Poverty and Equity Data Portal," available at <https://povertydata.worldbank.org/poverty/country/CHN>.

<sup>35</sup> Peter Edward and Andy Sumner, "Global Inequality and Global Poverty Since the Cold War: How robust is the optimistic narrative?," in P. van Bergeijk and R. van der Hoeven (eds.), *Sustainable Development Goals and Income Inequality* (2017), Figures 6-9.

<sup>36</sup> World Bank, "Regional aggregation using 2011 PPP and \$1.9/day poverty line," available at [iresearch.worldbank.org/PovcalNet/povDuplicateWB.aspx](http://iresearch.worldbank.org/PovcalNet/povDuplicateWB.aspx).

<sup>37</sup> World Bank, *Poverty and Shared Prosperity*, p. 3.

<sup>38</sup> Atkinson, *Measuring Poverty*, pp. xiv-xv.

<sup>39</sup> World Bank, *Poverty and Shared Prosperity*, pp. 3, 8.

<sup>40</sup> *Ibid.*, p. 8.

<sup>41</sup> *Ibid.*, p. 7.

<sup>42</sup> Romer, et al., "Cover Note to the Report," p. 7.

<sup>43</sup> Angus Deaton, "Price Trends in India and Their Implications for Measuring Poverty," *Economic & Political Weekly*, 9 February 2008.

<sup>44</sup> Kenneth Simler, "An idea whose time has come: Increasing Malaysia's poverty line," World Bank Blogs, 15 October 2019.

complex, multifaceted phenomenon” and that “a richer menu of poverty indicators is needed.”<sup>46</sup>

25. Overall, the Bank’s response fails to engage adequately with the concern that the line is too low in certain countries to achieve even a frugal standard of living. And it sidesteps tough questions about the validity of PPP rates, the risks of using a reference group comprised of tropical and less urbanized countries, and whether the IPL really captures what it purports to.

26. Moreover, the Bank continues to characterize the IPL as a “crucial way of measuring progress,”<sup>47</sup> and States continue to base key policy prescriptions on it. This enables it to conclude that extreme poverty is disappearing in most regions of the world. Bank staff may attempt to downplay the IPL’s significance by pointing to work using alternative lines and national definitions, but this belies the prominence of the line in the public consciousness, its role in shaping the narrative of success promoted by the Bank, the UN, and others, and its impact on the last 30 years of international policymaking. While it may be a fool’s errand to pursue a single ‘true’ poverty line, that does not mean all lines are equally valid. The Bank’s approach is woefully inadequate as the basis for a shared understanding of progress on poverty.

### C. The failure to eliminate poverty

27. Using a more defensible line generates a radically different understanding of progress against poverty. Even under the Bank’s line, the figures are terrible: 700 million people living under \$1.90 a day is abhorrent. But, using more realistic measures, the extent of global poverty is vastly higher and the trends discouraging.

28. Rather than one billion people lifted out of poverty and a global decline from 36 percent to 10 percent, many lines show only a modest decline in rate and a nearly stagnant headcount. The number living under a \$5.50 line held almost steady between 1990 and 2015, declining from 3.5 to 3.4 billion, while the rate dropped from 67 percent to 46 percent.<sup>48</sup> Using Ravallion’s weakly relative line, the number in poverty declined slightly from 2.55 billion to 2.3 billion between 1990 and 2013, falling from 48 to 32 percent.<sup>49</sup> Under the Bank’s societal poverty line, the headcount declined from 2.35 billion to 2.1 billion between 1990 and 2015, and the rate declined from 44.5 percent to 28.5 percent.<sup>50</sup> Today, the leading global non-monetary measure of deprivation, the Multidimensional Poverty Index, covering 101 developing countries, yields a poverty rate of 23 percent.<sup>51</sup>

29. Even under the Bank’s line, the trends in certain regions are deeply troubling. Between 1990 and 2015, the number of people living under the line in Sub-Saharan Africa and the Middle East *rose* by some 140 million.<sup>52</sup> Appallingly, the standard of living of the world’s poorest, surviving on just half the Bank’s austere line, has only increased a small amount in 30 years.<sup>53</sup>

30. The world is not even close to ending poverty. While SDG 1 calls for a rate of zero under the IPL by 2030, the Bank does not foresee an end to poverty even under that line. Assuming that every country grows as it did between 2005 and 2015 (doubtful), the Bank

<sup>45</sup> Andrew Fischer, *Poverty as Ideology: Rescuing Social Justice from Global Development Agendas* (2018), p. 74.

<sup>46</sup> Francisco Ferreira, “Measuring and Monitoring Global Poverty at the World Bank: A brief overview,” 5 March 2019, p. 22.

<sup>47</sup> World Bank, *Poverty and Shared Prosperity*, p. 3.

<sup>48</sup> *Ibid.*, p. 83.

<sup>49</sup> Ravallion, “On Measuring Global Poverty,” 2019, pp. 22-23.

<sup>50</sup> Espen Beer Prydz and Dean Jolliffe, “Societal Poverty: A global measure of relative poverty,” World Bank, 11 September 2019; World Bank, *Poverty and Shared Prosperity*, p. 77.

<sup>51</sup> UNDP, *Human Development Report*, 2019, p. 68.

<sup>52</sup> World Bank, *Poverty and Shared Prosperity*, p. 42.

<sup>53</sup> Martin Ravallion, “Are the world’s poorest being left behind?,” *The Journal of Economic Growth*, 2016, p. 161.



projects a poverty rate of 6 percent in 2030.<sup>54</sup> Under a \$5.04 line, projections show 28 percent of the world, or 2.35 billion people, in poverty in 2030.<sup>55</sup> These projections will deteriorate immensely as COVID-19 continues to ravage economies and public health.

31. Moreover, climate change will make a mockery of these projections since few governments are taking the drastic steps needed to address emissions or their impact on poverty. As of 2016 climate change was projected to push 100 million people below the IPL by 2030.<sup>56</sup> If forecasts used a more realistic poverty line and fully priced in the counterproductive impact of carbon emissions, the future would look even grimmer.

32. Despite vast resources, many high-income countries have failed to seriously reduce poverty rates under national measures, which are often in the double digits, and in some cases, poverty has risen alongside increasing homelessness, hunger, and debt. Between 1984 and 2014, poverty rose in countries such as Australia, Ireland, New Zealand, and the United Kingdom.<sup>57</sup> One in seven children in OECD countries live in income poverty, and child poverty rates increased in almost two-thirds of those countries in recent years.<sup>58</sup> While people speak of a “growing middle class,” most of that group lives a highly precarious existence, below the \$10-a-day line associated with permanent escape from poverty.<sup>59</sup>

#### D. COVID-19: a pandemic of poverty

33. The impact of COVID-19 will be long-lasting, but much-needed structural responses have been sorely lacking. According to the World Bank, the pandemic will erase all poverty alleviation progress over the past three years, and will push 176 million people into poverty at the \$3.20 poverty line.<sup>60</sup> Rather than resolving to address the inadequacy of their public health and social protection systems in response to the pandemic, many governments have seen COVID-19 as a passing challenge to be endured, ignoring the indispensability of large-scale economic and social restructuring. Others have taken it as an opportunity to undermine or restrict human rights. And rather than acknowledging how badly efforts to “end poverty” have been faring, and how relentlessly the pandemic has exposed that fact, most actors are doubling down on existing approaches that are clearly failing.

34. The public health community’s mantra for coping with COVID-19 encapsulates the systemic neglect of those living in poverty. The pithy advice to “stay home, socially distance, wash hands, and see a doctor in case of fever” highlights the plight of the vast numbers who can do none of these things. They have no home in which to shelter, no food stockpiles, live in crowded and unsanitary conditions, and have no access to clean water or affordable medical care. Far from being the “great leveler,” COVID-19 is a pandemic of poverty, exposing the parlous state of social safety nets for those on lower incomes or in poverty around the world. Poor people are more likely to be exposed to, and least likely to be protected from, the virus. They experience the impact of lockdowns, layoffs, and closures far more dramatically. The majority of ‘essential workers’ are poorly paid, badly protected, and unsupported by emergency assistance. In the understandable rush to re-open economies, they risk becoming sacrificial lambs.

35. Shockingly skewed illness and mortality rates have tracked and exposed racial and class divides. In some of the world’s richest nations, health care systems have proven grossly inadequate, and race, gender, religious, and class discrimination have skewed access to housing, food, education, and technology in ways that have yielded radically different outcomes. Gaping North-South disparities have been exposed. And many national and local governments, constrained by austerity policies, lack the will, resources, and administrative capacities to step in effectively. Meanwhile, multilateralism has been

<sup>54</sup> World Bank, *Poverty and Shared Prosperity*, p. 24.

<sup>55</sup> Sanjay Reddy, “Global Absolute Poverty: The Beginning of the End,” 10 February 2020, Tables 8-9.

<sup>56</sup> World Bank, *Shock Waves: Managing the Impacts of Climate Change on Poverty* (2016).

<sup>57</sup> Atkinson, *Measuring Poverty*, p. 199.

<sup>58</sup> OECD, “Poor children in rich countries: why we need policy action,” October 2018.

<sup>59</sup> Edward and Sumner, *The End of Poverty: Inequality and Growth in Global Perspective* (2019), p. 40.

<sup>60</sup> Mahler, et al., “Updated estimates.”

gravely wounded, and with a few exceptions, international solidarity has been conspicuously lacking.

36. If social protection floors had been in place, the hundreds of millions left without medical care, adequate food and housing, and basic security would have been spared some of the worst consequences. Instead, endless pressures to promote fiscal consolidation, especially over the last decade, have pushed social protection systems closer towards nineteenth century models rather than late twentieth century aspirations. When combined with the next generation of post-COVID-19 austerity policies, the dramatic transfer of economic and political power to the wealthy elites that has characterized the past forty years will accelerate, at which point the extent and depth of global poverty will be even more politically unsustainable and explosive.

### III. Recalibrating the SDGs

37. The SDGs and the 2030 Agenda aim to provide a “shared blueprint for peace and prosperity.” They were adopted in September 2015 with great fanfare and are the dominant framework through which poverty eradication efforts and development policy are structured at the global level. But five years later, it is time to acknowledge that their aspiration to provide a “supremely ambitious and transformational vision” is failing in key respects.

38. This critique recognizes that the SDG process has been a “game-changer” in important ways and been used to very good effect in many settings.<sup>61</sup> The goals have made a very significant contribution to promoting awareness, galvanizing support, and framing the broader debate around poverty reduction. They have been especially valuable in contexts in which they provide the only available entry point for discussions of contentious issues. Nevertheless, the time has come for a re-evaluation in light of deeply disappointing results to date and a range of new challenges.

#### A. Lack of adequacy and impact

39. In relation to *poverty*, SDG 1 begins with a call for an “end to poverty in all its forms everywhere.” Yet the targets set do not actually seek to eliminate poverty.<sup>62</sup> The first target aims to end poverty as measured by the Bank’s IPL, at best a bare subsistence goal that, even if met, would leave billions facing serious deprivation. The second calls for reducing the proportion of people living in poverty under national measures by just half, a failure of ambition in a period of unparalleled wealth and inequality. The third, relating to social protection, stops conspicuously short of establishing a meaningful requirement for social protection floors, instead calling for vague and far less meaningful implementation of “systems” which *might* include floors, and “substantial” rather than universal coverage.<sup>63</sup>

40. In short, the SDG 1 targets are patently inadequate to actually end poverty, and the prospects of achieving them are rapidly receding. Official UN reporting acknowledges that even before COVID-19, the pace of global poverty reduction was decelerating and the first SDG 1 target would not be met by 2030.<sup>64</sup>

41. In terms of *inequality*, SDG 10 calls for reducing inequality within and among countries and the SDG’s rallying cry is “Leave no one behind.” In reality, as Oxfam has

<sup>61</sup> Barbara Adams, “Democratic global governance: if it doesn’t challenge power it isn’t democratic,” in *Spotlight on Sustainable Development 2019* p. 36; M. Kaltenborn, M. Krajewski, and H. Kuhn (eds.), *Sustainable Development Goals and Human Rights* (2019).

<sup>62</sup> Sanjay Reddy, “Global Absolute Poverty,” 10 February 2020.

<sup>63</sup> UN, “Goal 1: End poverty in all its forms everywhere,” available at <https://www.un.org/sustainabledevelopment/poverty/>.

<sup>64</sup> UN, *Progress towards the Sustainable Development Goals: Report of the Secretary-General* (2020), para. 9.

noted, “economic inequality is out of control.”<sup>65</sup> While the Secretary-General has observed that inequality is “soaring,”<sup>66</sup> and various UN agencies have produced incisive analyses of inequality,<sup>67</sup> the annual SDG report treats inequality as just another box to tick. It notes that “Inequality within and among countries is a persistent cause for concern, despite progress in some areas.”<sup>68</sup> This superficiality epitomizes the broader failings of the SDG process to engage meaningfully with inequality. Analysis of voluntary national reviews shows that SDG 10 also scores very low in terms of attention from governments.<sup>69</sup>

42. Part of the problem is that despite the lofty goal, the targets and indicators set for realizing SDG 10 are weak by design. They set an agenda of “shared prosperity,” focusing on inclusive growth rather than actual reduction of inequalities.<sup>70</sup> The first target, for example, focuses entirely on the rate of income growth within the bottom 40 percent of the population—ignoring the situation of the wealthiest. This conveniently sidesteps necessary questions around wealth redistribution, elite capture of economic gains, growth achieved through carbon emissions, and inequitable fiscal policies. It treats inequality reduction as a problem to be solved through overall income growth, which flies in the face of recent history and is even more deeply problematic in light of the impacts of COVID-19 and climate change. And despite the importance of tackling gender inequality, at the current rate of economic growth, closing the gender gap in economic opportunity is projected to take 257 years.<sup>71</sup>

43. In relation to *climate change*, SDG 13 calls for “urgent action to combat climate change and its impacts.” The 2020 Secretary General’s SDG progress report notes that “the global community is way off track to meeting either the 1.5°C or 2°C targets called for in the Paris Agreement.”<sup>72</sup> Despite the Secretary-General’s own concerted campaign, the SDGs have had little impact in slowing global warming. Indeed, their focus on economic growth without due consideration for its environmental impact or the extent to which it is currently tied to emissions and extraction is deeply problematic.

## B. Unrealized transformative potential

44. Talk of transformation is hollow unless accompanied by a theory of change. In the case of the SDGs, the key components of any viable theory—empowerment, funding, partnership, and accountability—have each been marginalized.

### *Empowerment*

45. The SDGs are replete with references to transformation, empowerment, collaboration, and inclusion. But these concepts are illusory if people are unable to exercise their human rights. Despite almost 20 mentions of human rights in the text, there is not a single reference to any specific civil and political right, and human rights in general remain marginal and often invisible in the overall SDG context. Moreover, many of the Goals, even if fulfilled, would fall short of meeting existing human rights obligations. At the country level, many governments sideline or even reject the inclusion of rights in their SDG programming.

<sup>65</sup> Oxfam, *Time to care: Unpaid and underpaid care work and the global inequality crisis* (2020), p. 9.

<sup>66</sup> UN, *Financing for Sustainable Development Report 2020*, p. iii.

<sup>67</sup> UNDP, *Tackling Social Norms: A Game Changer for Gender Inequalities* (2020); UN, *World Social Report 2020: Inequality in a Rapidly Changing World*; UN, *Financing for Sustainable Development*.

<sup>68</sup> UN, *The Sustainable Development Goals Report* (2019), p. 42.

<sup>69</sup> UN, *Voluntary National Reviews Reports – What do they (not) tell us?* (2019), p. 4.

<sup>70</sup> Sakiko Fukuda-Parr, “Keeping Out Extreme Inequality from the SDG Agenda: The Politics of Indicators,” *Global Policy*, vol. 10, Supp 1 (2019), p. 61; Ignacio Saiz and Kate Donald, “Tackling inequality through the Sustainable Development Goals: human rights in practice,” *The International Journal of Human Rights*, 21:8 (2017), pp. 1032-1033.

<sup>71</sup> UNDP, *Tackling Social Norms*, p. 1.

<sup>72</sup> UN, *Progress towards the Sustainable Development Goals* (2020), para. 21.

46. Most SDG reports by the UN and World Bank pay little heed to rights, with the exception of gender.<sup>73</sup> They rarely discuss substantively the impact of discrimination, the absence of rights-respecting institutional decision-making structures, or the development consequences of even egregious rights violations. At a time when civil society is under sustained attack in many countries around the world, and space for meaningful democratic engagement is shrinking dramatically, one 2020 UN report limply observes that “[s]ome countries are providing support to non-state actors to build their capacities for engagement on the 2030 Agenda, establishing funding mechanisms to empower their actions and engagement.”<sup>74</sup> Unfortunately, SDG reporting too often tends to describe the glass as being one-fifth full rather than four-fifths empty.

#### *Funding and partnership*

47. The success of the SDGs relies heavily on adequate funding, but as the *Financing for Sustainable Development Report 2020* concludes, “international economic and financial systems are not only failing to deliver on the SDGs, but ... there has been substantial backsliding in key action areas.”<sup>75</sup> The outlook is even worse in light of the COVID-19 recession, inadequate official development assistance, growing debt, trade wars, and climate change. In addition, “poverty, corruption, and tax evasion limit domestic resources in developing countries.”<sup>76</sup>

48. The response of the international community has been to rely ever more heavily on private sector funding, which is increasingly presented as the only viable way forward. The Secretary-General has called on business to “move further and faster ... to meet the global goals” and has argued that “corporate leadership can make all the difference to creating a future of peace, stability and prosperity on a healthy planet.”<sup>77</sup> Corporations have been enthusiastic in demonstrating their embrace of the SDGs, though much of this has been superficial such as boasting of female workforce participation.<sup>78</sup>

49. The central strategy is “to use public funds more sparingly [and] ensure a better mobilization of private capital.”<sup>79</sup> But there are many problems with this approach. First, it begs the crucial question as to whether privatization in its various forms is capable of achieving many of the SDGs, especially for the most vulnerable whose inclusion may not be profitable. There are powerful reasons to doubt this.<sup>80</sup> Second, it recasts the overall SDG enterprise as one focused largely on the building of infrastructure and prioritizes an enabling business environment over empowering people. Third, the role of governments is downplayed, often relegated to insuring private investments. Fourth, all too little is done to promote domestic revenue mobilization, leaving in place destructive fiscal policies, systematic tax avoidance strategies, and illicit outflows that entrench poverty and inequality. Fifth, the commitment to “a revitalized Global Partnership,” promoting “solidarity with the poorest and with people in vulnerable situations,” is lost in the fog of an overriding focus on Public-Private Partnerships with troubling track records.<sup>81</sup>

<sup>73</sup> See UN Women, *Turning Promises into Action: Gender Equality in the 2030 Agenda for Sustainable Development* (2018).

<sup>74</sup> DESA, *Multi-Stakeholder Engagement in 2030 Agenda Implementation* (2020), p. 6.

<sup>75</sup> UN, *Financing for Sustainable Development*, p. xvii.

<sup>76</sup> UN, “30 Business Titans Join UN Push to Scale Up Private Sector Investment for Sustainable Development,” 16 October 2019.

<sup>77</sup> António Guterres, “Progress toward sustainable development is seriously off-track,” *The Financial Times*, 4 November 2019.

<sup>78</sup> Private Equity International, “Why SDGs are a Game Changer,” 14 February 2018.

<sup>79</sup> Djeneba Doumbia and Morten Lykke Lauridsen, “Closing the SDG Financing Gap – Trends and Data,” International Finance Corporation, *EM Compass*, Note 73 (2019), p. 3.

<sup>80</sup> A/73/396 (2018); Alessandra Cepparulo, Giuseppe Eusepi, and Luisa Giuriato, “Public-Private Partnership and Fiscal Illusion: A Systematic Review,” *Journal of Infrastructure, Policy and Development*, vol. 3 (2019), p. 288.

<sup>81</sup> See Eurodad, *History RePPeated: How Public Private Partnerships are failing* (2018).

### Accountability

50. The drafters of the 2030 Agenda explicitly rejected the concepts of monitoring and accountability in designing the SDG follow-up and review processes. The resulting system is characterized by its voluntary nature, deference to national choices, and institutional arrangements that minimize opportunities for sustained scrutiny.<sup>82</sup> The principal mechanism is the High-level Political Forum, which meets for eight days each year and has garnered high levels of stakeholder attendance. In 2020 it is expected to spend 23 hours considering 47 Voluntary National Reviews submitted by States.<sup>83</sup> Its main outcome is a Ministerial Declaration, largely negotiated in advance.

51. Many reforms have been put forward, designed to respond to concerns about the superficiality of the review process, the marginality of civil society, the formalism of the outputs, and the lack of meaningful engagement with VNRs at the national level. One close observer has described the HLPF as “a platform that welcomes all and challenges none,” criticized the “cherry picking, self-promotion and self-positioning” of stakeholders and emphasized the need to add “quality and independent oversight, and robust accountability.”<sup>84</sup>

52. National accountability mechanisms have not fared much better. While few independent assessments have been undertaken, available reports are not encouraging.<sup>85</sup> Given the resources and energies invested in the overall enterprise, it could and should do far more to hold governments and other stakeholders to account.

53. Instead of promoting empowerment, funding, partnerships, and accountability, too much of the energy surrounding the SDG process has gone into generating portals, dashboards, stakeholder engagement plans, bland reports, and colorful posters. Official assessments are rarely critical or focused, and they often hide behind jargon.

## C. Revisiting the agenda

54. The dramatic uptick in poverty from COVID-19 and the accompanying economic debacle should provide an impetus to revisit the 2030 Agenda. The official response to date has been that “[t]he 2030 Agenda must be preserved, and the SDGs must be reached.”<sup>86</sup> But doubling down on an inadequate and increasingly out-of-date approach is especially problematic. First, the SDGs’ commitment to at least 7 percent annual GDP growth in least developed countries is both likely unattainable and at odds with emerging challenges to the traditional growth paradigm.<sup>87</sup> Rapidly growing debt in low- and middle-income countries and the demands for fiscal consolidation that will follow COVID-19 support packages also need to be factored into a new equation.

55. Second, the past five years have brought a much broader awareness of the perils of climate change and the need to infuse the entire development process with a new environmental urgency. Continuing resistance in most countries to decoupling economic growth from fossil fuels, despite the opportunities presented by the COVID-19 emergency, makes the SDG growth targets almost impossible to achieve without far exceeding the Paris Agreement’s inadequate limit of 2°C of global warming by 2100.<sup>88</sup> Climate change is

<sup>82</sup> Kate Donald and Sally-Anne Way, “Accountability for the Sustainable Development Goals: A Lost Opportunity?,” *Ethics & International Affairs*, vol. 30, no. 2 (2016), p. 206.

<sup>83</sup> UN, “High Level Political Forum,” available at <https://sustainabledevelopment.un.org/hlpf/2020>.

<sup>84</sup> Adams, “Democratic global governance.”

<sup>85</sup> Hannah Birkenkotter et al., *A Tale of Multiple Disconnects: Why the 2030 Agenda Does Not (Yet?) Contribute to Moving German Gender Equality Struggles Forward* (2019); Cameron Allen et al., “Assessing National Progress and Priorities for the SDGs: Experience from Australia,” *Sustainability Science* (2019).

<sup>86</sup> UN, *A UN framework for the immediate socio-economic response to COVID-19* (2020), p. 3.

<sup>87</sup> Sam Adelman, “The Sustainable Development Goals, Anthropocentrism and Neoliberalism,” in D. French and L. Kotzé (eds.), *Sustainable Development Goals: Law Theory and Implementation* (2018), p. 34.

<sup>88</sup> Jason Hickel, “The Contradiction of the Sustainable Development Goals: Growth versus Ecology on a

already exacerbating poverty and threatens to undo the last 50 years of progress in development and poverty reduction.<sup>89</sup> Overreliance on emissions-intensive economic activity to combat poverty is self-defeating.<sup>90</sup>

56. Third, the SDGs were drawn up without reflecting the potentially game-changing impact of digital technologies across many key development sectors. This is now recognized by the Inter-Agency Task Force on financing the SDGs and is the subject of extensive analysis by the Bank and others.<sup>91</sup> The undoubted benefits need to be very carefully weighed against many potential abuses and the risk of exacerbating marginality, inequality, and exclusion.<sup>92</sup>

57. The SDGs should not be abandoned but nor should the status quo be set in stone. The pressing challenge is to reflect on ways in which the overall package, including targets and indicators, can be re-shaped and supplemented in order to achieve the key goals which otherwise look destined to fail. Business as usual should not be an option.

## IV. Steps towards ending poverty

58. Continued large-scale global poverty is incompatible with the human right to an adequate standard of living, and the right to life alongside the right to live in dignity. The failure to take the necessary steps to eliminate it is a political choice and one that leaves firmly in place discriminatory practices based on gender, status, race, and religion, designed to privilege certain groups over others.<sup>93</sup>

59. In recalibrating the SDGs and launching a sustained campaign to really end poverty in all its forms, the following steps are crucial.

### A. Reconceive the relationship between growth and poverty elimination

60. Economic growth is at the core of the SDGs, the engine relied upon to lift people out of poverty. Despite compelling critiques<sup>94</sup> of the simplistic orthodox formulation that “growth is good for the poor,”<sup>95</sup> mainstream economists and leading international organizations have been reluctant to adopt more balanced approaches.<sup>96</sup>

61. In too many cases, the promised benefits of growth either don’t materialize or aren’t shared. Countries that experience resource booms often don’t see benefits outside that sector.<sup>97</sup> Natural resource extraction employs relatively few people and can actually decrease the poverty reducing impact of other sectors.<sup>98</sup> Poverty gaps have increased in major hydropower states compared to non-hydropower states.<sup>99</sup> Commercial agriculture,

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Finite Planet.” *Sustainable Development*, vol. 27 (2019), p. 873.

<sup>89</sup> A/HRC/41/39 (2019).

<sup>90</sup> International Energy Agency, *Sustainable Recovery* (2020).

<sup>91</sup> UN, *Financing for Sustainable Development*, pp. 15-36; World Bank, *World Development Report 2021: Data for Better Lives* (2020).

<sup>92</sup> A/74/493 (2019).

<sup>93</sup> Thomas Piketty, *Capital and Ideology* (2020), p. 2.

<sup>94</sup> Joseph Stiglitz, et al., *Measuring What Counts: The Global Movement for Well-Being* (2019); Jason Hickel and Giorgos Kallis, “Is Green Growth Possible,” *New Political Economy*, vol. 25 (2019); Kate Raworth, *Doughnut Economics* (2017).

<sup>95</sup> David Dollar, et al., “Growth Still is Good for the Poor,” World Bank Working Paper 6568, 1 August 2013.

<sup>96</sup> For tentative steps, see UN, *Financing for Sustainable Development*, pp. 179-80.

<sup>97</sup> Andrew Warner, “Natural Resource Booms in the Modern Era: Is the curse still alive?,” IMF Working Paper WP/15/237, 2015, pp. 32-33.

<sup>98</sup> Luc Christiaensen, et al., “The (Evolving) Role of Agriculture in Poverty Reduction: An Empirical Perspective,” *Journal of Development Economics*, vol. 96 (2011), p. 252.

<sup>99</sup> Benjamin K. Sovacool and Götz Walter, “Internationalizing the Political Economy of Hydroelectricity: Security, Development and Sustainability in Hydropower States,” *Review of International Political Economy*, vol. 26 (2019), p. 49.

mining, and other land-intensive industries have contributed to significant displacement of communities around the world,<sup>100</sup> separating people from land they depend on for food, shelter and livelihoods, and resulting in impoverishment.<sup>101</sup> Industrial mining by multinationals often substantially decreases food security<sup>102</sup> and displaces jobs in artisanal mining.<sup>103</sup>

62. The argument that pro-market policies automatically benefit the poor is likewise at odds with the evidence. Traditional pro-growth policies, such as lower corporate tax rates, labor ‘reforms,’ deregulation, austerity-driven cuts to services, and privatization can have devastating effects on the well-being of poor people and the state’s capacity to reduce poverty. Unless they are carefully calibrated, shrinking public services, liberalizing trade, and deregulating labor markets can hurt workers.<sup>104</sup> Privatization of services disproportionately hurts poor people, often leading to higher user fees and cuts to wages in pursuit of disproportionately high profits for investors.<sup>105</sup>

63. Fiscal consolidation programs promoted for decades by the IMF and others have been linked to poorer labor conditions,<sup>106</sup> weaker labor rights,<sup>107</sup> decreased state capacity,<sup>108</sup> reduced healthcare access, and higher neonatal mortality.<sup>109</sup> While the IMF has recently sought to distance itself from this legacy, its principal prescriptions have barely changed and its social protection initiatives seem designed to defuse criticism rather than protect the poor.<sup>110</sup>

## B. Tackle inequality and embrace redistribution

64. There are various ways to reduce extreme inequality, but redistribution is an essential element. The global economy has doubled since the end of the Cold War, yet half the world lives under \$5.50 a day, primarily because the benefits of growth have largely gone to the wealthiest.<sup>111</sup> Between 1980 and 2016, the top 1 percent captured 27 percent of total real income growth,<sup>112</sup> and in 2017 captured 82 percent of new wealth.<sup>113</sup> Meanwhile, incomes of the poorest have grown far slower than global GDP.<sup>114</sup> The bottom 50 percent

<sup>100</sup> See, e.g. Oxfam, *Common Ground: Securing land rights and safeguarding the earth* (2016).

<sup>101</sup> See, e.g. Christophe Gironde and Gilda Senties Portilla, “From Lagging Behind to Losing Ground: Cambodian and Laotian Household Economy and Large-Scale Land Acquisitions,” in C. Gironde, et al., (eds.), *Large-Scale Land Acquisitions: Focus on South-East Asia* (2015), pp. 189-90.

<sup>102</sup> Tim Wegenast and Jule Beck “Mining, Rural Livelihoods and Food Security: A Disaggregated Analysis of Sub-Saharan Africa,” *World Development*, vol. 130 (2020), p. 7.

<sup>103</sup> Ben Radley, “A Distributional Analysis of Artisanal and Industrial Wage Levels and Expenditure in the Congolese Mining Sector,” *The Journal of Development Studies* (2020), p. 1.

<sup>104</sup> Robert Blanton and Durun Peksen, “Economic Liberalisation, Market Institutions and Labour Rights,” *European Journal of Political Research*, vol. 55 (2016), p. 482.

<sup>105</sup> In the Public Interest, *How Privatization Increases Inequality* (2016).

<sup>106</sup> Nathan Martin and David Brady, “Workers of the Less Developed World Unite? A Multilevel Analysis of Unionization in Less Developed Countries,” *American Sociological Review*, vol. 72 (2007), p. 562.

<sup>107</sup> Robert Blanton, et al., “The Impact of IMF and the World Bank Programs on Labor Rights,” *Political Research Quarterly*, vol. 68 (2015), p. 324.

<sup>108</sup> Bernhard Reinsberg, et al., “The World System and the Hollowing Out of State Capacity: How Structural Adjustment Programs Affect Bureaucratic Quality in Developing Countries,” *American Journal of Sociology*, vol. 124 (2019), p. 1222.

<sup>109</sup> Timon Forster, et al., “Globalization and health equity: The impact of structural adjustment programs on developing countries,” *Social Science and Medicine*, in press (2019).

<sup>110</sup> Cf. International Trade Union Confederation, *The IMF’s Renewed Supply-Side Push: Four Decades of Structural Adjustment and Austerity Conditionality* (2020); IMF, “A Strategy for IMF Engagement on Social Spending,” 14 June 2019.

<sup>111</sup> Edward and Sumner, *The End of Poverty*, p. 3.

<sup>112</sup> Facundo Alvaredo, et al., *World Inequality Report*, World Inequality Lab (2018), p. 46.

<sup>113</sup> Oxfam, “Richest 1 percent bagged 82 percent of wealth created last year - poorest half of humanity got nothing,” 22 January 2018.

<sup>114</sup> David Woodward, “Incrementum ad Absurdum: Global Growth, Inequality and Poverty Eradication in a Carbon-Constrained World,” *World Social and Economic Review of Contemporary Policy Issues*,

now have less than 1 percent of total global wealth, while the top 1 percent hold 45 percent.<sup>115</sup>

65. Using historic growth rates and excluding any negative effects of climate change (an impossible scenario), it would take 100 years to eradicate poverty under the Bank's line and 200 years under a \$5 a day line (Agenda 2230!). This would also require a 15- or 173-fold increase in global GDP respectively.<sup>116</sup>

66. Significant redistribution is indispensable. A 'pro-poor' growth scenario necessitates a far smaller increase in global GDP and eradicates poverty much sooner.<sup>117</sup> If every country reduced its Gini index by 1 percent per year, it would have a larger impact on global poverty than increasing each country's annual growth one percentage point above current forecasts.<sup>118</sup>

### C. Move beyond the aid debate and promote tax justice

67. Since the 1950s, debates over a just international order have focused heavily on official development assistance (ODA) from the North to the global South. In 2019, thirty OECD countries provided \$152.8 billion, in the form of grants or low-interest loans.<sup>119</sup> While such funds are vital, they pale in significance against the overall balance sheet. Low- and middle-income countries pay \$756 billion annually in principal repayments and \$213 billion in interest on an overall external debt of \$7.8 trillion.<sup>120</sup> Following centuries of colonial exploitation, developing countries continue to be net providers of resources to the rest of the world.<sup>121</sup> Large-scale debt forgiveness is necessary, especially in the wake of COVID-19.

68. Social justice commitments are nowhere better reflected than in the fiscal system, and coordinated global tax reform that reduces mass avoidance and evasion will be crucial. Fair and equitable taxation can lay the foundations for a society that respects and promotes well-being for all. Yet the terms 'taxation' and 'fiscal' appear but once in the 2030 Agenda. The assumption seems to be that those issues only relate to the challenge of financing. But, taxation, both as a symbol of solidarity and burden-sharing, and as a reflection of deeper values, must be front and center in any set of policies to eliminate poverty. International policies fall far short of entrenching even a thin notion of tax justice, either at the national or international level. In many African countries, individuals in the bottom 40 percent of income pay more in taxes than they receive in cash benefits through subsidies and direct transfers.<sup>122</sup>

69. Low tax revenue has hobbled the capacity of governments to undertake redistributive policies.<sup>123</sup> In 2015, multinationals shifted an estimated 40 percent of their profits to tax havens<sup>124</sup> and global corporate tax rates have fallen from an average of 40.38 percent in 1980 to 24.18 percent in 2019.<sup>125</sup> There are now hundreds of thousands of tax havens worldwide,<sup>126</sup> depriving states of as much as \$650 billion in tax avoidance by

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vol. 4 (2015), pp. 50, 58.

<sup>115</sup> Credit Suisse, *Global Wealth Report 2019*, p. 2.

<sup>116</sup> Woodward, "Incrementum ad Absurdum," p. 58.

<sup>117</sup> *Ibid.*, p. 60.

<sup>118</sup> Christoph Lakner, et al., "How Much Does Reducing Inequality Matter for Global Poverty," World Bank Working Paper 8869 (2019), p. 14.

<sup>119</sup> UN, "Global ODA, and aid for least developed countries, recovers in 2019."

<sup>120</sup> World Bank, *International Debt Statistics* (2020), p. 17.

<sup>121</sup> Global Financial Integrity, *Financial Flows and Tax Havens: Combining to Limit the Lives of Billions of People* (2015), p. 15.

<sup>122</sup> World Bank, *Accelerating Poverty Reduction in Africa* (2019), p. 265.

<sup>123</sup> Emmanuel Saez and Gabriel Zucman, *The Triumph of Injustice* (2019).

<sup>124</sup> Thomas Tørsløv, et al., "The Missing Profits of Nations," National Bureau of Economic Research, 22 April 2020, p. 27.

<sup>125</sup> Tax Foundation, *Corporate Tax Rates around the World, 2019*, p. 2.

<sup>126</sup> Saez and Zucman, *Triumph of Injustice*, p. 64.



multinationals, with developing countries losing an estimated 6-13 percent of their total tax revenue as a result.<sup>127</sup>

70. The United States has been the global trendsetter in reducing corporate, personal, and estate taxes over the past four decades, popularizing techniques that enable massive tax avoidance and facilitate the proliferation of global tax havens. The result is that many billionaires in the US pay a lower overall tax rate than anyone else.<sup>128</sup>

71. International cooperation and tax reform is necessary, but a crucial first step is transparency. A common set of indicators for tracking income and wealth should be prioritized in the next revision of the UN System of National Accounts. Governments should publish income, wealth, and effective tax rates of top earners, and require multinationals to publish country-by-country reporting data.

#### **D. Implement universal social protection**

72. Innumerable reports have characterized social protection as an indispensable foundation for reducing poverty and achieving the SDGs.<sup>129</sup> Yet most governments remain largely unmoved by exhortations. As a result, 230 years after Thomas Paine made a compelling case for societies to protect everyone against sickness, disability, unemployment, and old age,<sup>130</sup> four billion people, over half of the world's population, enjoy no such minimal level of support.<sup>131</sup> This is an extraordinary indictment of the global fight against extreme poverty.

73. Five reasons stand out for this failure. First is the absence of an essential normative foundation. The OECD, World Bank, and IMF, for example, steadfastly avoid relating their efforts in any way to the existence of a human right to social protection. It remains, at best, just another policy option. Second, very few governments have accorded priority to social protection, at least until massive protests prompt deeper reflection.<sup>132</sup> Third, the key institutional actor, the IMF, has adopted a lukewarm and heavily qualified stance towards social protection, despite a flurry of studies and protestations. Fourth, the neoliberal policy prescriptions that shape the overall approach of the international financial and economic regimes are simply incompatible with according priority to social protection. Fifth, austerity policies, which have dominated much of the landscape since 2010 and are likely to enjoy a new post-COVID-19 resurgence, leave little room for social protection.<sup>133</sup>

74. The time has come to take social protection seriously, both as a human right and as a genuinely indispensable element of any poverty elimination strategy.

#### **E. Center the role of government**

75. Just as the privatization agenda has gained excessive prominence in the SDG context, so too can philanthropy jeopardize governments' capacity to set priorities, provide funding, and implement programs. Some 2,000 billionaires now hold more wealth than 60

<sup>127</sup> Alex Cobham and Petr Jansky, "Global Distribution of Revenue Loss from Corporate Tax Avoidance: Re-estimation and Country Results," *Journal of International Development*, vol. 30 (2018), pp. 207, 221.

<sup>128</sup> Emmanuel Saez and Gabriel Zucman, "How to Tax Our Way Back to Justice," *The New York Times*, 11 October 2019.

<sup>129</sup> UN DESA, *Promoting Inclusion through Social Protection: Report on the World Social Situation* (2018); OECD, *Implementing Social Protection Strategies* (2019).

<sup>130</sup> Thomas Paine, *The Rights of Man* (1792).

<sup>131</sup> UN DESA, *Promoting Inclusion through Social Protection*, p. 9.

<sup>132</sup> Between 2010 and 2014, 122 countries reduced expenditure on social protection as a percentage of GDP. UN DESA, *Promoting Inclusion through Social Protection*, p. 9. The majority of OECD countries reduced their social spending between 2015 and 2018. OECD, *Social spending* (2020).

<sup>133</sup> Isabel Ortiz and Matthew Cummins, "Austerity: The New Normal, A Renewed Washington Consensus 2010-24," Initiative for Policy Dialogue, October 2019; Amanda Shriwise, et al., "Universal Social Protection: Is It Just Talk?," *Sociology of Development*, vol. 6 (2020), pp. 116, 122.

percent of the global population, and many are worth more than the GDP of entire countries.<sup>134</sup> While some have made vital contributions to well-being and amplified the voices of people in poverty, the overall situation presents serious challenges.

76. Billionaires are able to amass such fortunes thanks to policies that tax labor more than capital and facilitate tax avoidance or minimization. As tax rates fall, often after intensive lobbying, and funding for crucial services like education and healthcare declines, governments rely more on private giving.<sup>135</sup> Such contributions are then rewarded from the public purse through tax incentives.<sup>136</sup> Some give in areas where they had previously pressed for government cuts, shifting social support from the public to the private arena.<sup>137</sup> The result is a weakened public system, an empowered role for the wealthiest, and rights bearers dependent on “generosity” and handouts.<sup>138</sup> Despite claims of greater private sector efficiency, there is little efficient about tens of thousands of foundations, each with duplicate staff and overhead, competing to identify and implement worthwhile projects.<sup>139</sup>

77. Philanthropy is less likely to expose and tackle unjust underlying structures. Some philanthropists have profited from many of the very patterns driving poverty, including the erosion of labor protections and stable employment, increasing real estate prices in low-income neighborhoods, and tax cuts.<sup>140</sup> Large corporations like Facebook, Google, and Apple are touting philanthropic initiatives all while engaging in large-scale tax avoidance, depriving governments of billions while budget cuts are endangering social protection programs.<sup>141</sup>

78. Philanthropic giving is not a democratic or transparent process, moving efforts to address poverty behind closed doors. It is a form of private political power, one in which wealth can dictate policy without regulation or accountability.<sup>142</sup> Above all, it is no replacement for an equitable tax system or robust publicly funded programs that fulfill the human rights of all people and work to eliminate extreme poverty.<sup>143</sup>

## F. Embrace participatory governance

79. For all of the talk of participation and partnership, people who have experienced poverty are largely shut out of policymaking processes. When they oppose policies ostensibly designed to help them, they are ignored. Instead, ideological arguments, misinformation, stereotypes, and anecdotes are used to advance the goals of the powerful under the guise of reducing poverty.<sup>144</sup> Policymakers routinely blame poor people for their situation, ignoring systemic factors, such as the unavailability of decent work, unaffordable living costs, adverse institutional arrangements, and the perverse actions of policymakers themselves. Governments need to listen more attentively and to foster genuine public discussion of policies to eliminate poverty and promote an adequate standard of living for all.

<sup>134</sup> Oxfam, “World’s billionaires have more wealth than 4.6 billion people,” 20 January 2020.

<sup>135</sup> Chiara Cordelli, “Reparative Justice and the Moral Limits of Discretionary Philanthropy,” in Rob Reich, et al., (eds.), *Philanthropy in Democratic Societies* (2016), p. 244.

<sup>136</sup> Alec MacGillis, “The Billionaires’ Loophole,” *The New Yorker*, 7 May 2016.

<sup>137</sup> David Callahan, *The Givers: Wealth, Power, and Philanthropy in a New Gilded Age* (2017), pp. 241-43.

<sup>138</sup> Ryan Pevnick, “Philanthropy and Democratic Ideals,” in Reich, *Philanthropy in Democratic Societies*, p. 226.

<sup>139</sup> Callahan, *Givers*, p. 26.

<sup>140</sup> Andrew Carnegie, “The Gospel of Wealth,” available at <https://www.carnegie.org/about/our-history/gospelofwealth/>; Anand Giridharadas, *Winners Take All* (2018), p. 165.

<sup>141</sup> Callahan, *Givers*, p. 49; Jesse Drucker and Simon Bowers, “After A Tax Crackdown, Apple Found a New Shelter for Its Profits,” *The New York Times*, 6 November 2017.

<sup>142</sup> Reich, et al., *Philanthropy in Democratic Societies*, pp 2, 68-69, 72.

<sup>143</sup> See Tim Schwab, “Bill Gates’s Charity Paradox,” *The Nation*, 17 March 2020.

<sup>144</sup> Ravallion, *The Economics of Poverty*, pp. 5-6.

## **G. Adapt international poverty measurement**

80. The current IPL should not be the main focus of the international community in characterizing the extent of global poverty. The UN should prioritize its own measures, which often more meaningfully reflect deprivations. The Bank should explore measures that are explicitly tied to the satisfaction of basic needs and capabilities. Although doing so would not address core criticisms, the Bank should at least foreground measures that give a more complete picture in their publications and research, such as the societal poverty line or higher monetary lines.

81. An important starting point is to generate crucial data. This includes information on within-household inequality and on groups underrepresented in and excluded from surveys. As valuable as a more realistic global headcount would be, no one measure can replace the broad dashboard of multidimensional indicators that reflect modern expectations of a life free of poverty, aligned with human rights guarantees.

## **V. Conclusion**

82. In evaluating poverty eradication, the international community should stop hiding behind an international poverty line that uses a standard of miserable subsistence. The UN should have the courage of its convictions and acknowledge that the scale of global poverty is far more accurately reflected in its own indicators and reporting.

83. Supporters of the SDGs should acknowledge that there is a deep deficit of political motivation underlying the current malaise in which key goals such as poverty eradication, economic inequality, gender inequality, and climate change are very far from being achieved. To avoid sleepwalking towards assured failure while pumping out endless bland reports, new strategies, genuine mobilization, empowerment, and accountability are needed. Recalibrating the SDG framework itself in response to fundamentally changed circumstances is an urgent first step.

84. Ever-greater reliance on the private sector to defeat global poverty, whether through PPPs or philanthropy, is a blind alley. Businesses are not motivated, managed, empowered, or incentivized to perform many of the essential public functions being systematically outsourced to them. This trend represents an abdication of responsibility by governments and international organizations.

85. Extreme poverty is and must be understood as a violation of human rights. Protestations of inadequate resources are entirely unconvincing given the determined refusal of many governments to adopt just fiscal policies, end tax evasion, and stop corruption. Poverty is a political choice and will be with us until its elimination is reconceived as a matter of social justice. Only when the goal of realizing the human right to an adequate standard of living replaces the World Bank's miserable subsistence line will the international community be on track to eliminate extreme poverty.