

Development in Brief



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Getting To Zero: Is Eradicating Extreme Poverty Until 2030 Achievable?

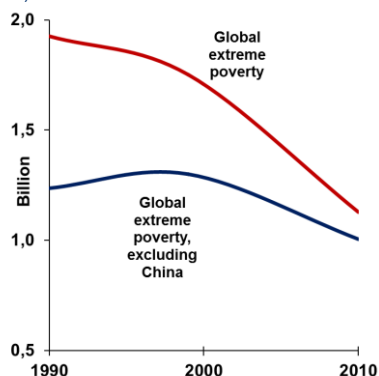
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This year the Millennium Development Goals (MDGs) will be succeeded by the Sustainable Development Goals (SDGs). The first goal of the MDGs – to halve worldwide poverty as measured by the \$1.25 poverty threshold taking 1990 as the baseline – will be replaced by the goal to eradicate extreme poverty until 2030. In order to reach this goal 1 billion people need to escape poverty within the next 15 years. How realistic is this goal?

Trends of poverty and projections

Poverty reduction has been extremely successful throughout the last decades. Goal 1 of the MDGs – halving poverty – has been reached ahead of schedule. In 1990 43 percent of the population living in developing countries were poor, by 2010 this number dropped to 21 percent. Especially China, where more than 500 million people have crossed the poverty line since 1990, has contributed extraordinarily to global poverty reduction. Without China's contribution the development of extreme poverty looks less impressive. From 1990 to 2000 extreme poverty even increased from 1.2 to 1.3 billion

Graph 1: Poverty headcount trends since 1990 (\$1.25)



Source: Own research based on World Bank data.

people. It was only in the early 2000s that the reduction of poverty outside China gathered pace (see graph).

In order to eradicate extreme poverty until 2030 the current trend would have to continue within the next 15 years. On average extreme poverty would have to decline by one percentage point each year. So if the current trend of poverty reduction remains stable, the goal appears to be realistic.

Growth, inequality and fragility

However, three variables may diminish the chances that the current trend of poverty reduction can be maintained.

A number of studies show that economic growth has been the main driver of poverty reduction throughout the last decades. But even if growth remains high – which according to different projections seems unlikely –, one can expect that its poverty reducing impact will decrease. Compared to some decades ago the income of a significant part of the poor is further away from the \$1.25 poverty line. Thus, economic growth will not lift as many people as quickly out of (ultra) poverty as this was the case before.

The declining growth elasticity of poverty can partially be counteracted through the reduction of income inequality in favour of the poorest sections of the population: redistribution is not only a means of directly reducing poverty but it also narrows the poverty gap and thus increases poverty reducing impact of future economic growth.

However, it is to be feared that extreme poverty will predominate in fragile states – especially in the conflict zones in African countries – where sustainable reductions of poverty are

the hardest to achieve.

Measures to achieve poverty reduction

Business as usual is therefore not likely to be enough to eradicate extreme poverty until 2030. On the one hand, it is necessary to increase the (financial) efforts – a central theme of the conferences hosted by the United Nations this year. On the other hand, strategies which aim at tackling persistent poverty – in particular chronic and ultra-poverty – in tandem with redistributive policies are needed.

A variety of strategies which would especially target extreme poverty are currently debated by the international community such as:

- expansion of social security programs (social insurance, cash transfers, graduation programs, etc.);
- improved access to adequate basic social services like health and education;
- food security programs including the increase of productivity in small-holder agriculture; and finally
- the expansion of employment opportunities in particular for young adults (making use of the demographic dividend in particular in Africa and India).

Extreme poverty will not be eradicated without a focus of future action on fragile states, marginalised communities (minorities, disabled people, multidimensional poor). Furthermore, the continuous improvement of targeting methods to identify the ultra-poor is essential. India, for example, has successfully increased the access of large parts of the population to national identification documents which improves the targeting of social security programs.

Conclusion

The aim of eradicating extreme poverty by 2030 is ambitious and needs a lot of political support. The right mix of growth promotion, reduction of inequality and social inclusion is an indispensable part of any political strategy designed to achieve this aim. ■