

# Shortfall of Domestic Resources to Eradicate Extreme Poverty by 2030

**Adrien Fabre** (CNRS, CIRED)

*August 2024*

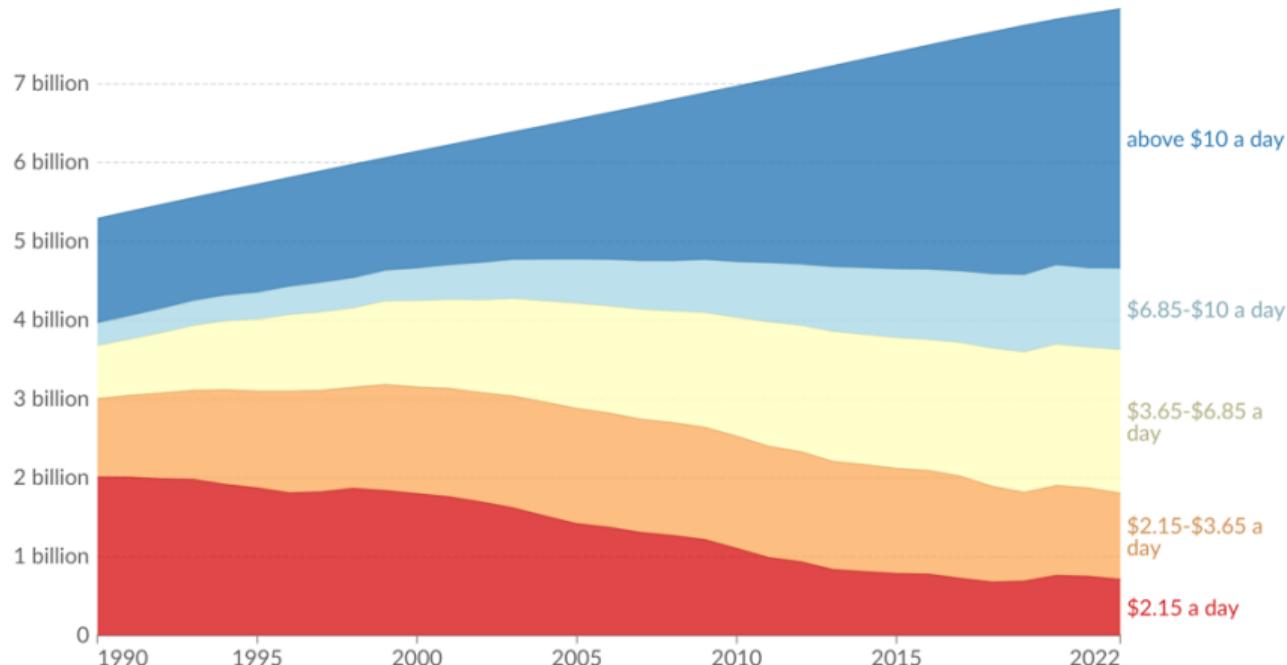
# Introduction

# Poverty eradication

## Distribution of population between different poverty thresholds, World, 1990 to 2022

Our World  
in Data

This data is adjusted for inflation and for differences in the cost of living between countries.



Data source: World Bank Poverty and Inequality Platform (2024)

[OurWorldInData.org/poverty](https://OurWorldInData.org/poverty) | CC BY

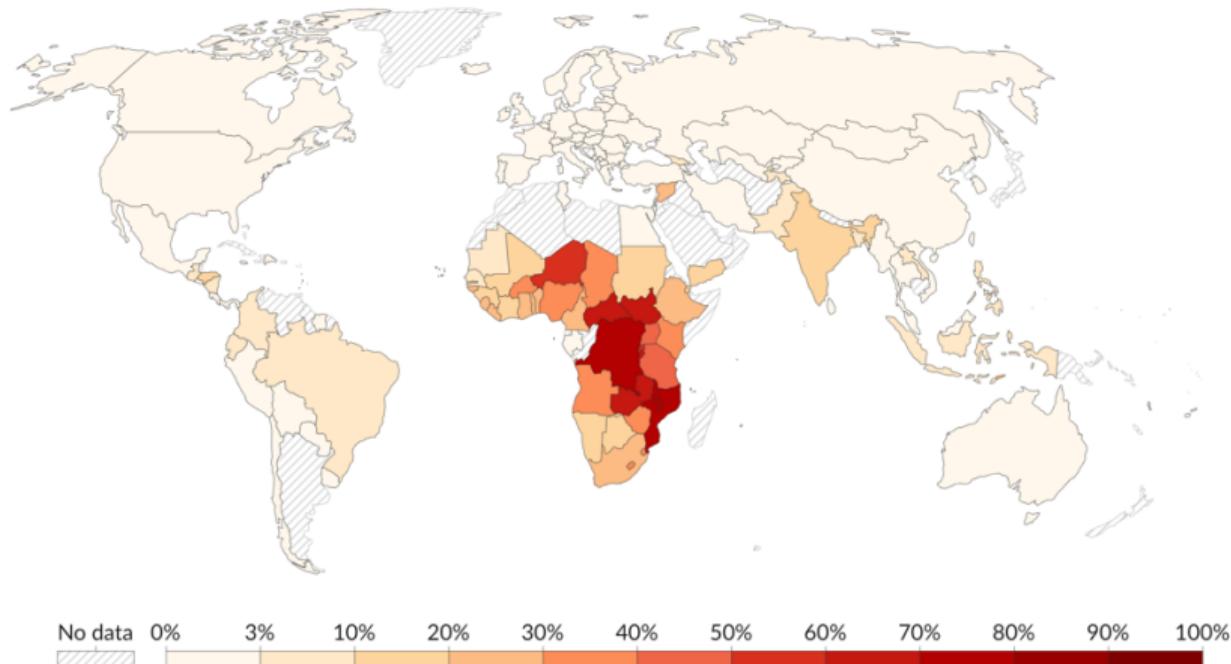
Note: This data is expressed in international-\$<sup>1</sup> at 2017 prices. Depending on the country and year, it relates to income measured after taxes and benefits, or to consumption, per capita<sup>2</sup>.

# Poverty eradication

## Share of population living in extreme poverty, 2019

Our World  
in Data

Extreme poverty is defined as living below the International Poverty Line of \$2.15 per day. This data is adjusted for inflation and for differences in the cost of living between countries.



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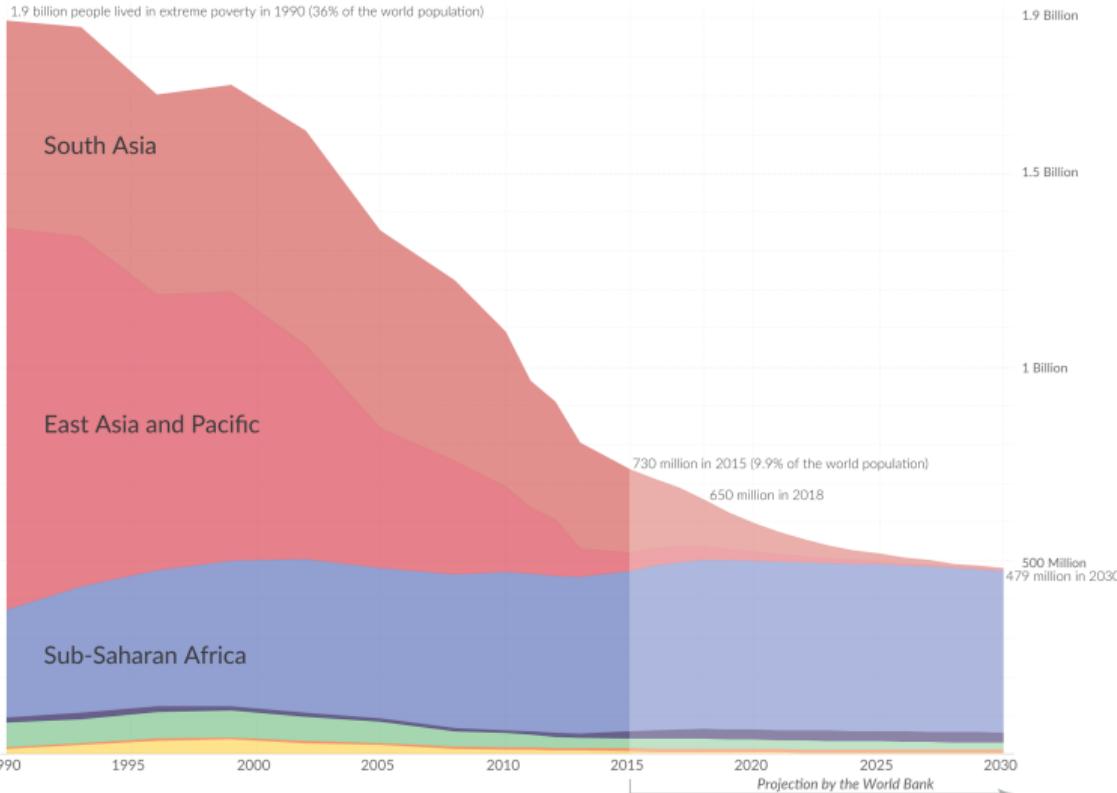
# Poverty eradication

## The number of people in extreme poverty – including projections to 2030

Extreme poverty is defined by the 'international poverty line' as living on less than \$1.90/day. This is measured by adjusting for price changes over time and for price differences between countries (PPP adjustment). From 2015 to 2030 the World Bank's projections are shown.



1.9 Billion



Data source: World Bank data from 1990 to 2015. The projections from 2015 to 2030 are published in the World Bank report *Poverty and Shared Prosperity 2018*.  
This is a visualization from OurWorldInData.org, where you find data and research on how the world is changing.

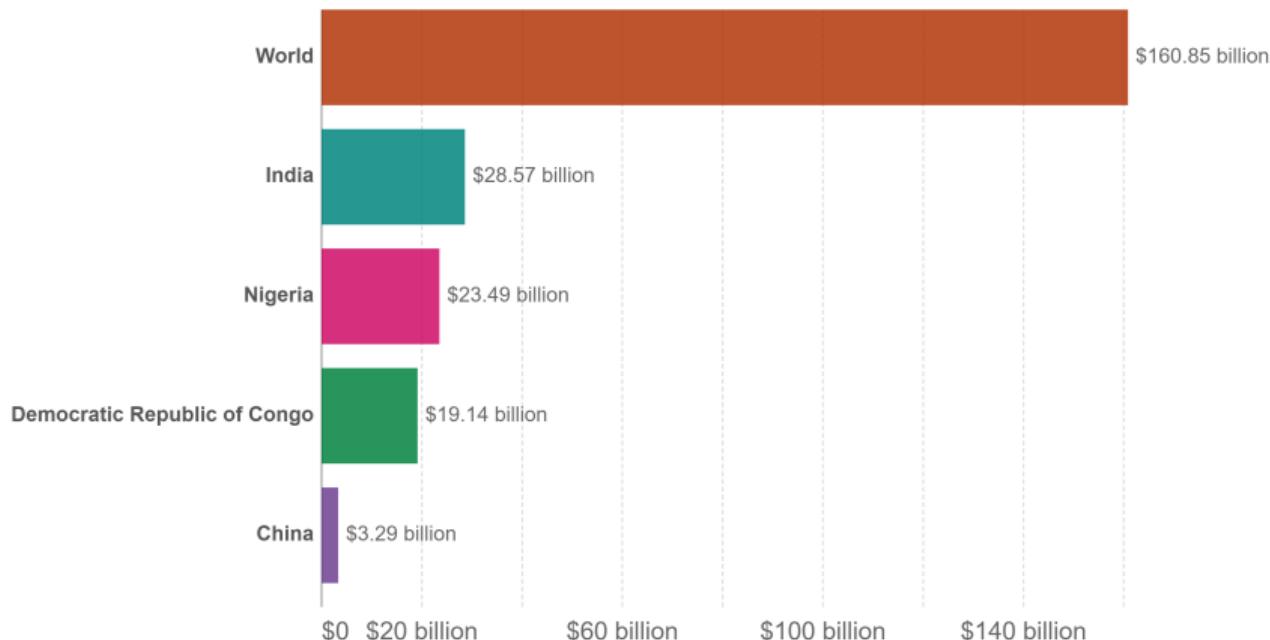
Licensed under CC-BY by the author Max Roser.

# Poverty eradication

## The poverty gap, in international-\$, 2013

Our World  
in Data

The poverty gap is the amount of money that would be theoretically needed to lift the incomes of all people in extreme poverty up to the international poverty line of \$1.90 a day. These estimates are expressed in international dollars using 2011 PPP conversion rates. This means that figures account for differences in prices levels, as well as for inflation.



Source: PovcalNet (World Bank) (2017)

Note: The cost of closing the poverty gap does not take into account costs and inefficiencies from making the necessary transfers.

OurWorldInData.org/extreme-poverty/ • CC BY

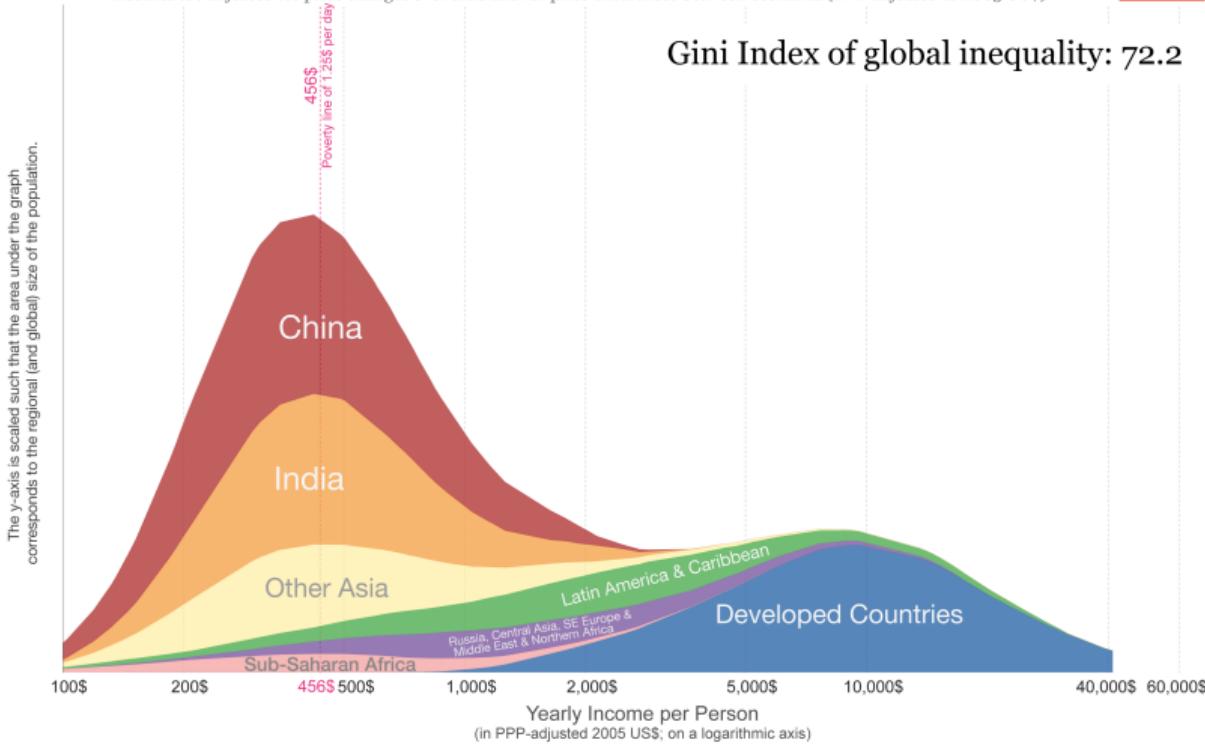
# Poverty eradication

## Global Income Distribution 1988

Incomes are adjusted for price changes over time and for price differences between countries (PPP-adjusted to 2005 US\$).

OurWorld  
inData

Gini Index of global inequality: 72.2



Data source: Lakner and Milanovic (2015) – *Global Income Distribution: From the Fall of the Berlin Wall to the Great Recession*, World Bank Economic Review.

'Other Asia' refers to Asia without India, China, Hong Kong, Israel, Japan, Korea, Singapore, and Taiwan.

'Developed countries' are the EU-27, Australia, Bermuda, Canada, Hong Kong, Iceland, Israel, Japan, Korea, New Zealand, Norway, Singapore, Switzerland, Taiwan, and the United States.

The categorisation of countries is stable over the entire time period 1988–2011.

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# Poverty eradication

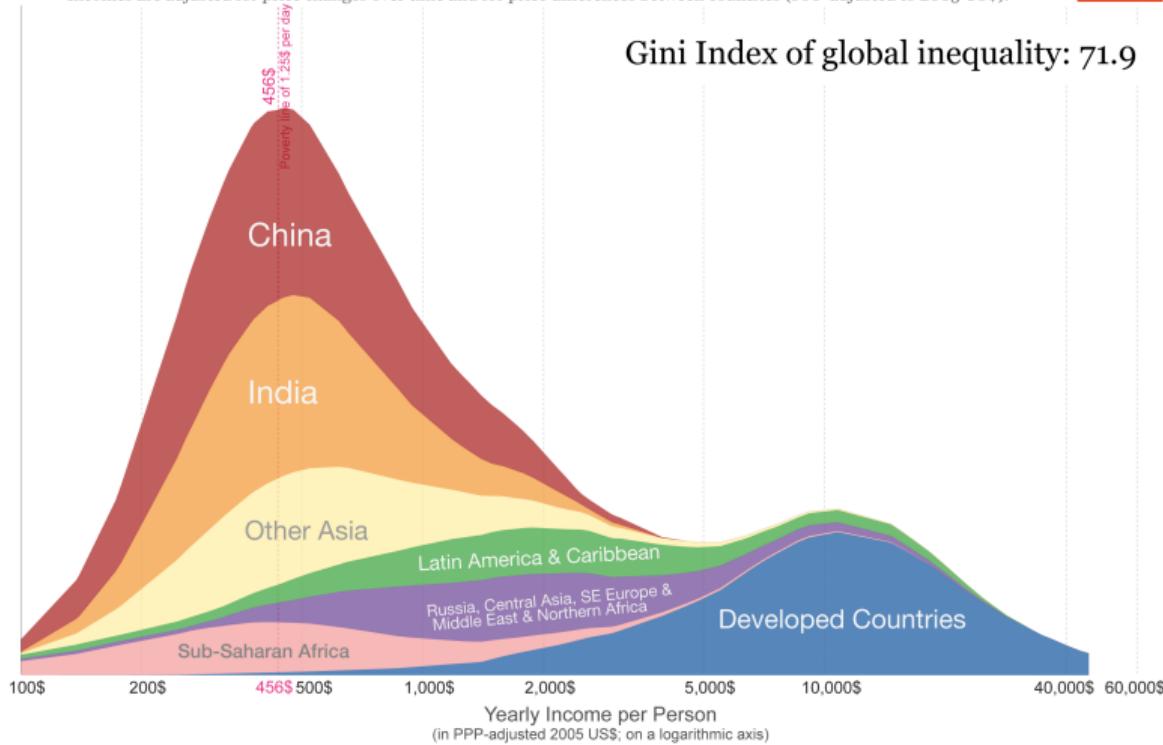
## Global Income Distribution 1993

Incomes are adjusted for price changes over time and for price differences between countries (PPP-adjusted to 2005 US\$).

OurWorld  
inData

Gini Index of global inequality: 71.9

The y-axis is scaled such that the area under the graph corresponds to the regional (and global) size of the population.



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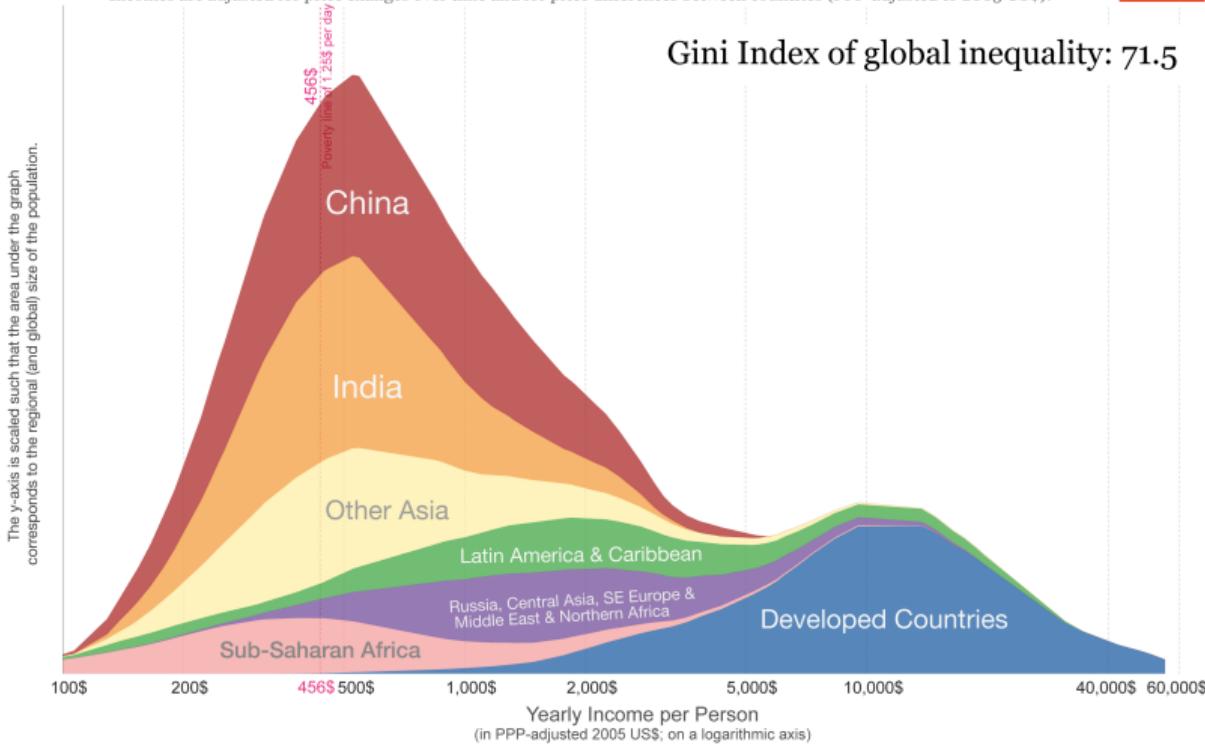
# Poverty eradication

## Global Income Distribution 1998

Incomes are adjusted for price changes over time and for price differences between countries (PPP-adjusted to 2005 US\$).

OurWorld  
inData

Gini Index of global inequality: 71.5



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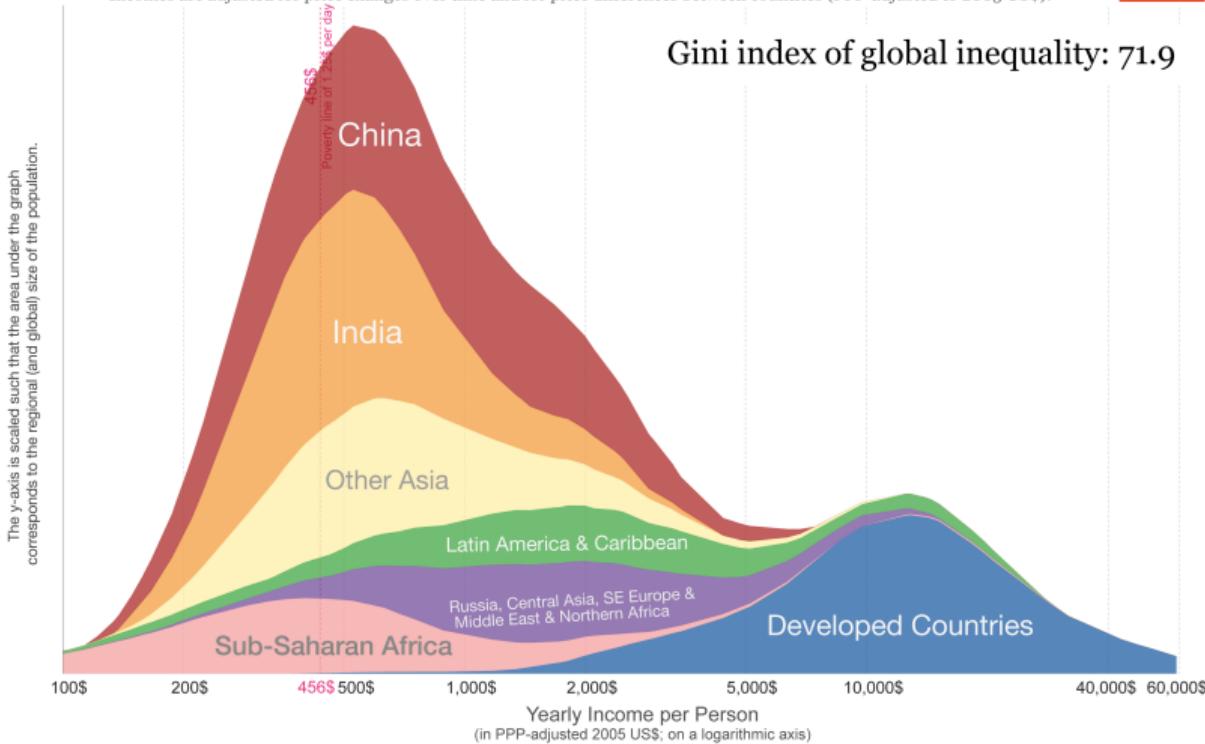
# Poverty eradication

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Incomes are adjusted for price changes over time and for price differences between countries (PPP-adjusted to 2005 US\$).

OurWorld  
inData

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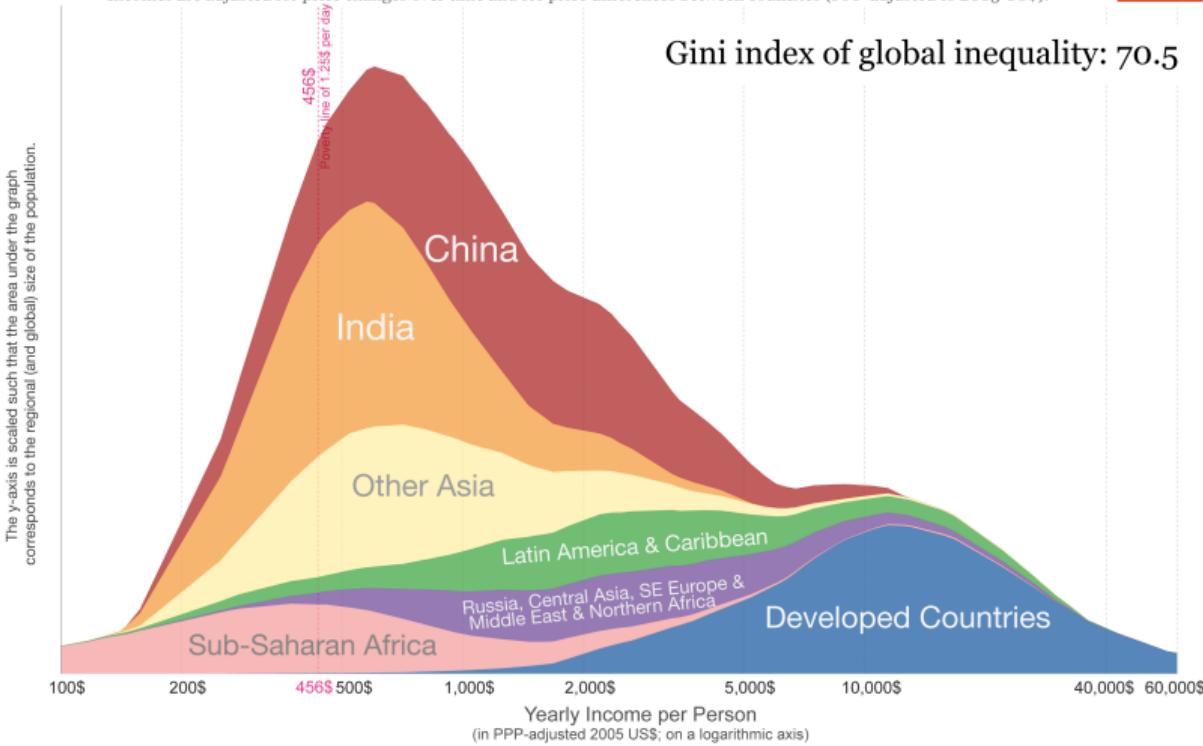
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## Global Income Distribution 2008

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OurWorld  
inData

Gini index of global inequality: 70.5



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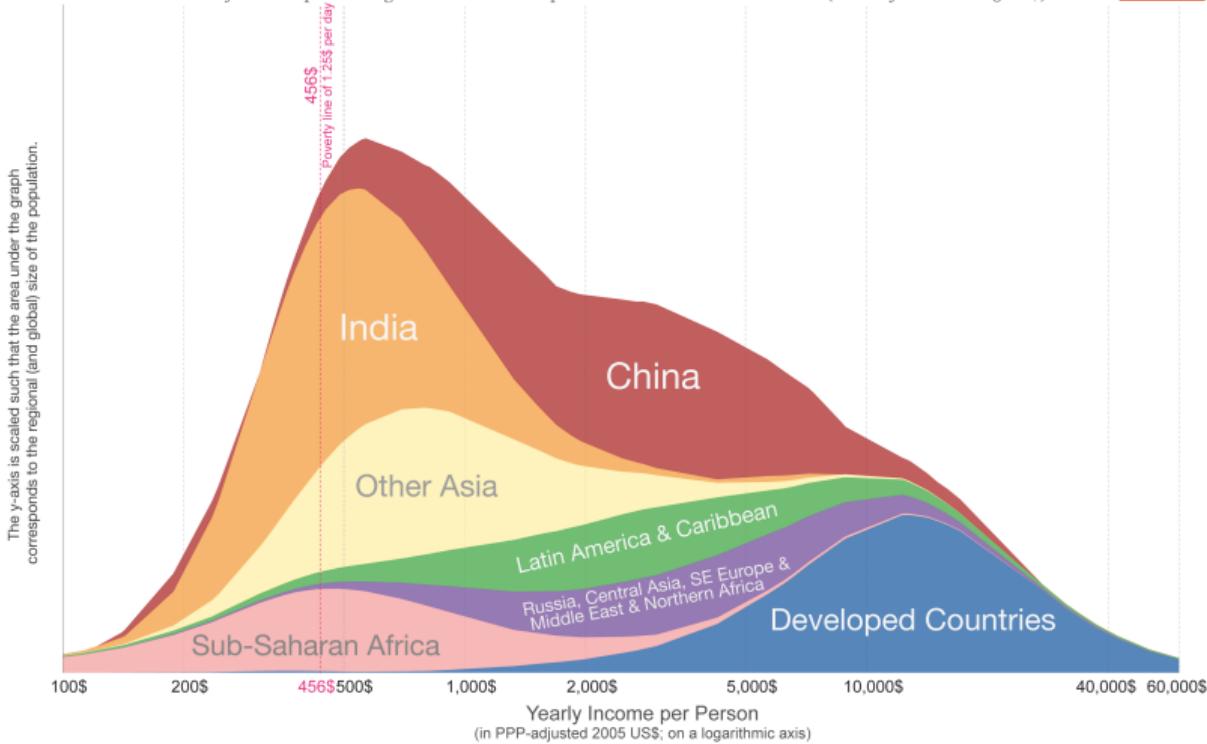
Licensed under CC-BY-SA by the authors Zdenek Hynek and Max Roser.

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OurWorld  
inData



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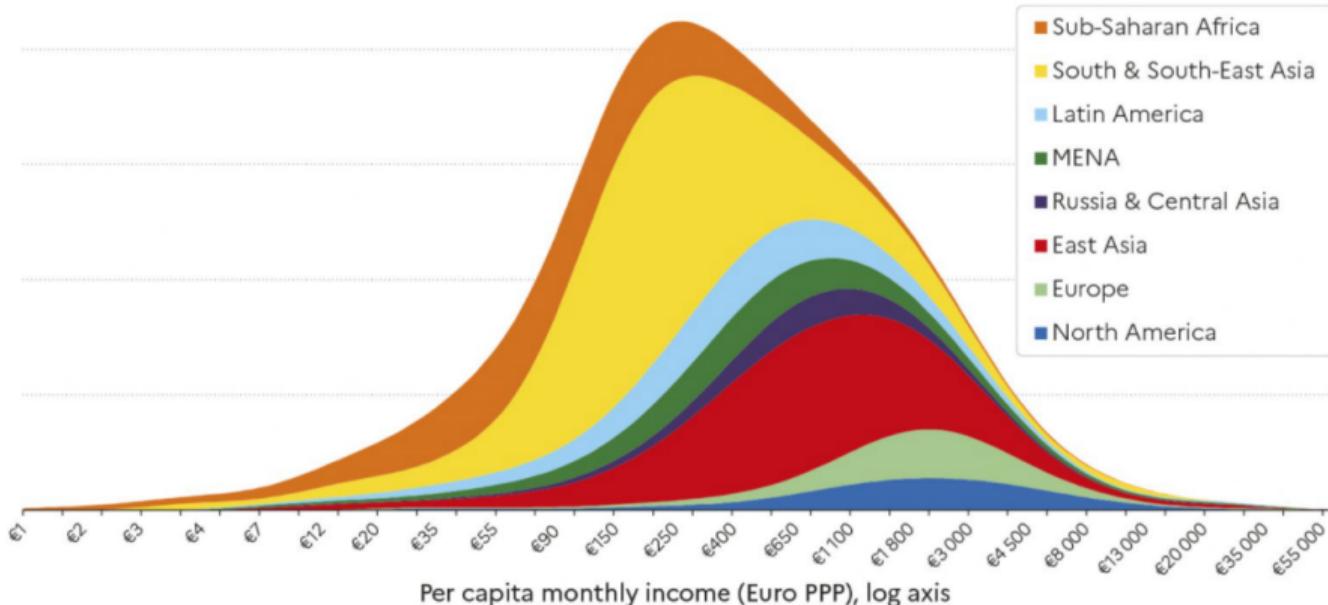
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# Poverty eradication

Global income distribution in 2020

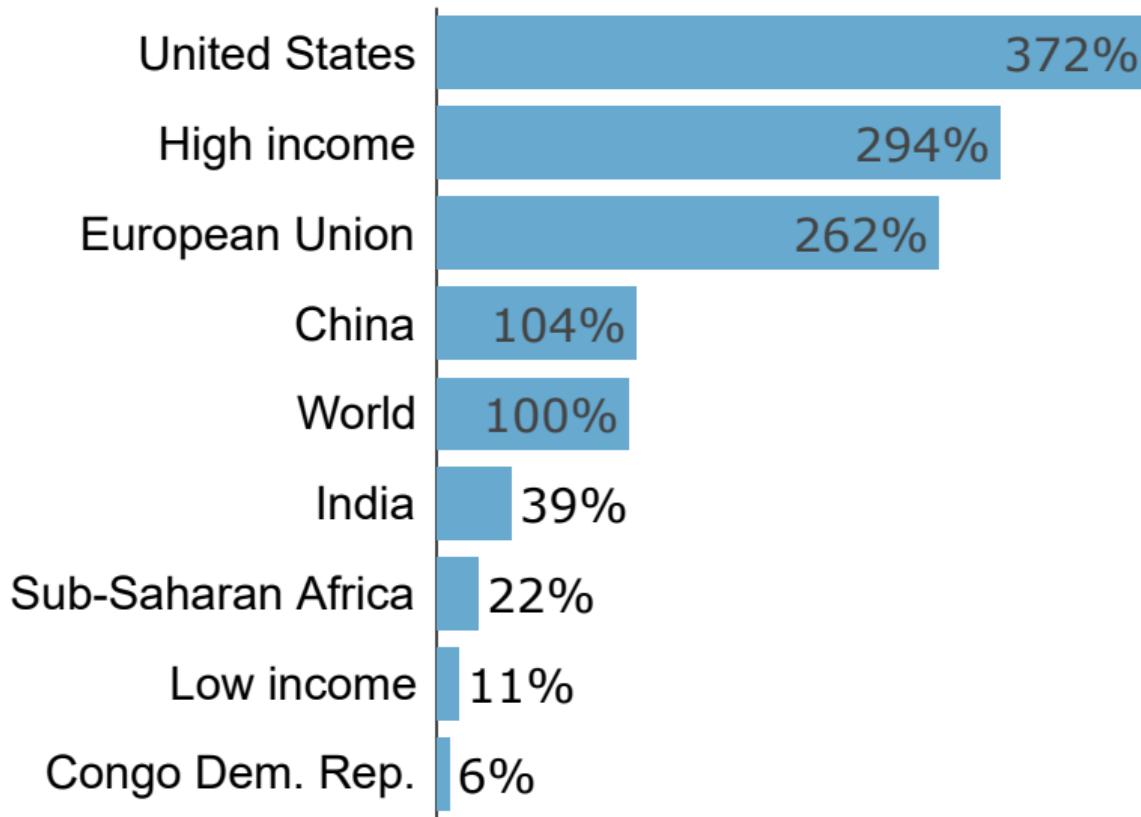
The axis is scaled such that the colored areas correspond to the total population in each region



**Interpretation:** The graph shows the size and geographical repartition of the global population at different levels of the income distribution. The relative size of each color wedge is proportional to the relative population in a region. Incomes are measured after pension and unemployment insurance transfers and before income and wealth taxes. **Note:** Distribution of per capita incomes (for the distribution of per-adult incomes, see Chapter 1). **Sources and series:** [wir2022.wid.world/methodology](http://wir2022.wid.world/methodology).

## Poverty eradication

GDP per capita in PPP, relative to world average (2023).



## Poverty eradication

Extreme poverty := \$2.15 a day (in 2017 PPP \$)  $\approx$  threshold of undernourishment.

Severe poverty := \$3.65/day. Acute poverty := \$6.85/day.

SDG 1 (2015): Eradicate extreme poverty by 2030.

Can we eradicate extreme poverty by 2030?

⇒ Let's use idealized redistributive policies to assess each country's capacity to end poverty.

# Methodology

## Idealized redistributive policies

Tax policies that would **raise enough revenues** to eradicate poverty.

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⚠ These policies are idealized (assume administrative capacity at no cost, no distortion) ⇒ upper bound of what they could achieve.

## **Literature**

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Extreme poverty in 2030 projected at from 2.8% (Karver et al., 2012), 3–7% (Bicaba et al., 2017; Chandy et al., 2013), 4.7% (Manuel et al., 2018) to 7.4% (Lakner et al., 2022).

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More than 60 countries expected to fail SDG 1 (Moyer & Hedden, 2020).

## **Primer of the results**

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HFCE is 44% greater than aggregate consumption overall, discrepancy only 12% in LICs.

As robustness check, I impute extra consumption in HFCE to top percentile (as Lakner & Milanovic, 2015; Anand & Segal, 2015).

## Growth scenarios

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**Autoregressive projection**: predicts 2011–19 growth based on growth and squared growth on 1991–2011; applied to 2022–30 using 2002–22 growth.

**7% growth since 2016** as per SDG 8.1.

## The effects of balanced growth

**Table 1:** Global poverty rates and poverty gaps in 2030 under different growth scenarios. Poverty rates are expressed in % of world population and poverty gaps in % of world GDP. Poverty lines are in PPP \$/day.

Growth scenario (Poverty line in \$/day)	Poverty rate (%)				Poverty gap (% of GDP)			
	2.15	3.65	6.85	18.15	2.15	3.65	6.85	18.15
2022 Estimate	7.3	21.1	44.4	72.2	0.26	1.36	7.01	42.96
Trend (2014–2019)	6.2	14.4	34.5	66.2	0.21	0.87	4.29	30.64
Max(Trend, 0)	6.3	14.2	34.3	66.4	0.19	0.81	4.16	30.25
Autoregressive projection	6.2	15.2	36.8	65.5	0.17	0.84	4.64	32.02
3% growth	5.2	15.2	37.5	68.2	0.14	0.75	4.38	31.20
7% growth	2.2	8.5	25.5	59.5	0.05	0.29	1.93	18.07
7% growth since 2016	1.1	3.1	15.3	51.3	0.01	0.08	0.74	10.15

## The effects of balanced growth

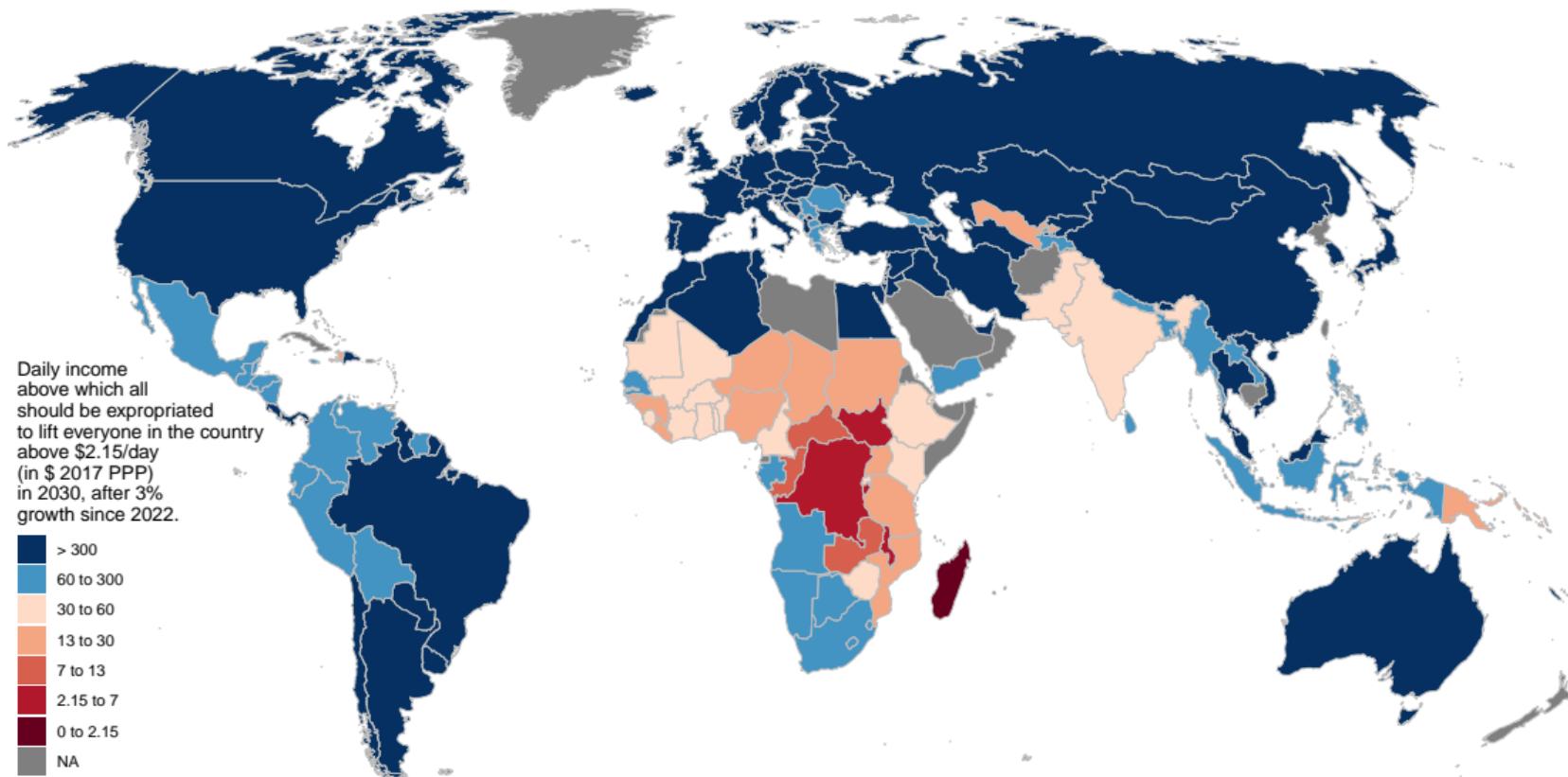
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Trend (2014–2019)	6.2	14.4	34.5	66.2	0.21	0.87	4.29	30.64
Max(Trend, 0)	6.3	14.2	34.3	66.4	0.19	0.81	4.16	30.25
Autoregressive projection	6.2	15.2	36.8	65.5	0.17	0.84	4.64	32.02
3% growth	5.2	15.2	37.5	68.2	0.14	0.75	4.38	31.20
7% growth	2.2	8.5	25.5	59.5	0.05	0.29	1.93	18.07
7% growth since 2016	1.1	3.1	15.3	51.3	0.01	0.08	0.74	10.15

Among the 8 countries < \$3/day; 2014–19 growth on average negative, highest growing rate at 2.4%.  
⇒ My benchmark of 3% growth over 2022–30 is optimistic.

# Antipoverty caps

Income cap eradicating extreme poverty (in \$/day), after growth of 3% over 2022–2030.



## **Antipoverty caps**

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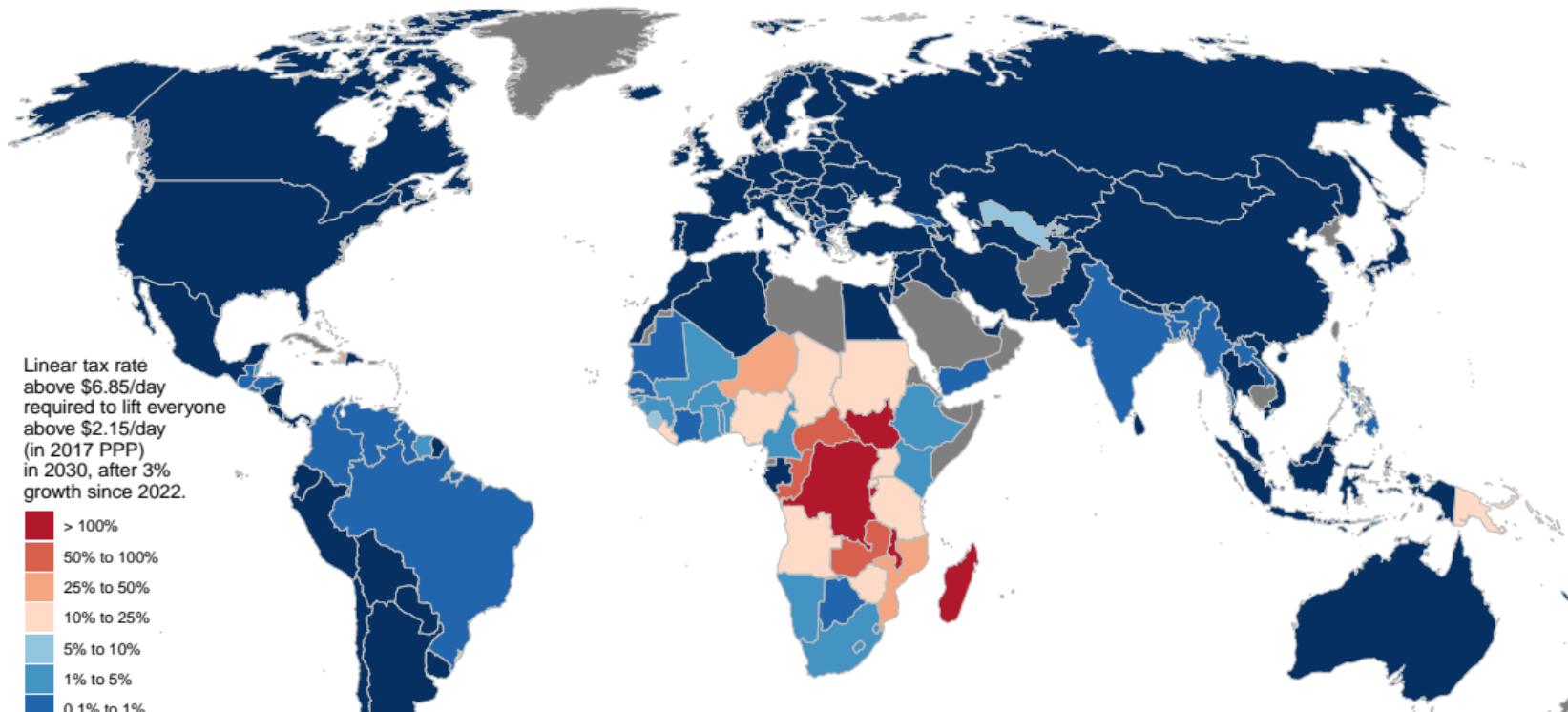
In 5 countries, capping incomes at \$7/day wouldn't suffice to end extreme poverty in 2030 despite 3% growth.

In Madagascar, average consumption would be \$2.02/day in baseline.

In a very optimistic scenario of 7% growth, the anti-extreme-poverty cap would be \$14/day in the D.R.C and \$8.60 in Burundi.

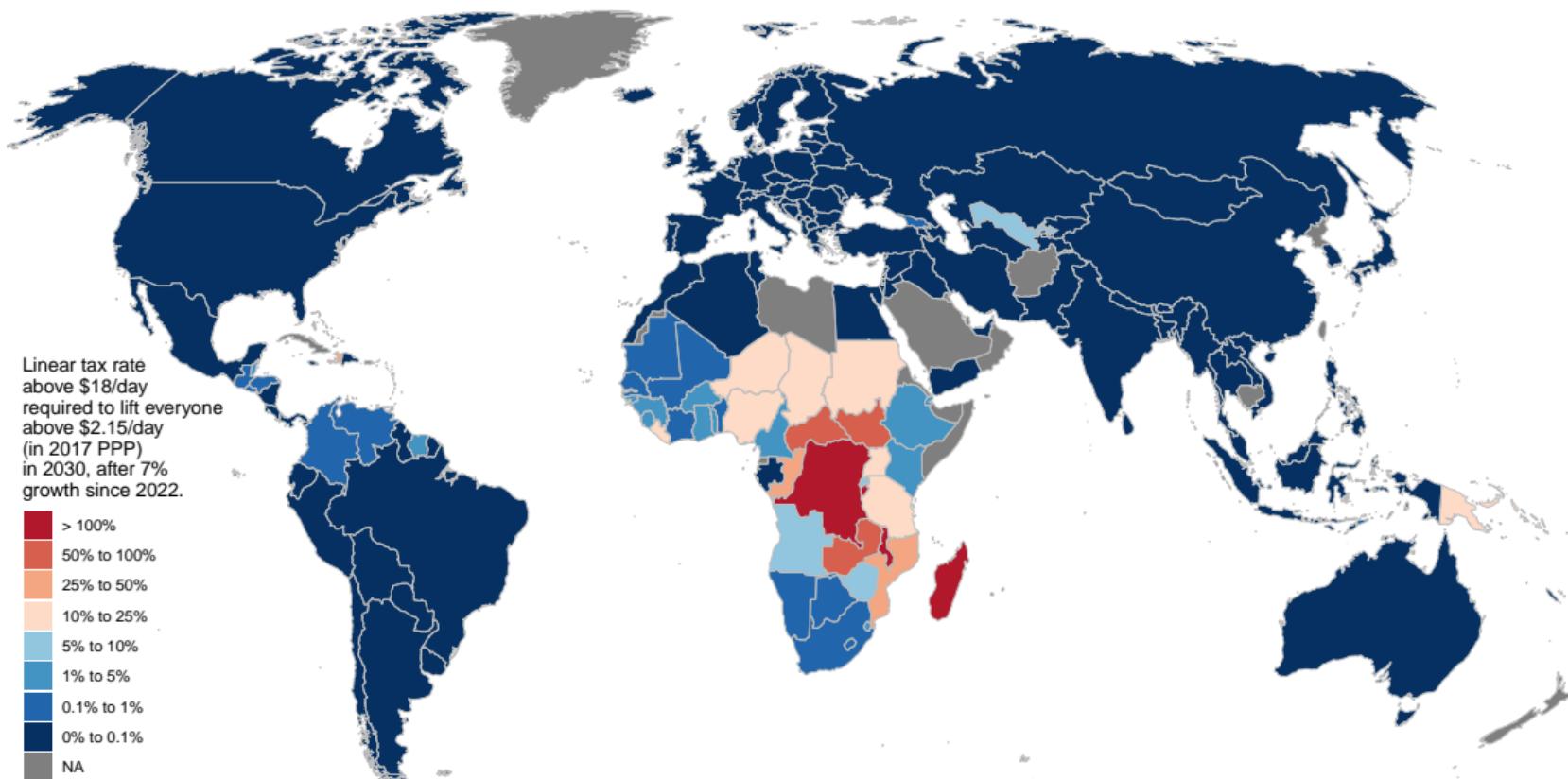
# Antipoverty taxes

Linear tax rate above \$6.85/day eradicating extreme poverty (in %), after a growth of 3% over 2022–2030.



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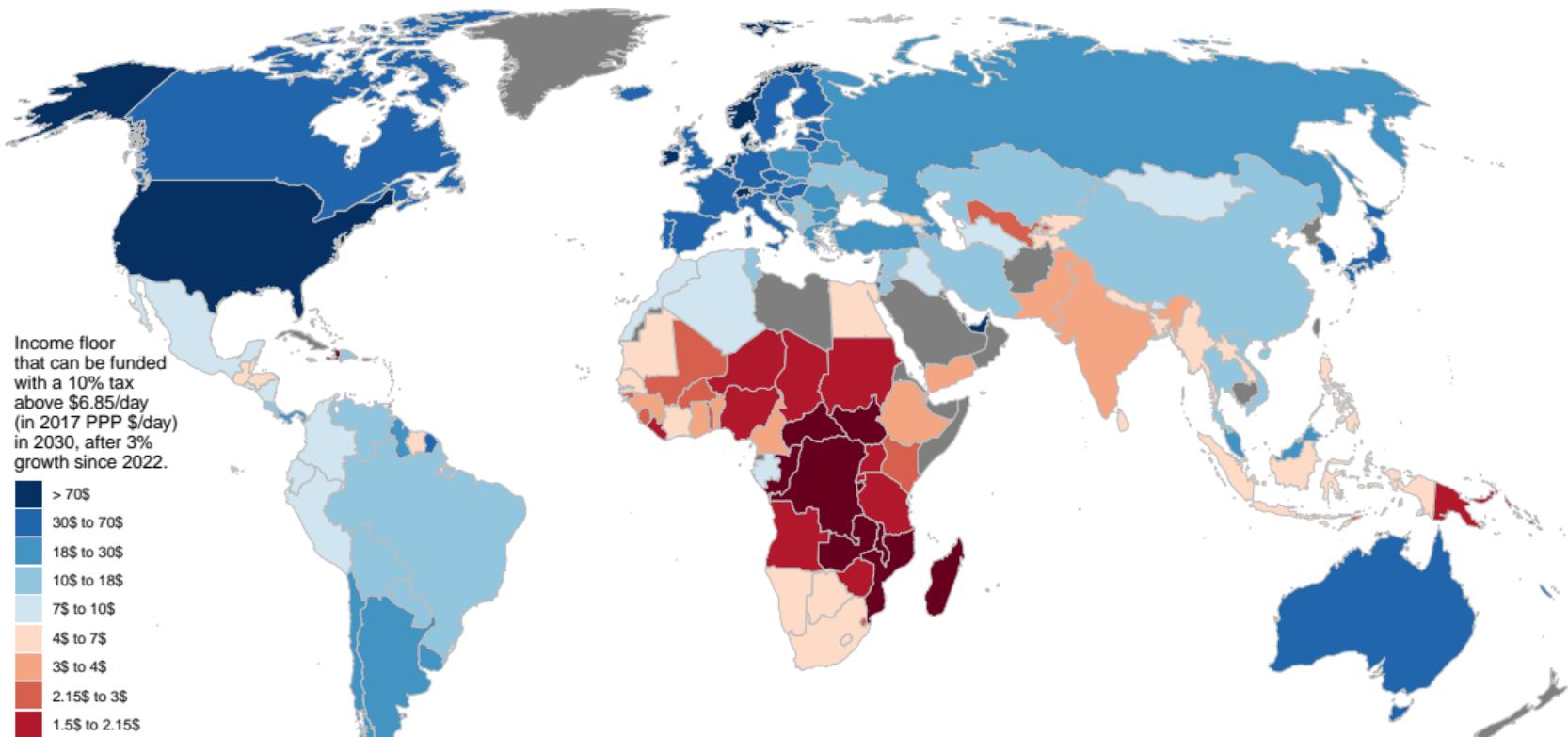
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156% after 3% growth

# Fundable income floor

Income floor that can be funded with a 10% marginal tax on income above \$6.85/day, after growth of 3% over 2022–2030.



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Extreme poverty gap (0.17% of global real GDP)  $\lesssim$  ODA shortfall (0.2% of global nominal GDP).

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A wealth tax at 4% above \$1 million and 10% above \$100 million would raise even more while targeting the top 1%.

# Conclusion

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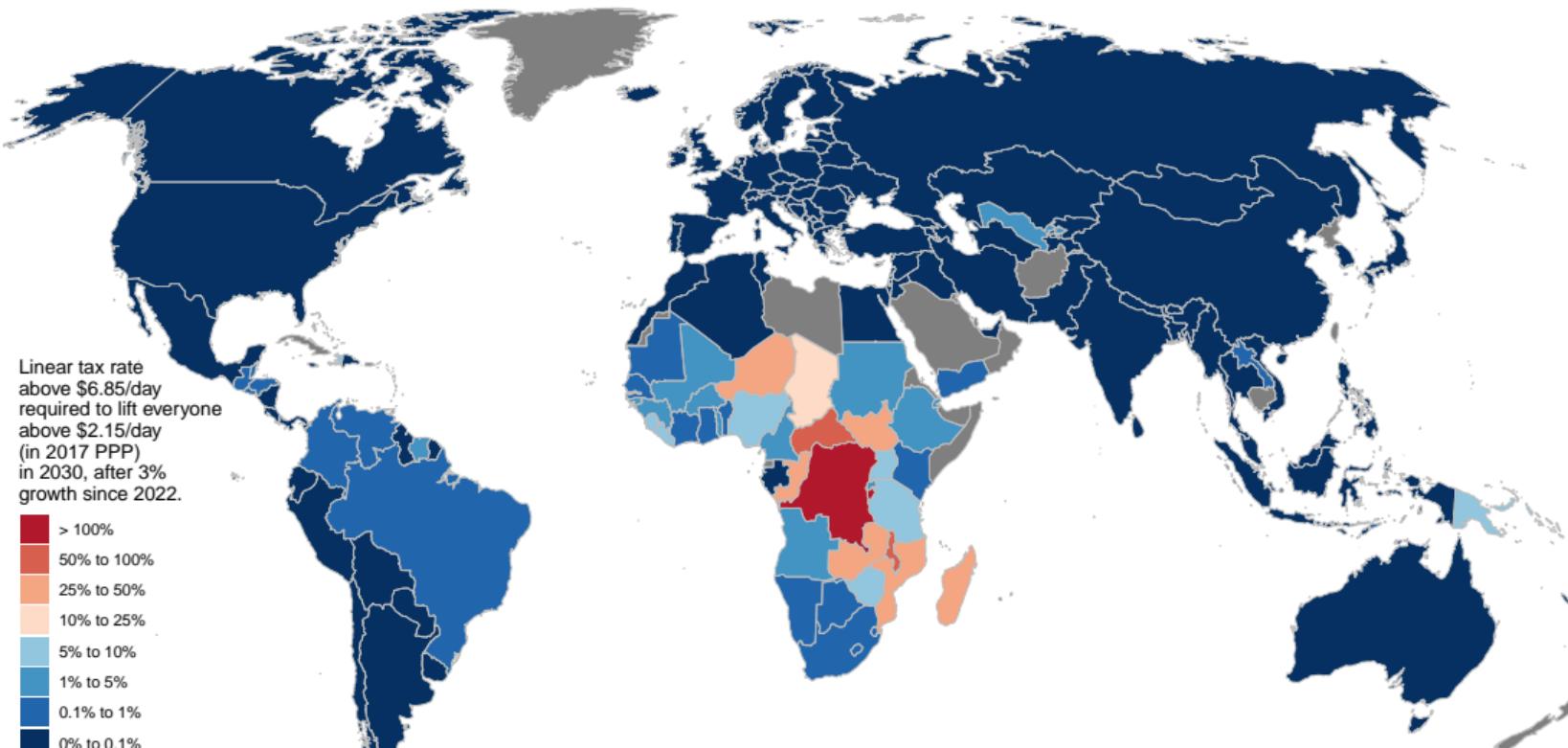
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**Thank you for your attention!**

Read paper on SSRN: 4725417, and for more: [@adrien\\_fabre](#).

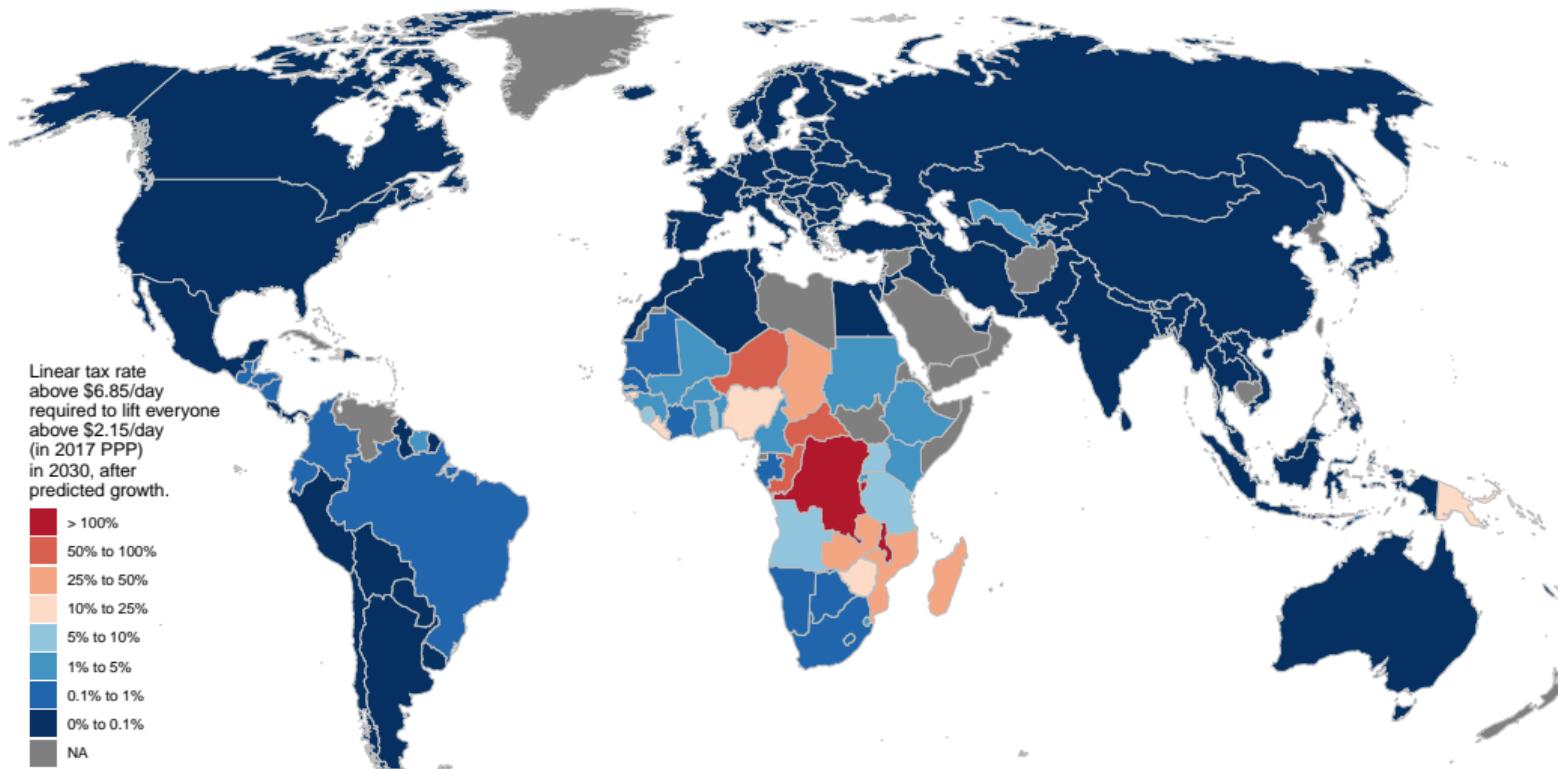
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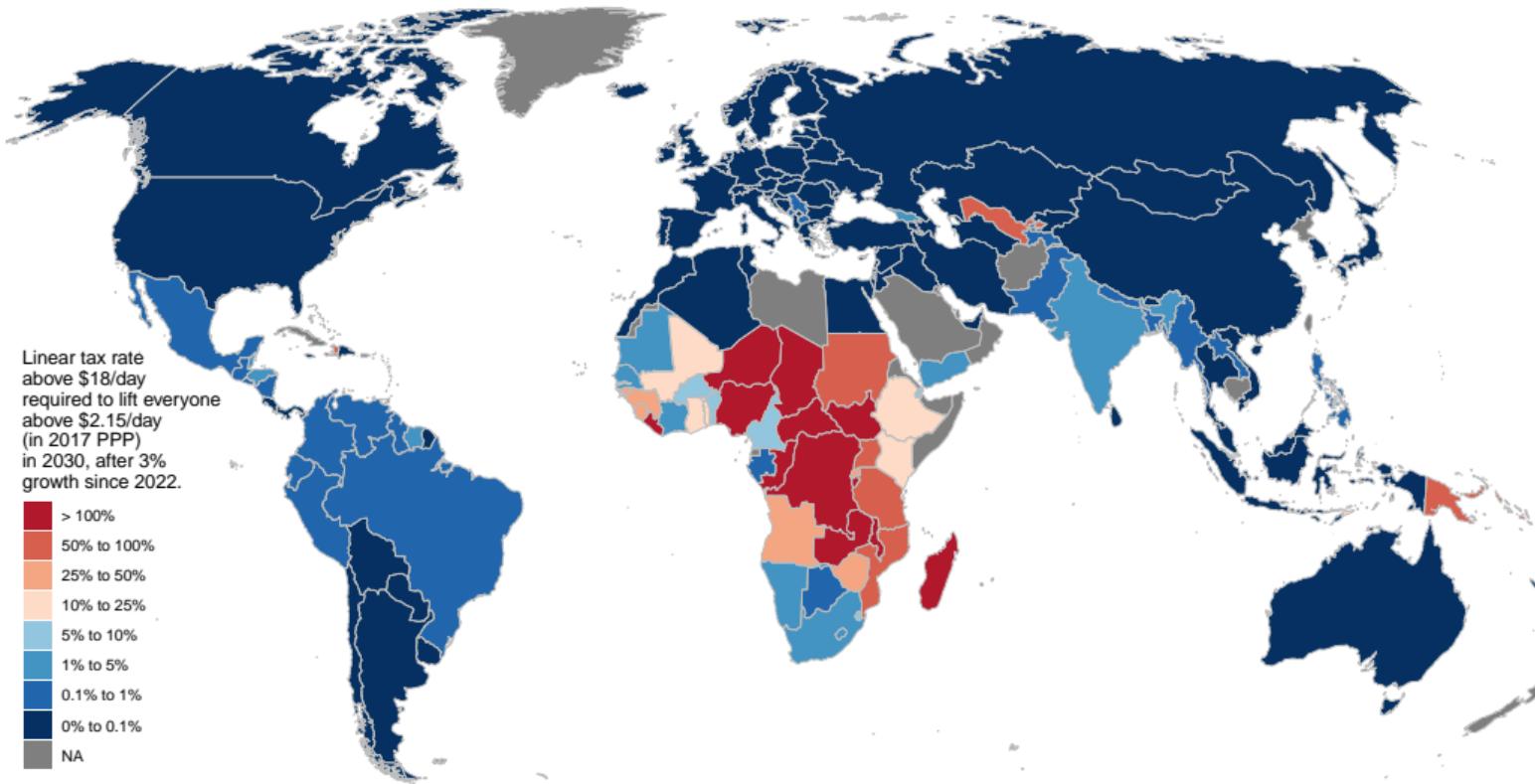
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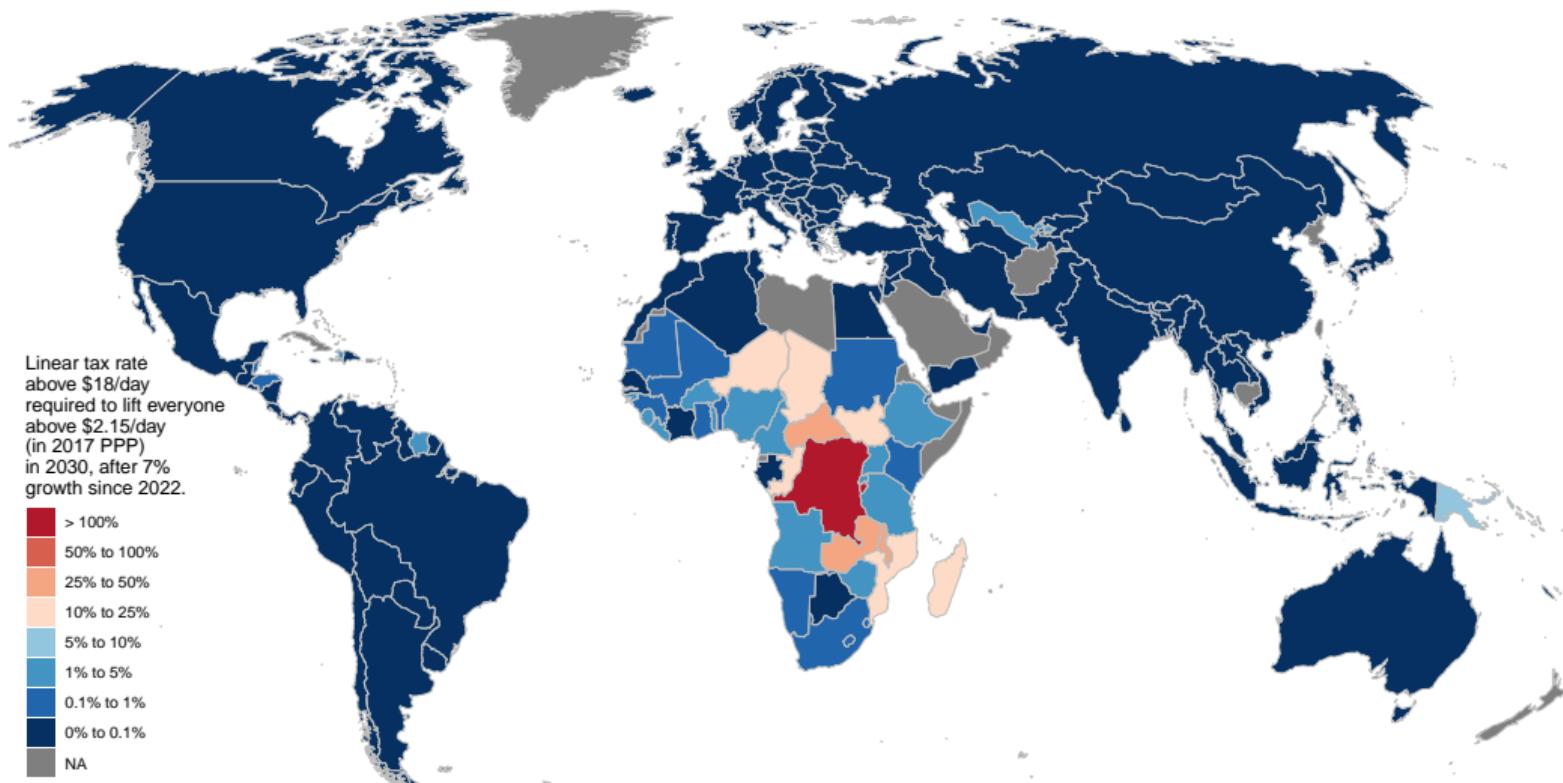
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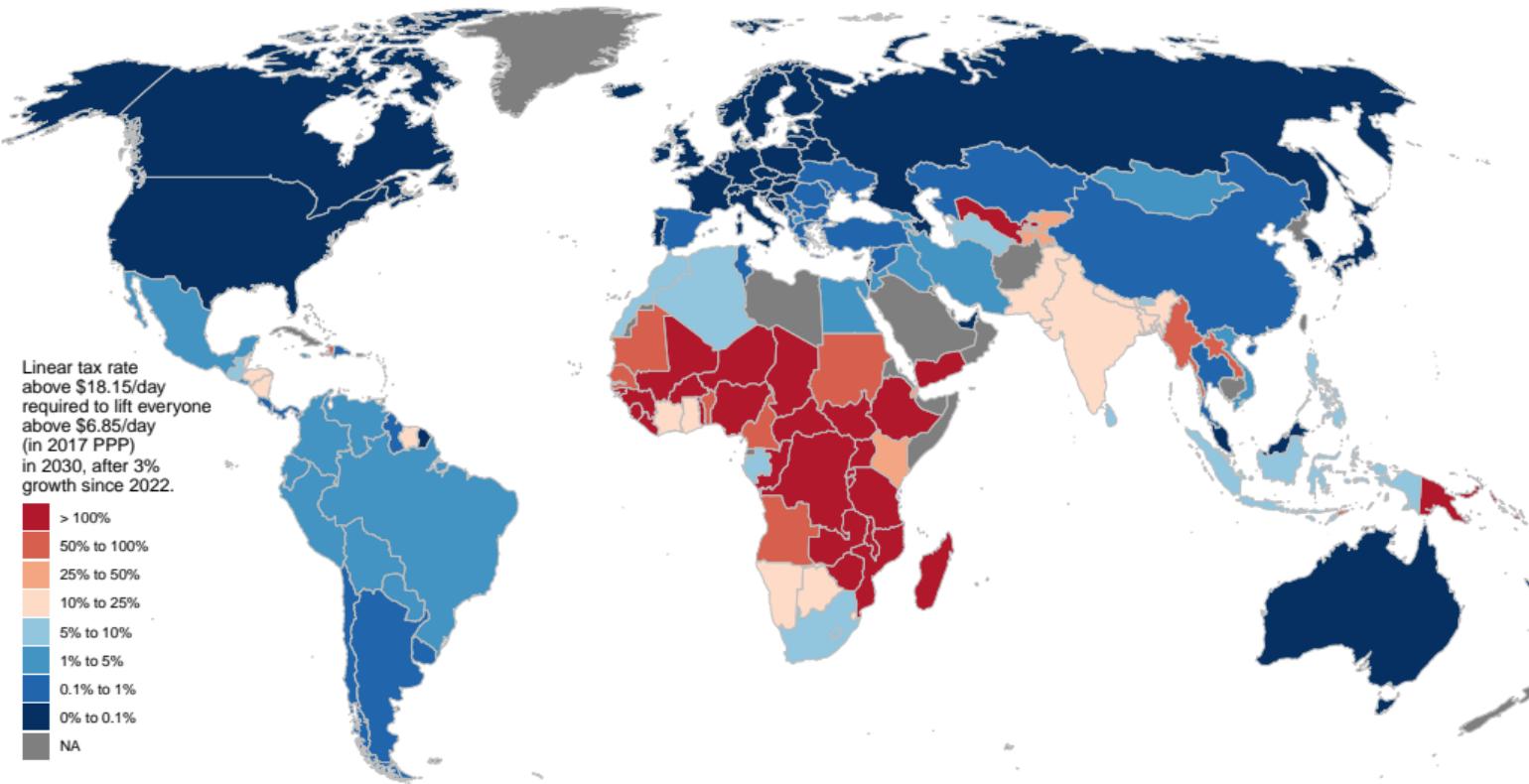
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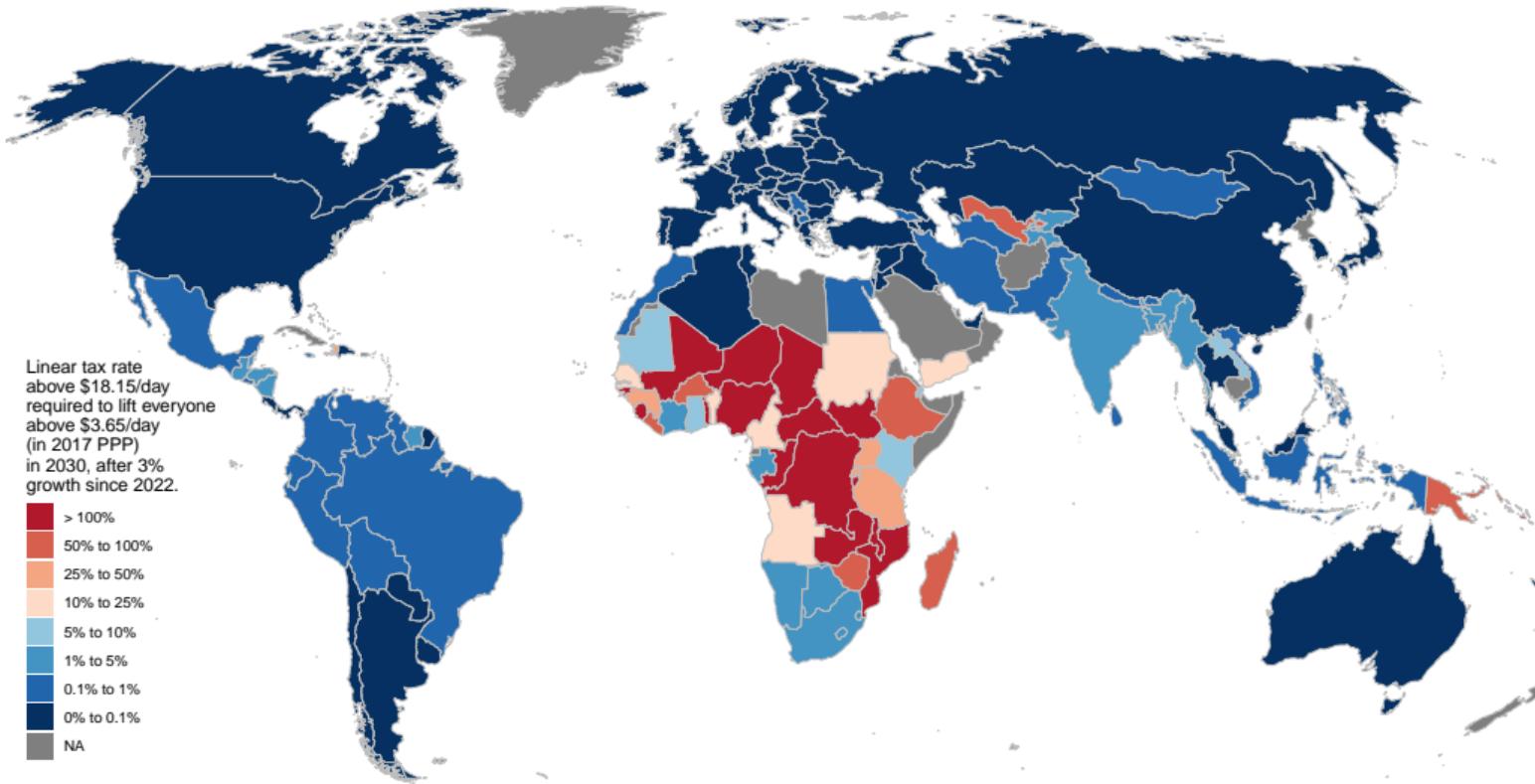
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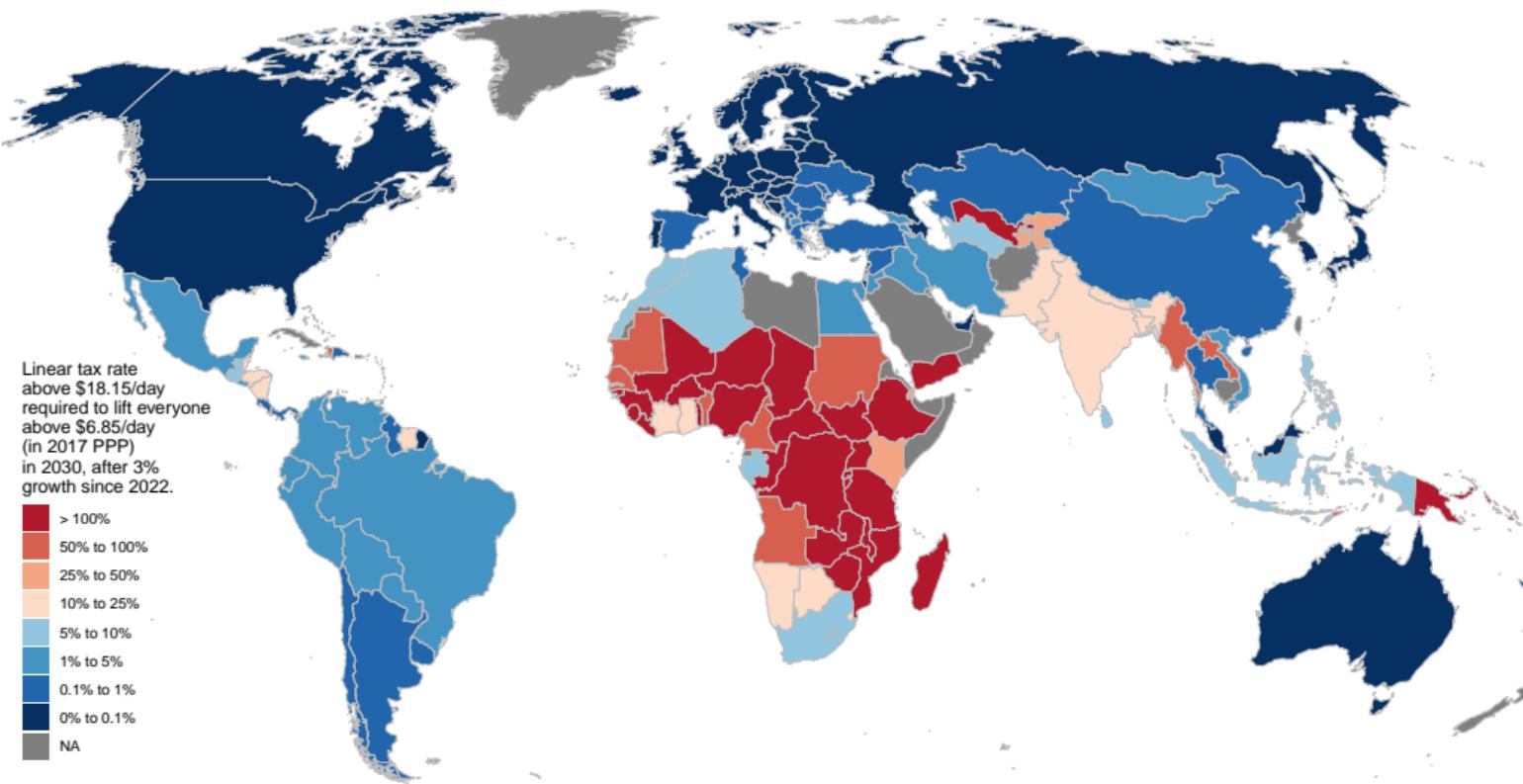
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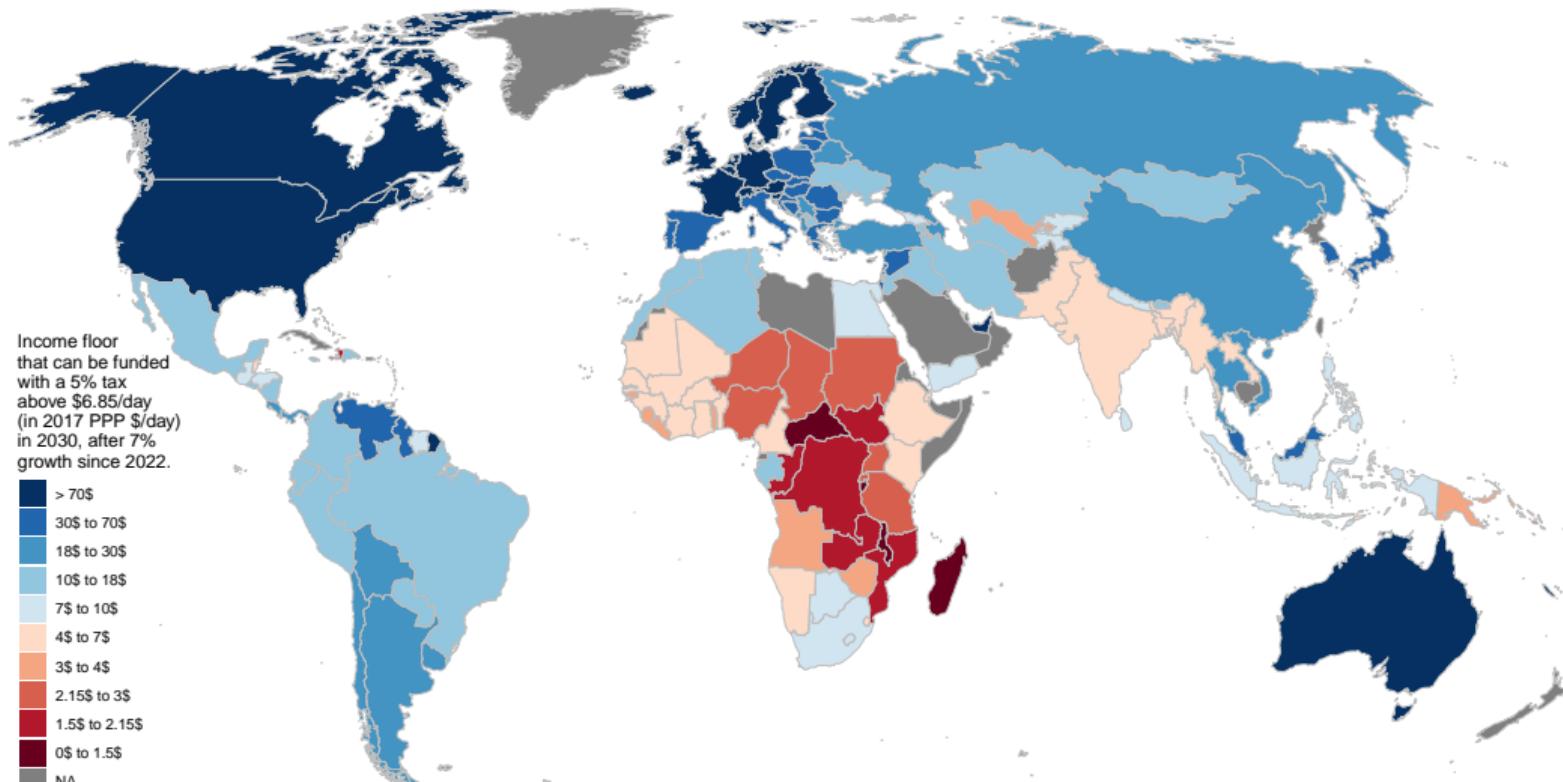
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