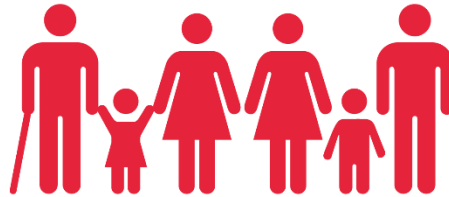# 1 NO POVERTY

MODERATORS

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The 17 Rooms initiative is convened by the Brookings Institution and The Rockefeller Foundation to stimulate near-term cooperative actions to advance the 17 Sustainable Development Goals (SDGs). This document summarizes insights and actions that emerged from the working group discussions in Room 1 during the 17 Rooms 2020 flagship process. The text was independently prepared by the Room's Moderators and participants, in response to the common question asked of all Rooms in 2020: "In light of recent crises linked to COVID-19, systemic racism, and other urgent challenges, what are 1 to 3 actionable priorities over the coming 12-18 months that address near term needs while also making a decisive contribution to protecting or advancing your Goal's 2030 results? What actions can members of your Room take to advance these priorities?" Corresponding documents prepared by all the other Rooms are available here, alongside a synthesis report prepared by the 17 Rooms secretariat.

Background

For the first time in our lifetime, global poverty (defined as those living under $1.90 per day) is likely to increase substantially and the goal of ending poverty seems to be receding. Growth may recover in 2021 but will likely be unable to restore the level of household income to its pre-COVID path.

Developing countries and, more specifically, the poorest households, will be hardest hit and least able to respond. Current IMF forecasts suggest that advanced economies will increase public debt levels by 26.5 percentage points of GDP in 2020 (half in higher fiscal deficits, half in below-the-line loans and guarantees to the private sector); emerging economies will expand debt by 6.8 percentage points (5.5 percentage points higher fiscal deficits), while low income developing countries will only expand public spending by 3 percentage points (2 percentage points higher in fiscal deficits).

The distress being caused requires urgent action by the international community and a major effort to mobilize more funds to expand the fiscal space for developing countries to respond.

Accordingly, the main policy drivers for poverty over the next ten years will likely be: (i) the magnitude of public assistance available to protect livelihoods and necessary social and infrastructure spending (including social assistance and digital transformations); and (ii) the effectiveness of this spending, including its targeting.

What is needed by the end of 2021?

A global understanding of the "build back better" agenda is needed by the end of 2021, encompassing the financial parameters (domestic and international) for public "recovery" towards strong, inclusive, resilient, and sustainable development investments, along with priority areas for such spending.

At the macro level, 2021 will be a decisive year for finance for development. We anticipate that there will be considerable debate about the volume and mechanisms of further support to developing countries.

New financing needs to be globally coordinated, affordable with limited conditionality, preserving of access to private markets, and fair in burden sharing.

It will need to align with SDG-related needs and build resilience. The theme of focusing on poor people in poor countries (never fully implemented in practice) needs to be completely reviewed in 2021, from the perspective of recipient countries and the politics of providers of development assistance.

What can we do from now to September 2021?

We will support action in three areas:
   a) An African Digital Transformation to connect all of Africa to the internet by 2030;
   b) A liquidity and sustainability facility to supply foreign exchange credit for private enterprises in developing countries at affordable rates;
   c) A Last Mile Alliance to build a coalition to keep poverty reduction at the top of the agenda.

The African Digital Transformation

This program, initially proposed by the Broadband Commission, has 4 pillars: (i) digital infrastructure; (ii) education building skills; (iii) regulatory reforms and private investments and engagement; and (iv) digital platforms for services: e.g., financial inclusion, e-government, cash transfers. It would have a modest cost, estimated at $8-10 billion per year for 10 years, split between public and private sectors. The program has strong political endorsement from the African Union, with responsibility assigned to the AU commissioner for infrastructure and energy.

There is considerable interest, but equally bottlenecks to implementation that members of our Room can help overcome:
   a) Overcome resistance amongst donors worried that tech investments could divert funds from priority poverty investments—research and advocacy can emphasize links between digitization and poverty reduction.

b) Research on lessons of managing the political economy of transformation (there will be winners and losers).
c) Build dialogue with other Rooms, especially Room 4 (education) and Room 9 (infrastructure and industrialization).
d) Identify ways to support the AU and Smart Africa, and drive delivery over the decade with private sector and civil society stakeholder outreach.

The Liquidity and Sustainability Facility

This program, originated by UNECA, seeks to stand up a repo facility for developing country debt. The goal would be to provide greater liquidity to these instruments and, by so doing, reduce the interest rate that is charged. African countries have expressed strong support for the proposal, whose technical elements are being developed by PIMCO. The facility is not designed for countries that are in debt distress or at high risk, but for the other half of African countries that are rated as having moderate or low risk of debt distress.

The facility would need to be backstopped by a provider of an internationally convertible currency, and that provider, in turn, may require guarantees from a strong fiscal agent.

The members of our Room can help socialize the proposal, especially among donor country officials and other potential guarantors, as well as among private financial institutions. We could show how the facility would overlap and complement existing ideas around SDG bonds, climate bonds, and other financing facilities; and show how a new SDR allocation could be deployed to support the facility.

The Last Mile Alliance (working title)

We agreed to explore the creation of a high-powered coalition to keep poverty reduction at the top of the political agenda (complementing the Nigeria-led friends group, the Alliance for Poverty Eradication). The coalition should have the political clout to help keep the focus on poverty reduction amidst competing claims for development assistance in the COVID era, and to ensure that a high impact platform exists to serve as an idea-generating platform and promote learning on what works and needs doing in these contexts (potentially including a Leave No One Behind tracker); and advocacy on follow-through and accountability for last mile and remote local delivery.

It would deliberately target the hardest challenges for which our current poverty-reduction handbook offers few answers, including countries that have the highest levels of extreme poverty, those facing overlapping challenges with fragility, equity, and/or environmental risks, and local and subnational pockets in middle and even high-income countries. It would do so by bringing together a targeted set of these countries and subnational areas as well as high-level representatives from donor countries and the multilateral system, philanthropy, civil society, and the private sector. The Alliance would provide actors a space to develop a collective voice to define and advocate for their multi-faceted needs and frame principles and expectations for engagement. It would create a platform for planning, solutions-testing, and peer-to-peer learning and knowledge exchange between actors, while also highlighting financing and policy gaps including on digital cash transfers; national employment guarantee schemes; support for SMEs; and local delivery and financing. It would bring in stakeholders that have the deepest expertise on drivers of fragility and climate vulnerability to better inform plans, solutions, and learning and build on existing work spearheaded by cities, civil society, and other multi-stakeholder actors. *Currently, there is no space for this cross-section of actors –national governments, sub-national actors, the private sector, and civil society groups – to come together around the last mile of extreme poverty.*

The Last Mile Alliance (LMA) should build on modern polling techniques to create a stronger political narrative in an era of populism. It should include as a basic principle the importance of the local agenda, inclusive multilateralism responses, bring us back to the basics on the "politics of selfishness," and go beyond growth as the sole driver of poverty reduction.

The LMA would track developments on major macroeconomic financing proposals, including those advanced by the UN's High-Level Financing for Development process and advocate they be designed with last mile delivery in mind. Inter alia, these are likely to include (i) Debt relief -- expand DSSI to end 2021; include private creditors; shift eligibility from income-basis to vulnerability basis; limit conditionality; debt for health/nature/SDG swaps; (ii) a new SDR issuance (and reallocation of existing SDRs); (iii) accelerating the IDA replenishment to a two-year cycle from three years, more generally expanding the ambitions of the MDBs, including through capital increases; (iv) proposals to establish other concessional funds; (v) the liquidity and sustainability facility to provide affordable debt to private companies in Africa (see above); and (vi) further measures to stem tax evasion, illicit capital flight, and strengthen public financial management. We will support these measures but demand they demonstrate design and delivery for the last mile.

A Leave No One Behind Tracker should be developed as a key element of the LMA, both in better understanding who and where these populations are, as well as, more ambitiously, an Action-oriented Tracker to strengthen monitoring and accountability efforts on response and delivery. The Climate Action Tracker provides a model of how tracker mechanisms can help whole constituencies self-organize around its tools and data. *There is no equivalent in the poverty reduction space.*