

# 1

## New mindsets for investments to end poverty



Mali, 2015  
A man walks through an empty field in Mali.

Credit: © Curt Carnemark/World Bank

### Key messages

- Despite commitments to inclusive, pro-poor and broad-based growth, the poorest 20% of people still receive just 1% of global income.
- Including everyone in progress can no longer be a matter of rhetoric. It must be measured. The imperative to leave no one behind means looking beyond averages to see **who** is left behind, globally and in **every** country. Any government, any business, any civil society organisation that claims to be contributing to inclusive progress should be required to measure impact. No data should increasingly mean no credibility.
- Sustainable Development Goal (SDG) 10 calls for faster-than-average growth for the poorest people to reduce inequality. But while the incomes of the poorest 20% of people have grown faster than the rest of the population since 1990, the gap between the poorest 20% and everyone else has continued to widen. This is because poor people's incomes are so low. Closing the gap between the poorest 20% and the rest of the population requires a step change in investment.
- Social protection systems have a vital role in ending extreme poverty. Some 36% of people in extreme poverty who received safety net benefits escaped extreme poverty.<sup>1</sup>
- As governments report on their 2030 Agenda for Sustainable Development (Agenda 2030) commitments to the High-Level Political Forum at the UN General Assembly in 2019, a key focus for accountability will be the leave no one behind commitment.
  - What progress has been made on incomes, health, education and nutrition for the poorest 20% of people?
  - What specific steps have been taken to deliver on the Agenda 2030 commitments to reach the people furthest behind first?
  - How many more people now have the security of social protection?
- 30 countries – mostly in sub-Saharan Africa – emerge as being most at risk of being left behind. Together these countries account for 23% of global poverty, but are expected to be home to around 80% of people in poverty by 2030.
- Investment strategies need to focus not only on where and who – but when. Frontloading investments in immunisation is estimated to have averted 2.75 million deaths. The consequences of poverty on lost education, stunted growth and lost years of life are irreversible. And as countries consider investment in growth, evidence suggests that the jobs and wealth of tomorrow increasingly depend on human capital investments in health, education and nutrition which open up choice and opportunity for people and countries.

# Agenda 2030 and investments to end poverty

Ending poverty requires a sustainable and comprehensive approach which will lift and sustain people above the poverty line while also ensuring they are more resilient to crisis and are able to benefit from opportunity and progress. It is not simply a matter of lifting every one of the 782 million people living on 2011 PPP\$1.90<sup>2</sup> a day or less above the international poverty line. If it were a matter of increasing income alone, this would be a more achievable challenge. Ending poverty, however, requires fundamental changes to the systems that will drive its end and the factors that perpetuate it, ensuring the people lifted out of poverty are then able to access services, fully participate in society and benefit from national and global growth.

In the poorest countries, nearly two decades into the millennium, poverty is still a matter of life and death. Forty million people, more than the population of Canada, will live or die depending on whether the world delivers on the promises agreed by 193 countries in 2015.<sup>3</sup> Even beyond this preventable loss of life, malnutrition, a lack of literacy and numeracy skills and a distinct health burden has put the poorest 20% of people in the world at a life-limiting disadvantage.

Many of the outcomes children growing up in poverty experience, including stunted growth and illiteracy, are not reversible; a child whose growth is stunted in their early years will likely remain disadvantaged. A lost education cannot be recovered, and the losses to the person and society are permanent.

This is the reality behind the imperative to leave no one behind: decades of rhetoric on pro-poor, broad-based, inclusive growth have not led to shared prosperity or acceptable standards of living for the poorest people.

Therefore, achieving the twin goals of SDG 1 (ending poverty in all its forms everywhere) and SDG 10 (reducing inequality within and among countries), alongside the goals on nutrition, health and education, represents a more fundamental and universal challenge that requires new thinking on investments to end poverty.

## Ending poverty and leaving no one behind require new thinking

The first of the investments needed to deliver on the SDG 1, SDG 10 and Agenda 2030 commitment to leave no one behind is not monetary. It is an intellectual investment in a new mindset.

Many people in development agencies and governments do not seem to have fully registered the fundamental shift from Millennium Development Goals (MDGs) to SDGs. For all the strengths and achievements of the MDGs, their focus on action by partners did not lend itself either to ‘developed’ countries making great changes to their policies at home or abroad, or to developed and developing countries<sup>4</sup> working together to achieve common goals.

The ambitions of the SDGs and Agenda 2030 are different and require a new universal perspective. Changes in policy and investment choices are needed in rich as well as poor places, and the responsibility to include the poorest people in progress is shared.

For the poorest countries these imperatives mean investments to reach every last person – investments that will need external assistance. For better-off countries including traditional OECD DAC members, the challenge is both global and domestic. On the global side, the first step is to see how well existing development approaches reflect the leave no one behind agenda. But domestically, new focus on identifying and prioritising groups of people who are especially difficult to reach will be vital.

As this shift occurs, it is important to be mindful of other related changes in the way support for the poorest people is targeted and delivered. For example, as official development assistance (ODA) is increasingly delivered through diverse arms of government, it will be crucial for all agencies to engage with the imperative to leave no one behind. This means not only development cooperation institutions, but other government ministries and institutions delivering financing and projects, including the private sector.

Delivering on Agenda 2030 means not only thinking about the 17 SDGs in terms of **what** needs to be delivered. It means thinking about **how** the goals are delivered for everyone. It means looking beyond averages to see **who** is left behind, globally and in **every** country – because the factors that cause and perpetuate poverty and inequality are universal and reduce growth, well-being, choice and opportunity in every country.

## The new imperative is both ending poverty and reducing inequality

Achieving SDG 1 and SDG 10 means both ending extreme poverty and reducing inequality. In income terms this means simultaneously ensuring no one is living on less than the international poverty line (\$1.90 a day),<sup>5</sup> and achieving and sustaining faster-than-average income growth for the poorest people.<sup>6</sup>

Fundamentally, it means prioritising and measuring actions that can:

- narrow the gap between the poorest people and everyone else
- raise the consumption floor
- measure inclusive progress – who is included and who is missing out.

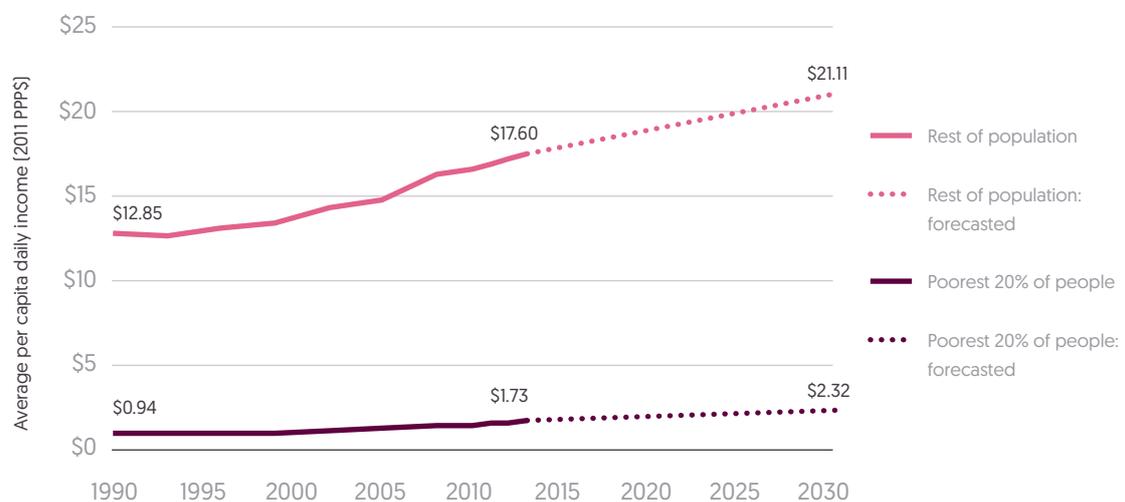
## Narrowing the gap

The logic of SDG 10 is clear and explicit – the incomes of people in poverty must grow faster than average if inequality is to be reduced. But faster-than-average growth is not enough.

The incomes of the poorest 20% of people have grown faster than the rest of the population since 1990 – they have increased by more than 80%, compared with 37% for the rest. But the poorest 20% of people are already so profoundly disadvantaged and the level of inequality between them and rest of the world is so extreme that their ‘faster-than-average growth’ has not come close to narrowing the gap. Inequality has increased and the gap between their income and everyone else’s is projected to increase (Figure 1.1).

**Figure 1.1**

Despite incomes growing for the poorest 20% of people, inequality has increased and the gap is projected to widen



Source: Development Initiatives based on World Bank PovcalNet.

Note: PPP: purchasing power parity.

The widening gap between the poorest 20% of the population and the rest can be seen in almost every country in the world. To change the direction of travel, the income growth rate of the poorest 20% of people needs to increase by 5.9 times between now and 2030 while the rest of the population remains on the same trajectory.

That people are being left behind is not only a matter of income: over the decade to 2014 disparities in infant mortality between the richest and poorest 20% of people have increased, reflecting “slower improvements among the disadvantaged”.<sup>7</sup> Narrowing the gap is important not only for human capital and social sectors but for infrastructure, energy, financial services and all aspects of economic development, if the commitment to leave no one behind is to be met. This means growth and investment strategies in all sectors that identify who is excluded and specifically measure progress for different parts of the population.

## Raising the consumption floor: Why social protection matters

To close the gap between the poorest people and the rest, the consumption floor must be raised.

The very poorest or ‘ultra-poor’ people<sup>8</sup> are those who are subsisting at or close to the consumption floor. Simply put, this is the bare minimum – the lowest levels of income or consumption that can be seen in society. Reaching these people is a moral imperative, and it is also essential to deliver on the commitment to reach the people furthest behind first.

In 1999 the consumption floor was 99 cents [\$0.99]. By 2013 – the most recent data available – it had gone up by a cent to reach \$1; essentially unmoved.<sup>9</sup> While some people in extreme poverty have seen their incomes rise, those living at the consumption floor have seen virtually no improvement in over a decade. If the floor stays the same, it is a mathematical certainty that the disparity between the very poorest people and everyone else will continue to increase. They will be left further behind. Reaching the people furthest behind first must mean urgent political attention, followed by action and resource allocation devoted to systematic efforts to raise the floor. As governments report progress on their Agenda 2030 commitments to the High-Level Political Forum on Sustainable Development under UN General Assembly auspices in 2019, two key questions need to be answered in response to the call under SDG target 1.3 for countries to “implement nationally appropriate social protection systems and measures for all, **including floors**,<sup>10</sup> and by 2030 achieve substantial coverage of the poor and the vulnerable”.

The questions are:

- 1 What progress has been made on delivering social protection to people in poverty, and especially to the poorest 20% of people?
- 2 What steps are underway to raise the current consumption floor – to give priority to reaching the people furthest behind first?

We know from the data that an inclusive growth strategy can be pro-poor in the sense that overall poverty numbers are falling, while at the same time, the poorest 20% of people are being left behind and some of the very poorest people – those living at the floor – are seeing no improvements in their level of subsistence at all.

We also know from evidence accumulated over the last two decades of the effective contribution of social protection. Two statistics can illustrate the tip of a positive iceberg of evidence on the impact of social protection on reducing poverty:

- More than a third (36%) of people in extreme poverty who received social safety net benefits have escaped extreme poverty as a result of social safety net programmes.<sup>11</sup>
- Even where these programmes cannot manage to get people above the poverty line, they have been shown to reduce the poverty gap by 45%.<sup>12</sup>

What this means in human terms is some of the world’s poorest people having a little more money, a little less risk, a little more choice. Social protection programmes targeting the poorest people are the first step toward achieving SDG 1, not the last.

Globally around 650 million people in the poorest 20% are covered by some kind of social safety net. But this leaves 856 million people without any kind of social protection.<sup>13</sup> In the poorest countries the situation is even worse. Only 18% – less than the fifth – of the poorest 20% of people in low income countries are covered by social safety nets.<sup>14</sup> The World Bank estimates that countries at high risk of natural disasters have coverage that is worse still.

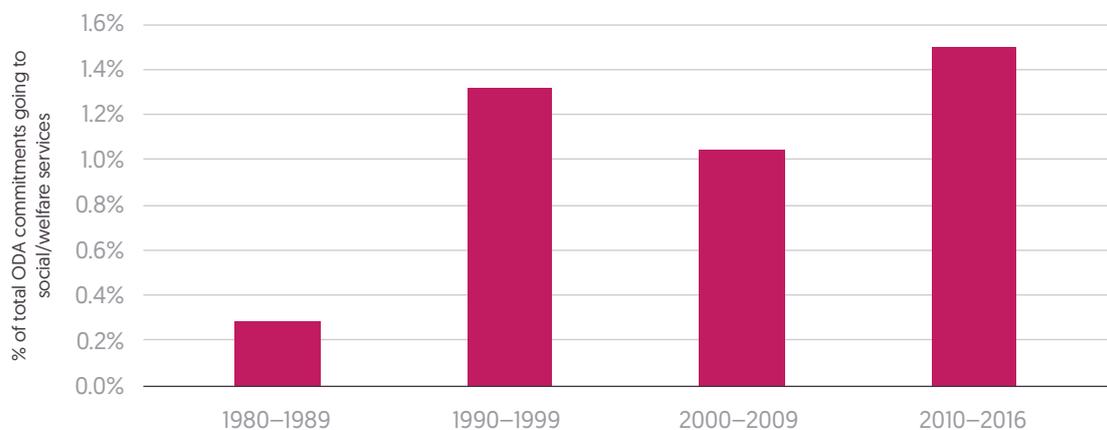
In many sub-Saharan African countries, the role of aid in ensuring that governments can provide social safety nets is key. In countries such as the Central African Republic, the Democratic Republic of the Congo (DRC), Republic of Congo, Ethiopia, Malawi and South Sudan, these social protection programmes are entirely donor funded. In Liberia, Uganda and Sierra Leone, aid funds over 80% of social safety nets. In Benin and Zimbabwe the figure is over 60%. Even in middle income countries such as Kenya and Ghana, donors fund respectively around a third and a fifth of social safety nets.<sup>15</sup>

In recent years, aid for social protection and welfare has occupied roughly a similar share of ODA as in the 1990s (Figure 1.2). Ensuring no one is left behind and that people do not fall into poverty will require more investment in social protection. Furthermore, domestic governments need to be supported to plan for the transition of programmes from relying on donor funding to domestic funding in the medium to long term.

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### Figure 1.2

In recent years, ODA in support of social/welfare services has accounted for a similar proportion as in the 1990s



Source: Development Initiatives based on OECD DAC Creditor Reporting System (CRS).

Note: Data reflects projects that may have focused on issues such as support for persons with disabilities without necessarily providing social protection.

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## Measure inclusivity – if it's not measured, it can't be claimed

The word 'inclusive' is used 45 times in Agenda 2030. Claims are regularly made for processes and strategies which are inclusive – but unless we know who is included and who is not, these are largely meaningless.

A country's growth strategy therefore should be based explicitly on the investment implications for the poorest people. It should report on who benefits from the investment and where it is best placed – sectorally and geographically – to enable poorer people to take up opportunity as well as how it addresses the different types of asset deficits – human, physical, financial, social, and natural – that the poorest people experience. Similarly, any investment which is claiming to contribute to the SDGs must specify which parts of the population it will benefit and monitor to whom, where and when the benefit is evident.

A wasteful historic fissure over the almost six decades of aid and development cooperation has been between investment in economic development and investment in human well-being – as though there were little connection between the two.<sup>16</sup> But increasingly evidence suggests that if effective social protection frameworks are built into an economic development strategy, governments can ensure the benefits of growth will be more likely to reach the poorest fifth of the population – while at the same time investing in the human capital essential in the changing world of work and reducing inequality, which is widely seen as contributing to instability and putting a brake on growth.<sup>17</sup> Evidence suggests that where the complementarity between social protection spending and economic development is strong, and the growth process is not too inequitable, then the floor will rise with economic development.<sup>18</sup>

The capacity of social safety nets to enable investments in human capital is particularly important. To use a productivity lens, the only way to ensure that young people grow up equipped to find a livelihood and make an economic contribution tomorrow is to invest in human capital today. Committing funds to human capital development can also safeguard against the impacts of poverty that are not reversible – stunting and lack of early years education, for example.

## Facilitating making the right investments: Better data

Data gaps add substantially to uncertainty about who is being left behind. Many people are simply not counted in surveys, censuses and administrative data. Many censuses and surveys exclude certain populations as a rule, for instance, people living in institutions, homeless people, refugees, nomadic people and internally displaced persons. Estimates suggest that the systematic undercounting of urban populations could lead to distortions of population estimates by over 300 million people.<sup>19</sup> The underestimation of these populations and subsequent under-sampling in surveys could significantly distort national estimates of poverty, urbanisation and many other indicators.

There are also gaps in disaggregation and indicators relevant to particular populations. For instance, only recently have countries begun to capture data on disability using comparable questions that can reliably be used for disaggregation following the Washington Group on Disability Statistics. The World Bank is beginning to address issues of better disaggregating its poverty statistics with a promise to feature this subject in the upcoming *Poverty and Shared Prosperity* report.<sup>20</sup>

Additionally, there are several countries where there has never been a survey that the World Bank has considered adequate for international comparisons. Here, too, there have been improvements. While Somalia has not had a full-scale poverty survey, there is a large programme to conduct High Frequency Surveys (which provide less coverage and depth than standard surveys) to better fill in data gaps.<sup>21</sup>

Finally, improved administrative data, civil registration and vital statistics systems hold real potential for providing sustainable data systems that can be disaggregated. These systems can also provide better insights into who is benefiting most from government services.

In the era of the data revolution, transparency and accountability mean that anyone who claims to be contributing to inclusive progress should be required to measure impact – which means identifying a baseline and generating distributional data. Organisations at all levels and in all sectors share responsibility for this; and for any organisation claiming an inclusive approach or a contribution to the SDGs, no data should increasingly mean no credibility.

Yet we cannot wait for these data limitations to be resolved before taking action. Some may be addressed more quickly than others, but it is a long-term investment. 2030 is approaching fast and the progress of the poorest people is not sufficient to reach universal targets. While there is still time to get back on track the time must be now. Based on the data that is available it is clear that, in the absence of action, many people and places will become even further left behind as global, national and local progress benefits some more than others.

**Without change progress will become more uneven, gaps will widen, and people, places and countries will be left further behind**

### **Where are we now? Global poverty today**

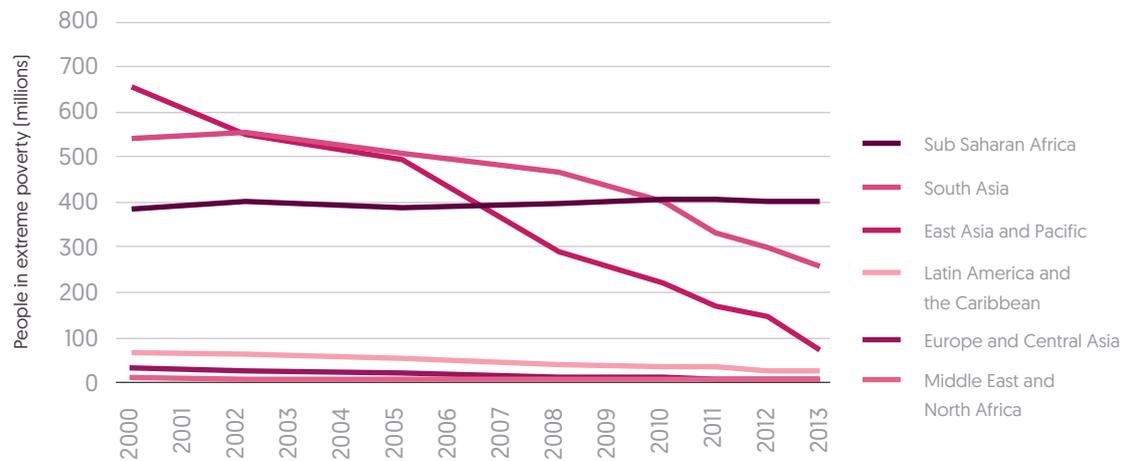
In the years leading up to the MDGs, poverty reduction was mostly achieved through progress in a few countries.<sup>22</sup> But from 2000 to 2013, every region saw decreases in the share of their population living in poverty. Most countries saw economic growth and progress across a range of key indicators including maternal mortality and stunted growth.

Despite these general trends, not all countries and certainly not all people saw progress. Hundreds of millions of people still live in extreme poverty and while the share and numbers of the population in poverty has decreased across most regions, the number of people living in poverty has risen in sub-Saharan Africa. The available data shows that in this region, 380 million people were living in extreme poverty in 1999; by 2013 this number had increased to 401 million people. Faster progress will be needed to ensure that no one is left behind.

Economic growth has been a major driver for the progress seen, particularly in China and India. However, growth alone is not enough. Growth must be measurably pro-poor – despite decades of claims for inclusive, pro-poor or broad-based growth, the poorest 20% of people in the world still have just 1% of global income. Additionally, growth needs to translate into progress beyond monetary dimensions of poverty and beyond simply moving people above a low threshold with little to prevent them from falling below the line again.

**Figure 1.3**

Global progress in reducing poverty was mainly driven by a sharp decrease in the number of people living in extreme poverty in East Asia largely as a result of economic growth



Source: Development Initiatives based on World Bank PovcalNet.

## Where will people in extreme poverty be?

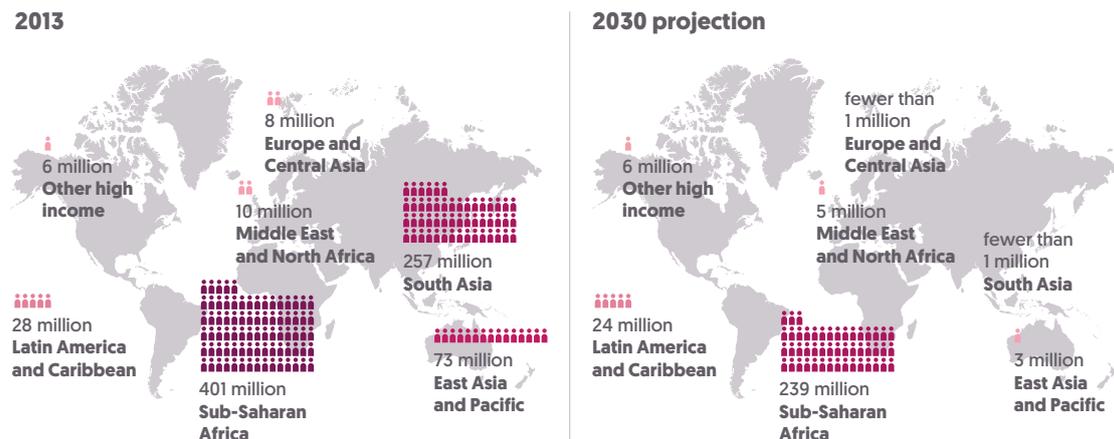
Over the next decade extreme poverty is likely to be increasingly concentrated in a smaller number of countries, as well as in subnational regions within countries, many of which share common characteristics that may contribute to their vulnerability.

### Poverty will become increasingly concentrated in a small number of countries at risk of being even further left behind

In 2013, *Investments to End Poverty*<sup>23</sup> reported projections on levels of extreme poverty in 2030 – the range went from 108 million to over a billion people. Five years later, new projections show a best case of 200 million and worst of 400 million people.<sup>24</sup> More than 80% of the people in extreme poverty are projected to be in sub-Saharan Africa, compared with about 50% today (Figure 1.4).

**Figure 1.4**

In 2030, poverty will become increasingly concentrated in sub-Saharan Africa



Source: Development Initiatives based on World Bank PovcalNet and International Monetary Fund (IMF) World Economic Outlook.  
Note: Projections shown in this chart are for the middle-case scenario between best and worst cases.

These projections suggest that growth will lead to dramatic progress in South Asia, primarily driven by India. By 2030, 230 million people in the region are projected to be lifted above the poverty line, with the best-case scenarios suggesting that virtually no one in South Asia will be living below the international extreme poverty measure in 2030.<sup>25</sup> Conversely, in sub-Saharan Africa the best-case scenario suggests that while over 200 million people will have been lifted above the poverty line, that will represent only half of the people in extreme poverty in the region.

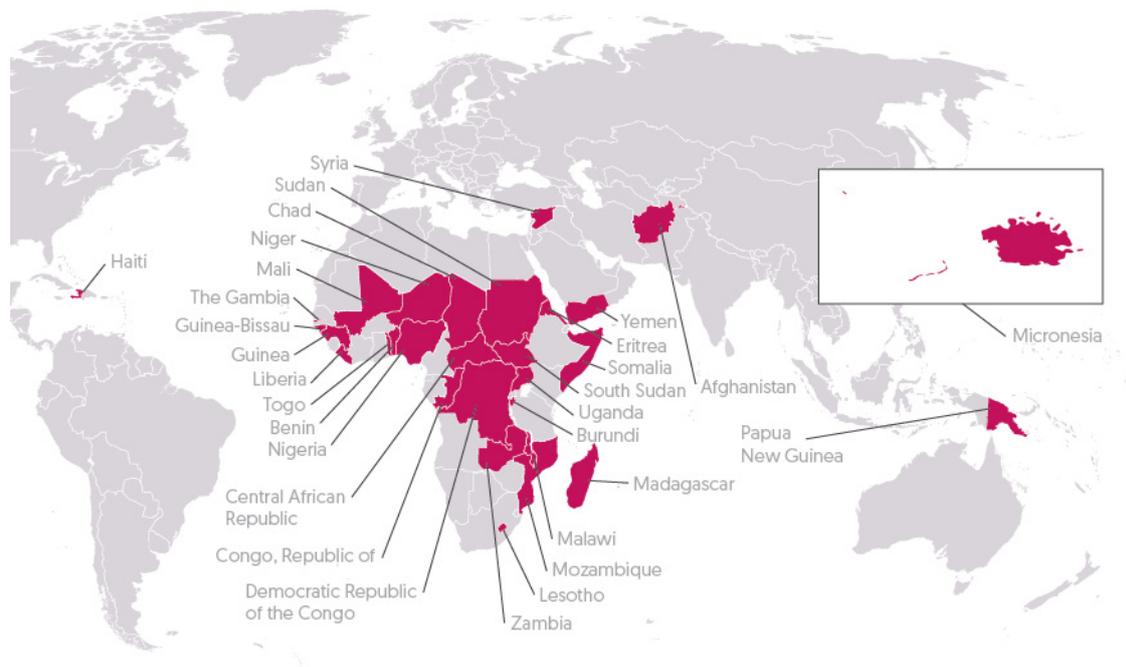
In fact, when considering trends in progress in human development indicators and political and economic insecurity alongside poverty projections, a select group of 30 countries – mostly in sub-Saharan Africa – emerge as being most at risk of being left behind.<sup>26</sup> Combined, these countries account for 23% of global poverty, but are expected to be home to around 80% of people in poverty by 2030. While these countries are diverse, many are characterised by political and environmental insecurity, low levels of human development, weak governance systems and an underdeveloped private sector. They also sit among countries least able to generate or attract resource flows that could address a number of these challenges (see Chapters 2 and 3). Others have also identified a similar number of countries describing them as ‘severely off-track’ or ‘at risk’.<sup>27</sup> Importantly there is considerable consistency and overlap in the countries identified among the various methodologies applied, suggesting that, at a country-programming level at least, there is growing consensus around where poverty and human insecurity will persist if no action is taken.<sup>28</sup>

The difference in progress between South Asia and sub-Saharan Africa on numbers of people living below the poverty line is mainly because of the depth of poverty – poor people in sub-Saharan Africa are living much further below the international poverty line than poor people in Asia are. But it is also due to factors such as conflict and political and environmental instability, which will continue to hold certain countries back.

But poverty is not only about income. It is multidimensional and the SDGs require addressing all its dimensions. The 2017 report from the Multidimensional Poverty Index emphasises the depth of multidimensional poverty in both South Asia and sub-Saharan Africa.<sup>29</sup> It reports over 700 million people living in households where there is severe malnutrition, or where two or more children have died, or where no one in the household has completed more than a year of schooling along with other profound deprivations such as practising open defecation.

**Figure 1.5**

Around 30 countries can be identified as most at risk of being left behind based on a combination of poverty, vulnerability and human development indicators



Source: Based on data from poverty forecasting models, fragility rankings, human development indicators and environmental risk measures. See Development Initiatives [2018].<sup>26</sup>

Note: Borders do not necessarily reflect Development Initiatives' position.

## Where will people in extreme poverty be within countries?

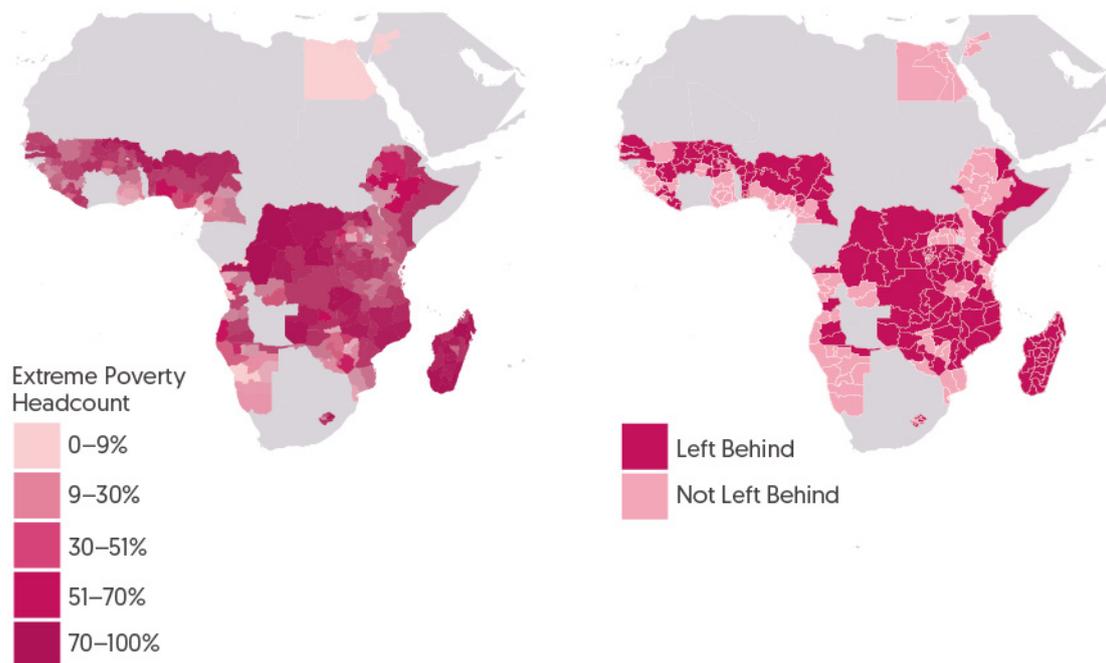
The challenge of leaving no one behind requires going far beyond national averages. It means focusing on individual people. To better understand who is at risk of being left behind, data needs to be disaggregated. One important dimension of exclusion is geography. People in one part of a country may feel fully integrated and benefit from access to services while people in another region may experience a very different economic, social and political reality.<sup>30</sup> Equally, poverty varies substantially within countries.

National averages hide substantial variations in the distribution of poverty within countries. Even in countries identified as most at risk of being left behind, subnational poverty rates can vary substantially: for instance, while Benin as a country is at significant risk of being left behind, 2013 poverty rates were as high as 87% in some areas and as low as 1% in others. This means that ending poverty is a challenge focused at the subnational as well as country level.

It is becoming increasingly possible to understand current subnational distributions and trends of poverty and thus better inform medium-term policy and targeting. This report applies two measures to assess which regions within countries are facing intractable poverty and are most at risk of failing to end poverty by 2030. If 45% of the regional population is in poverty (this proportion is considered too high to realistically end poverty within the time period), or if 20% of the population is in poverty but there has been no significant improvement (low rates of change are too slow to end poverty by 2030), then the region is considered to be highly likely to remain left behind.<sup>31</sup>

**Figure 1.6**

Extreme poverty is increasingly focused in certain subnational areas



Source: Development Initiatives based on World Bank PovcalNet and USAID's Demographic and Health Surveys.

Unsurprisingly, data suggests that in the countries projected to be left behind at national level, the share of the population living in regions (in that country) that are considered at risk of being left behind is high. For example, in Madagascar, Malawi, Burundi and DRC (all countries at risk of being left behind) between 92% and 100% of the population lives in regions considered highly likely to remain left behind. Meanwhile in Guyana (which is not considered at risk at the national level), only 6% of the population lives in subnational regions considered at risk.

For many countries, poverty is particularly concentrated in certain regions, states and districts. For example, in Egypt, 98% of people in extreme poverty are found in two of the country's four regions. In Pakistan, two of the five regions – Punjab and Sindh provinces – account for 89% of people in extreme poverty. For other countries, notably those with some of the highest poverty rates, such as Madagascar and the DRC, poverty is widespread throughout the country.

The urbanisation of poverty has been a particular concern in understanding where people in poverty are. The World Bank noted in 2007 that, "urbanization has generally done more to reduce rural than urban poverty." While rural areas accounted for nearly three quarters of people in poverty globally, the proportion attributed to urban areas – up to 24.6% by 2002 – was growing.<sup>32</sup> However, the World Bank's latest published figures suggest that, as of 2013, 20% of extremely poor people live in urban areas, emphasising the persistence of rural poverty.<sup>33</sup> Many factors may contribute to poverty in rural areas. Rural areas may face limited access to populations, increasing the costs of buying and selling goods on the market. Remote areas also may have lower access to technology, leading to less productive labour. And population centres generally exist to begin with because they hold economic advantages over the rest of the country.

## Who is at most risk of being left behind?

To ensure all people are included in the SDGs, resources and policy need to be targeted, based on data and understanding about the people and groups who are not sharing in progress. People are and will be left behind for various reasons. This may be because they are geographically marginalised, living in remote and hard-to-reach areas with harsh climate and poor infrastructure. They may be deliberately invisible because they are likely to be oppressed. They may be deliberately excluded because of ethnicity or religious identity. Overwhelmingly people may be left behind because of chronic deprivation and lack of human, political or economic capital.

Many dimensions of exclusion are bound up in the identities of individual people. We know that gender,<sup>34</sup> age,<sup>35</sup> disability status,<sup>36</sup> ethnicity,<sup>37</sup> citizenship status and other aspects of identity can have a profound effect on people's security, prospects and opportunities. These characteristics are not captured in aggregate data.

People living at the margins of society are also particularly likely to be missing from the data altogether; they may not be counted because of their citizenship status, or because of characteristics that have been stigmatised. People who are homeless or children without parental care may simply not be counted because they are not in a household.

Yet data analysis reveals one clear trend. People are much more likely to be living in extreme poverty if they are young or older. People in their forties are least likely to be extremely poor (Figure 1.7). This is remarkably consistent across virtually every country. The intersection of age and gender is also telling. The World Bank has found that girls under the age of 10 and women in their twenties and thirties are more likely to be poor. However, once they are in to their forties and beyond, they may be less likely to experience poverty.<sup>38</sup>

**Figure 1.7**

Young and older people are more likely to be living in extreme poverty and be left behind



Source: Development Initiatives based on World Bank PovcalNet and USAID's Demographic and Health Surveys.

To better understand how ageing links to being left behind, analysis for this report compared the poverty rates disaggregated by age, applying similar methods to those used to calculate subnational poverty rates. The conclusion: between poverty headcount data around 2002 and 2013 older people and younger people have seen poverty decrease more slowly than the rest of the population. This suggests that older people and children have benefited least from global poverty reduction and are being left behind.

## **It's not just *where* and *who* that are important, it's *when* – especially for human capital**

As well as the commitment to leave no one behind, Agenda 2030 states “we will endeavour to reach the furthest behind first”.<sup>39</sup> This calls for immediate action, especially on human capital. Any delay can be measured in terms of women dying in childbirth, or children dying of diarrhoea or growing up stunted or illiterate. Acting now is not only the moral thing to do. It is the cost-effective thing to do in terms of preventing human, local, national and global ‘bads’ and enabling everyone to contribute to progress.

The MDGs offer some lessons for accelerating human capital investment.<sup>40</sup> The MDGs that delivered the fastest rates of progress were the battles against child mortality, maternal mortality and the three major infectious diseases of HIV and AIDS, tuberculosis and malaria. This accelerated progress was evident in the poorest and therefore most challenging countries. One calculation puts the number of child deaths averted at 7.5 million compared with ‘business as usual’.<sup>41</sup>

ODA to health grew by more than 250% over the MDG era. By contrast, education outcomes – while still significant with estimates of up to 111 million more people completing primary school during the MDG era<sup>42</sup> – did not accelerate at the same pace. ODA to education has shown only sluggish growth since 2002, increasing by 63%, and as seen in Chapter 2, not always going to the poorest places. Similarly, national investments in education have, among developing countries in aggregate, grown at a slower rate than those in health. Two innovations, the International Finance Facility for Immunisation and the Global Fund to Fight AIDS, Tuberculosis and Malaria, particularly contributed to this accelerated progress by frontloading investment and creating confidence among potential investors [see Box 1.1].

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**Box 1.1****Innovations in health financing: The International Finance Facility for Immunisation and the Global Fund to Fight AIDS, Tuberculosis and Malaria**

The International Finance Facility for Immunisation, or IFFIm, was proposed in 2005<sup>43</sup> to allow immediate investments but financed over a longer term<sup>44</sup> based on the principle that the overall returns for reducing poverty will be greater, future costs prevented and lives saved.

This frontloading for immunisation has had a direct and indirect impact on human capital. First, the number of deaths averted has increased. The evaluation of IFFIm<sup>45</sup> concludes that at least 2.75 million future deaths averted can be attributed to IFFIm. This increase in coverage is clearly valuable, but IFFIm has also increased impact:

- The benefits of reduced mortality and morbidity are felt sooner and so people are able to live healthier and more productive lives for longer.
- Investing in global public goods – such as eradicating a disease – means that by investing now, the costs are avoided for the future.
- There is a further indirect impact via the market, which is that predictable increased uses of the vaccines stimulate more reliable and cheaper supply.

The Global Fund, another well-known health initiative, accounts for a quarter of the growth in health ODA from donor governments and multilateral institutions. Beyond this it has managed to mobilise significant financing from other sources such as foundations and the private sector. The 2016 replenishment round, for example, saw investments from the private sector and innovative mechanisms double to US\$250 million. Importantly, while much remains to be done, such as improving transitions in health financing from the Fund to domestic government institutions, the tide has turned on HIV and AIDS, malaria and tuberculosis.

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The lessons for accelerated progress from the MDGs highlight ambitious, timebound goals, national implementation and a focus on results, standards and outcome metrics. The SDGs provide the shared agenda and shared framework with a clear timetable that should allow the progress on health to be replicated in other areas. The investments needed to end poverty and develop human capital go hand in hand with rigorous measurement on who is benefitting from each investment so that no one is left behind.

# Notes

- 1 World Bank Group, 2018. The State of Social Safety Nets 2018, Table 3.26. Available at: [www.openknowledge.worldbank.org/bitstream/handle/10986/29115/9781464812545.pdf?sequence=5&isAllowed=y](http://www.openknowledge.worldbank.org/bitstream/handle/10986/29115/9781464812545.pdf?sequence=5&isAllowed=y)
- 2 We define extreme poverty as measured using the 2011 PPP\$1.90 extreme poverty line. Purchasing power parity (PPP) prices are the rate at which a country's currency would have to be converted into that of another country to buy the same amount of goods and services in each country. PPPs are constructed by comparing the cost of a common basket of goods in different countries. Where subsequent figures in the report are in PPP these are denominated as \$. Other denominations are referenced with a currency abbreviation, eg US\$.
- 3 Brookings [Kharas H., McArthur J. and Rasmussen K.], 2018. Counting who gets left behind: Current trends and gaps on the Sustainable Development Goals. Available at: [www.brookings.edu/blog/future-development/2018/07/13/counting-who-gets-left-behind-current-trends-and-gaps-on-the-sustainable-development-goals](http://www.brookings.edu/blog/future-development/2018/07/13/counting-who-gets-left-behind-current-trends-and-gaps-on-the-sustainable-development-goals)
- 4 The term 'developing countries' in this chapter and elsewhere in the report is used to refer to countries in the 'DAC list of ODA recipients', available at: [www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC\\_List\\_ODA\\_Recipients2014to2017\\_flows\\_En.pdf](http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC_List_ODA_Recipients2014to2017_flows_En.pdf)
- 5 SDG target 1.1: "By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day." The World Bank has been deemed responsible for tracking this indicator. It has since updated the extreme poverty line to \$1.90 a day [2011 PPP]. This line was developed by averaging the national poverty lines of several low income countries, adjusted for PPP. The World Bank's PovcalNet has estimates of the extreme poverty headcounts adjusted by PPP.
- 6 SDG target 10.1: "By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average."
- 7 International Monetary Fund, 2017. World Economic and Financial Surveys. Fiscal Monitor: Tackling Inequality.
- 8 Poverty is defined and measured in different ways. The World Bank's definition of extreme poverty is based on the median national poverty lines among a set of low income countries. These poverty lines themselves are based on income or consumption thresholds that were sometimes based on the caloric needs of people. The Multidimensional Poverty Index is weighted based on living conditions, health and education. BRAC's concept of 'ultra-poor' draws on dimensions including access to markets and social stigma. We are most interested in the question: regardless of how poverty is defined, are people seeing improvements?
- 9 DI calculations based on Ravallion M., Jolliffe D., Margitic J., 2018, Social Protection and Economic Development: Are the Poorest Being Lifted-Up or Left-Behind? NBER Working Paper 24665.
- 10 Our emphasis.
- 11 World Bank Group, 2018 [see note 1], Table 3.26.
- 12 See note 1.
- 13 See note 1, Figures 3.1 and 3.2.
- 14 See note 1, Figure 3.3.
- 15 See note 1.
- 16 The purpose of ODA as defined by the OECD DAC, which was established in 1960, is to promote the "economic development and welfare" of developing countries.
- 17 The considerable debate on the extent to which inequality is or is not inimical to growth continues. But the weight of opinion in key global institutions such as the International Monetary Fund and OECD is that "excessive inequality can erode social cohesion, lead to policy polarization and ultimately lower economic growth". International Monetary Fund, 2017 [see note 7]. See also G20 Leaders' Summit, 2017, Fostering inclusive growth: IMF Staff Paper. 7 and 8 July 2017, Hamburg, Germany, available at: [www.imf.org/external/np/g20/pdf/2017/062617.pdf](http://www.imf.org/external/np/g20/pdf/2017/062617.pdf): "High and persistent inequality can have significant negative implications for both longer-term growth and macroeconomic stability".
- 18 See note 9.

- 19 Carr-Hill R., 2013. 'Missing Millions and measuring Development Progress.' *World Development* 46:30–44.
- 20 Sanchez C. and Munoz-Boudet A.M., 2018. No, 70% of the world's poor aren't women but that doesn't mean poverty isn't sexist. *World Bank blog*, 8 March 2018.
- 21 Somalia Directorate of National Statistics, 2018. *Poverty Profile: First Comprehensive Snapshot of Welfare Conditions* [5 October 2018], available at: [www.dns.org.so](http://www.dns.org.so)
- 22 The vast majority [98%] of the reduction of global poverty was from China between 1981 and 2005. See Chen S. and Ravallion M., 2008. *The developing world is poorer than we thought, but no less successful in the fight against poverty*. World Bank. Available at: <https://elibrary.worldbank.org/doi/abs/10.1596/1813-9450-4703>
- 23 Development Initiatives, 2013. *Investments to End Poverty*. Available at: [www.devinit.org/post/investments-to-end-poverty/](http://www.devinit.org/post/investments-to-end-poverty/)
- 24 The 2013 projections used a model based on different scenarios with a two-percentage-point margin of error on each side of a baseline consumption projection, in line with differences observed between past forecasts and actual outcomes. The scenarios use different outlooks for inequality based on the shares of national consumption among the poorest 40% of people and the richest 10%. The analysis sees these shares moving up or down by 0.25 percentage points annually. For the forecasts included in Figure 1.4, a more parsimonious model was used. A distribution-neutral growth pattern was assumed and the average growth rates from the IMF World Economic Outlook for the next five years were carried forward with plus or minus two percentage points to provide a range of estimates. The distribution-neutral approach provides lower poverty estimates but much of the differences between the forecasts made in 2013 and those today are due to faster-than-expected poverty reduction in recent years.
- 25 The progress in South Asia and India should not be taken for granted. The Multidimensional Poverty Index estimates that over half of all children in India are living in multidimensional poverty and there are more destitute people in India than in the whole of sub-Saharan Africa [Oxford Poverty & Human Development Initiative Multidimensional Poverty Index 2017, Briefing paper 47, page 13. Available at: [www.ophi.org.uk/wp-content/uploads/B47\\_Global\\_MPI\\_2017.pdf](http://www.ophi.org.uk/wp-content/uploads/B47_Global_MPI_2017.pdf)
- 26 For more detail on the methodologies applied to identify countries at most risk of being left behind and analysis of their characteristics, see Development Initiatives 2018, *Countries being left behind: tackling uneven progress to meet the SDGs*. [www.devinit.org/wp-content/uploads/2018/07/countries-being-left-behind\\_report.pdf](http://www.devinit.org/wp-content/uploads/2018/07/countries-being-left-behind_report.pdf)
- 27 For example, Brookings, 2018. *Leave no country behind: ending poverty in the toughest places*, working paper. Available at [www.brookings.edu/wp-content/uploads/2018/02/leave\\_no\\_country\\_behind\\_working\\_paper.pdf](http://www.brookings.edu/wp-content/uploads/2018/02/leave_no_country_behind_working_paper.pdf); Chandy L., 2017; *World Poverty Clock*, 2017; Manuel M., Desai H., Samman E. and Evans, M., 2018. *Financing the end of extreme poverty*. ODI. Available at: [www.odi.org/publications/11187-financing-end-extreme-poverty](http://www.odi.org/publications/11187-financing-end-extreme-poverty)
- 28 See Development Initiatives, 2018 (note 26) for more detailed assessment of the overlap of countries identified through different methodologies.
- 29 Alkire S. and Robles G., 2017. *Global Multidimensional Poverty Index 2017*. Available at: [www.ophi.org.uk/wp-content/uploads/B47\\_Global\\_MPI\\_2017.pdf](http://www.ophi.org.uk/wp-content/uploads/B47_Global_MPI_2017.pdf)
- 30 The World Bank's PovcalNet is the most influential tool for understanding poverty and wealth on a global level. Currently, it does not provide geographically disaggregated data by region. To better understand which regions are at risk of being left behind, we have used subnational region data from the Demographic and Health Surveys (DHS). These include estimates of wealth based on household assets. Following Wagstaff (2004) we have assumed that the percentile rankings of households by wealth index roughly compares with percentile rankings of households by income or consumption. This is a very crude proxy but gives a general sense of who is most likely to be left behind. We first looked at the latest DHS surveys conducted since 2005 [51 countries with household-level data]. Two of these, Afghanistan and Cambodia, do not have data in PovcalNet and are excluded. Among the remaining countries, we took the extreme poverty rate (defined as \$1.90 per person per capita in 2011 PPP) from PovcalNet at the national level and found the lowest wealth scores that add up to an equivalent percentage in the DHS surveys. We then can disaggregate the DHS surveys by survey region. Among the 51 countries, the latest available poverty rates from 2013 range from 0.2% for Jordan to 77.8% for Madagascar.

- 31 Brookings (Chandy, L.), 2017. No country left behind: the case for focusing greater attention on the world's poorest countries uses this methodology at the national level, which we have replicated at subnational level.
- 32 World Bank Research Digest, Summer 2007, The Urbanization of Global Poverty page 1. [http://siteresources.worldbank.org/DEC/Resources/84797-1154354760266/2807421-1183396414833/The\\_Urbanization\\_of\\_Global\\_Poverty.pdf](http://siteresources.worldbank.org/DEC/Resources/84797-1154354760266/2807421-1183396414833/The_Urbanization_of_Global_Poverty.pdf): 24.6% in 2002 represented an increase over the 18.9% of global poverty attributed to urban areas in 1993.
- 33 Munoz-Boudet A.M., Buitrago P., Leroy de la Briere B. et al, 2018. Gender Differences in Poverty and Household Composition through the Life-Cycle: A Global Perspective. World Bank Policy Research Working Paper 8360, page 10.
- 34 Poverty and wealth calculations are typically defined at the household level, masking inequalities that may exist within households. However, the World Bank has shown that gender seems to have different impacts for the likelihood of living in extreme poverty along life cycle lines. See Munoz-Boudet A.M., Buitrago P., Leroy de la Briere B. et al, 2018 [note 33].
- 35 See, for instance, UN Economic and Social Council, 2017. Report of the United Kingdom of Great Britain and Northern Ireland on ageing-related statistics and age-disaggregated data. Available at: [www.un.org/development/desa/ageing/wp-content/uploads/sites/24/2018/03/Report-of-the-United-Kingdom-of-Great-Britain-and-Northern-Ireland-on-ageing-related-statistics-and-age-disaggregated-data.pdf](http://www.un.org/development/desa/ageing/wp-content/uploads/sites/24/2018/03/Report-of-the-United-Kingdom-of-Great-Britain-and-Northern-Ireland-on-ageing-related-statistics-and-age-disaggregated-data.pdf)
- 36 See, for instance, Mitra S., 2017. Disability, Health and Human Development, Palgrave MacMillan.
- 37 Detailed disaggregations of child mortalities by ethnicity and other dimensions can be found at the Save the Children's Group-based Inequality Database (GRID). Available at: <https://campaigns.savethechildren.net/grid>
- 38 See: Munoz-Boudet A.M., Buitrago P., Leroy de la Briere B. et al, 2018 [note 33].
- 39 Transforming our world: the 2030 Agenda for Sustainable Development. Available at: <https://sustainabledevelopment.un.org/post2015/transformingourworld>
- 40 McArthur J.W. and Rasmussen K., 2018. Change of Pace: Accelerations and Advances During the Millennium Development Goal Era. Brookings Global Economy and Development Working Paper 97. Available at SSRN: <https://ssrn.com/abstract=2941856>
- 41 McArthur J.W. and Rasmussen K., 2018 [note 40].
- 42 McArthur J.W. and Rasmussen K., 2018. [note 40].
- 43 The Guardian, 2005. 'Brown calls for African Marshall Plan,' 3 June 2005. Available at: [www.theguardian.com/society/2005/jun/03/internationalaidanddevelopment.hearafrica05](http://www.theguardian.com/society/2005/jun/03/internationalaidanddevelopment.hearafrica05)
- 44 IFFIm raises money by issuing bonds on the international capital markets. The financial strength of IFFIm to repay the bonds is based on legally binding agreements with donors for payments into IFFIm. This frontloads the funding but allows payback over 20 years. IFFIm delivers the funding to Gavi, which manages and invests the money.
- 45 Gavi. International Finance Facility for Immunisation evaluation. Available at: [www.gavi.org/results/evaluations/iffim-evaluation](http://www.gavi.org/results/evaluations/iffim-evaluation)