Key messages

- 2030 Agenda for Sustainable Development (Agenda 2030) is at risk – the gap between the people furthest behind and the rest is growing, targeting investments critical for ending poverty remains mixed and the availability and use of data needed to better address these challenges remains insufficient.

- Resources are not always or predominantly reaching the people most in need: a growing proportion of official development assistance (ODA) is not being transferred to countries, that which is transferred does not systematically target the poorest people first and other resources are not strongly focused on poverty.

- These trends could worsen. If the current distribution of ODA continued, the 36% of aid going to countries with poverty rates over 20% now could fall by almost two thirds to 13% by 2030. And the proportion of non-ODA inflows to some of the poorest countries would also fall, from 5.6% to 2.2%.

- Achieving Agenda 2030 requires a new mindset in how we think about and respond to poverty. And it needs a shift in both financing and behaviour to drive the necessary progress everywhere and particularly in fragile contexts, to manage long-term crises better and to ensure that all resources incorporate principles that improve development effectiveness.

- ODA should and can increase to meet the 0.7% target; simply assuming and allowing aid to stagnate over the next decade is not acceptable, and there are signs of progress in non-ODA flows too.

- Government expenditures and ODA remain core for the poorest people and places. Action is needed now to refocus ODA on:
  - who needs it most – the people furthest behind who have not and may not benefit from growth in the future, for whom targeted short and long-term support are necessities
  - where it is needed most – the places and countries being left behind, in particular fragile contexts, where external resourcing is needed to address critical needs for sectors such as social protection alongside the strengthening of domestic public and private finance
  - when it is needed most – the sooner investment reaches the people, places and sectors necessary to achieving the Sustainable Development Goals (SDGs), the more likely Agenda 2030 will become a reality.

- ODA has four broad legitimate purposes which must be balanced according to the needs of the people furthest behind and the availability of other suitable resources. Delivering to a 2030 timeframe requires a focus on direct investments in countries to drive better social and economic outcomes, supported by efforts to build enabling environments for a thriving domestic and international private sector and global goods that disproportionately benefit the poorest people.

- All actors have a responsibility and critical role to play. Identifying and capitalising on synergies and recognising comparative advantages are as important as mobilising additional volumes of finance.

- Political leadership is fundamental to achieving an ambitious change agenda.
Global ambition and action are failing to meet the needs of the people in most poverty

Agenda 2030 will not be achieved if it fails the poorest and most vulnerable people and leaves them out of progress. 2030 is approaching fast, already almost a third of the SDG era has passed, but progress remains lacklustre and in too many places, for too many people it has not only been lacking, it has been a relative decline. The future does not look promising: not only is there a gap between the poorest people and the rest but that gap is growing and looks set to continue. It is possible to get back on track – but reaching the people furthest behind, including those living in some of the most challenging contexts, requires action now to meet the 2030 deadline.

Without renewed action now Agenda 2030 will fail

More of the same will not be enough. Economic growth, together with national and international public investments, has seen progress through the Millennium Development Goal era, not least in reducing poverty by half. But progress has been uneven, with some people in some countries growing out of poverty while levels have increased elsewhere.1 Unequal progress is set to become even more acute: even optimistic projections of growth over the next decade, while helping to lift some people out of poverty, will not be enough to get to zero with between 200 million and 400 million people projected to remain in extreme poverty by 2030. Poverty will also become increasingly hard to address the closer it gets to zero, meaning change is needed now and simply replicating or scaling up past strategies may not work. Investing today will pay a dividend not only in the greater impact seen today and over the longer term but also in living up to the promise implicit in the SDGs to reach the poorest people first.

The implications of continuing with business as usual are serious – no change will likely mean relatively little to no progress for the poorest people in the ambitions, goals and targets that were set to much fanfare and, rightly, to much acclaim in 2015. No change would mean that the gap in poverty – in income and in standard of living – and the gap in access to resources could continue to widen as progress and economic development remain uneven and unequal. This will not just mean a failure to meet the SDGs but a failure to deal with inequality and an ever-greater concentration of poverty. This chapter looks at the implications of a ‘no-change’ scenario to show what the world could look like in 2030 if the necessary action and changes are not made now.
Too many people will be left behind

Scaling up more of the same will result in a failure to meet the SDGs (Figure 5.1) – and SDGs 1 and 10 in particular. While for many people, continued economic growth will see progress and development with more opportunity and potential, for too many people, economic growth will not be enough to lift them out of poverty and will instead see them falling ever further behind the rest of the world. Despite global growth and decades of development effort, the consumption floor – the lowest observed level of income or consumption – has remained virtually unchanged for over 20 years. The poorest people today have a living standard no better than the poorest people 20 years ago, and there is no suggestion it will be any higher in 10 years unless action is taken.

Figure 5.1
Business as usual means uneven and unequal progress for people

While the paucity of disaggregated data limits analysis of precisely who the people left behind will be in 2030, Chapter 1 shows that some people will be more at risk than others of falling into this group and least likely to be helped by market-based economic growth. These are and will likely remain young and older people, women and those with complex needs such as persons with disabilities. These people will be the hardest to reach, living in politically and environmentally insecure environments, and will represent a growing proportion of people in poverty globally by 2030 as, for example, income and consumption gaps between them and the rest of the world continue to widen.

Current ODA allocations (per person living in poverty) give preference to people in countries at less risk of being left behind – who receive, on average, over 1.5 times more ODA than people in countries being left behind. By 2030 that gap could expand exponentially to over 15 times unless significant shifts are made in where ODA is allocated.
Action – Improve allocation and targeting of government investments and ODA to reach the people furthest behind, first.

National government investments, ODA and other concessional resources need to be targeted at the poorest people – who will not be reached by other interventions or whose needs are too complex (or insufficiently profitable) to be reached by other resources. And interventions need to be focused to support strengthened social protection and to raise the floor (of consumption, of income and of standard of living) for the poorest people so the gap between them and everyone else starts to narrow.

Too many places will be left behind

Poverty will continue to be a challenge many people face, and the bulk of extreme poverty will be increasingly focused in a smaller set of countries with common characteristics such as conflict, other causes of fragility and vulnerability such as climate change, weak governance and an underdeveloped private sector. But these are also the places that will receive the least external resources. In the absence of action this inequality in access to resources will continue to grow, requiring a shift in mindset about how and where ODA and other forms of public finance are allocated as well as renewed commitment and action to increase ODA.

Increasing the total amount of ODA available over the next 12 years is vital to meeting the growing need for additional, appropriate financing. But short-term projections look bleak with country programmable aid projected to flatline or even fall over the next few years. Political commitment and serious action are needed – this means meeting the 0.7% ODA/GNI target as fast as possible and as an absolute minimum.

Aid is not currently targeting poverty effectively and that could worsen in the absence of improved allocations. Countries with poverty rates of 20% or higher receive 36% of ODA today. If allocations remain unchanged this could fall to just 13% by 2030. Similarly, the current 65% of aid going to countries with populations of 2 million or more people in extreme poverty would fall to just 19% if ODA is not more strongly aligned to shifting poverty trends, further exacerbating strongholds of extreme poverty. The resource challenge is not limited to ODA (Figure 5.2).

Even under relatively optimistic scenarios, the average growth of resources beyond aid to developing countries most at risk of being left behind may not be sufficient to close the gap between these countries and the rest. On average, their non-ODA inflows have grown at a slower rate than those to other developing countries on a per capita basis – 2.7% for countries being left behind and 4.5% for other developing countries since 2000. Projecting flows into the future is an inherently risky exercise, particularly given the volatile nature of international commercial investment and finance, but a continuing of existing growth and distribution trends could see the resource gap widen further.
Such shifts in allocations, for many donors, will require overcoming long-term historical and political determinants as well as existing trade and economic relations that continue to shape allocation decisions. Wide distributions of poverty have, to date, allowed this accepted reality to silently endure. But such political and economic incentives will grow ever more apparent if donors do not respond to trends that will see extreme poverty falling in some countries and concentrating in others.

Reaching the untapped existing tax potential of developing countries could mobilise an estimated US$15 trillion a year. But with only 1% of this available to the poorest countries, increases will likely not be sufficient to address development needs. These resources are already lowest where poverty is high (see Chapter 3). For a number of countries the potential of increased revenues from economic growth have not been realised and remain substantially lower than in developed countries. Domestic public revenues, excluding China, have declined as a proportion of GDP across developing countries [both resource export- and non-export oriented countries], from 27% in 2008 to 23% in 2016 while advanced economies have remained fairly constant at around 36%.

Supporting stronger domestic private sector development that can in turn provide scope for greater job creation and revenues will also be critical. But much needs to be done given that the countries where extreme poverty is expected to be increasingly concentrated are often the places with challenging private sector environments. Countries being left behind have, on average, low domestic commercial resources [12.5% of GDP] and a weaker Global Competitiveness Index ranking of 3.2 compared with the average of 4.4. ODA can and should be supporting improvements.
**Getting back on track – an action agenda for 2030**

A strategic approach to ODA allocation – balanced against high and growing levels of need in many places – should foster a private sector that can support sustainable development, working with governments to nurture a strong institutional and policy-enabling environment for private sector growth. Equally, ODA can provide important support in building long-term capacity and growth of public revenues.⁶

**Too many critical sectors will be left behind**

Certain sectors, particularly those related to social protection and those that directly build human capital, are fundamental to ending poverty and redressing inequalities. Domestic public resources will continue to play the central role in funding, but some countries will not see expenditures grow fast enough and will continue to require external financing. As the illustrative example in Figure 5.3 shows, this challenge is likely to be most acute in countries furthest behind. It highlights the challenges in education – a fundamental enabler of long-term development and economic growth.

Assuming ODA/GNI ratios and proportions spent on education remain unchanged, just under half of the annual need – as estimated by UNESCO⁷ – will still be unfunded by 2030 while less than half (44%) of the total investments will have been made. If the 0.7% target is met by 2030, annual global education funding needs may be met by 2029, but even then only 69% of the finance needed over the period will have been delivered due to underfunding in previous years.

**Figure 5.3**

*Business as usual will leave many poverty-critical sectors like education underfunded particularly in those countries furthest behind*

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Source: Development Initiatives based on OECD DAC, fDi Markets from Financial Times Ltd and Global Partnership for Education data.

Note: The figure highlights whether in two different scenarios the education funding gap will be met by 2030. The scenario in which DAC donors reach the 0.7% target for ODA as a percentage of GNI by 2030 is based on applying estimated growth rates for each respective flow and current levels of the flow to education to each successive year from 2017 up to 2030. The required funding for education level is based on the UNESCO’s Global Monitoring Report statement of an additional US$22 billion per year to bring quality and universal education by 2030 added to the volume of existing external education flows in 2016. ODA data shown is in net disbursements.
Similar analysis by the World Health Organization finds that funding to meet ambitious SDG health commitments will also need to increase dramatically – almost tripling from US$134 billion annually to US$371 billion by 2030. While up to 85% of this may be met by domestic resources, many countries will continue to need external financing with up to 32 facing an aggregate annual gap of US$54 billion. Recent work by the Brookings Institution shows that a business-as-usual scenario will see many ‘basic needs’ SDGs (those essential for a basic quality of life for people) unmet with some (often populous) countries experiencing multiple gaps and significant numbers of people being left behind for diverse needs from primary education to family planning, and from gender equality in leadership to birth registration. Of the 30 ‘most off-track’ countries under business as usual across a set of 15 absolute indicators, 23 are identified by this report as countries most at risk; 28 are in the 40 most off-track.

**Action – ODA needs to prioritise sectors, such as social protection, critical to ending poverty and promoting sustainable, inclusive development and growth in the poorest countries.**

Meeting the SDGs will mean ensuring that the significant investments needed to improve people’s lives and livelihoods are met. The separation of investments serving either social or economic goals is a false one – both are key and progress in human development is needed both for the SDGs and for inclusive growth. ODA is a scarce and valuable resource and should be allocated according to where other resources are not available, and where its impact can both drive improvements to people’s wellbeing and steer growth increasingly towards the poorest people.

**Meeting the SDGs requires a change in mindset and action now**

Current development practice has taken us far, but not far enough. Reaching the poorest people, redressing the growing imbalance and inequality for the people and places furthest behind, will now require more than upscaling what is already done. It demands a shift in mindset to address challenges that both growth and direct development investments have failed to address. Action needs to go beyond simply acknowledging the existence of these challenges – they are not new and continuing to functionally ignore them is no longer an option.

**Action needed to address growing challenges of fragility, conflict and long-term crises**

Agenda 2030 and the SDGs will fail if the complex problems of fragility, conflict and long-term crises are not addressed.

- Over half (59%) of all people in extreme poverty live in countries affected by either fragility, environmental vulnerability or both.
- The number of extremely poor people living in fragile contexts is expected to overtake those in more stable countries by 2020 and by 2030 up to 80% of people in extreme poverty will be in such places.
In 2017 complex crises [involving at least two of conflict, disasters associated with natural hazards and refugee situations] occurred in 29 of the 36 countries with the highest numbers of people considered in need of humanitarian assistance, while half of the largest 20 recipients of humanitarian aid were countries most at risk of being left behind. Clearly connected to this is the reality that long-term and recurring crises are the new norm. Most countries needing humanitarian assistance face multiple, often enduring, crises that are neither confined to the poorest countries nor contained within national borders.

Funding also poses challenges. While official humanitarian assistance has grown at a far greater rate than other development assistance [seven times faster than country programmable aid since 2010], the global system is struggling to meet the level of need from countries facing long-term crises and respond to a widening range of functions: a record US$14.2 billion for UN-coordinated appeals in 2017 failed to plug a record funding gap of 40%. Humanitarian aid cannot replace near-stagnant development assistance when crises are long term and yet by 2017, 33 countries had been receiving high proportions of their aid envelope as humanitarian assistance for 8 years or more.

The challenge facing such countries is substantial: in 2016 these ‘long-term’ humanitarian recipients accounted for 12 of the 20 countries with the greatest numbers of people in need and 16 of the 20 largest recipients of humanitarian aid – three quarters (74%) of all such assistance in that year. Such countries often have limited domestic capacity themselves: 13 are among countries at risk of being left behind, with many appearing at the bottom of lists for per capita domestic revenues.

Action – All actors need to change their approach to fragile contexts and crises to meet both rapid response and longer-term needs.

Funding, particularly ODA, must increasingly tackle fragility and build resilience to shocks and protracted crises whether from conflict, environmental vulnerability, or both. But funding will have little impact without a shift in mindsets. Working effectively in fragile contexts means working more in uncertain situations where short-term and result-oriented approaches to value for money, for example, sit uncomfortably beside the need for flexible, highly context-specific and long-term investments and political commitment.

Short-term response and long-term investments can no longer be seen as separate instruments addressing separate problems: they must come together around common objectives and collective outcomes. For example, during crises assistance can help develop and establish government-owned social protection systems where they do not exist, and development aid can be surged through such systems where they do. Fresh commitments for joined-up humanitarian, development and peacebuilding approaches reflect this, such as the 2016 World Humanitarian Summit calling for a shift in thinking from “delivering aid to ending need” and the World Bank driving discussions around the ‘New Way of Working’. But progress to date has been slow.
Defining the strategic purpose of ODA based on the needs of the poorest people

ODA that is transferred out of donor countries broadly serves four key purposes: providing and supporting direct programming, strengthening institutions and an enabling environment, leveraging additional finance for development, and delivering or supporting global public goods. These are all legitimate uses of aid. Providing direct service delivery, investing in global health research or working with the private sector are all important things to do. The challenge is rather more in determining which is the most urgent, most effective and most needed use of aid in any given place and how to balance those competing demands. Implicit in that challenge is the question of what should be, or is already, funded by other sources.

The appropriate balance of these four purposes will change according to context and over time. But in each case, the balance must be determined first and foremost by the needs of the poorest people. Each investment must be measured against who is benefiting, and over what timeframe.

The urgency of the poverty problem and the promise of Agenda 2030 mean investments in direct programming and support for government institutions – at both national and local levels – remain vital. Sufficient investments to build human capacity are beyond the scope of a number of the poorest countries and are unlikely to be financed significantly by other sources within the timeframes needed. There is also scope to strengthen governments’ capacities and the wider enabling environment for resource mobilisation in some countries – including those in fragile contexts. Such assistance may only require small amounts of aid to catalyse revenues and can represent an efficient form of investment. However, a number of trends are going in the opposite direction, with falling proportions of aid ending up in countries; very small expenditures on government social protection schemes; and severe cuts in modalities, such as general budget support, that support country ownership.

This should be balanced by highly strategic uses of aid to leverage private capital. Crowding in private finance through blended mechanisms is largely confined to wealthier developing countries and is likely to remain so in the short term. Benefits can be gained through synergies: if development priorities can be maintained while leveraging ratios improve, aid may be released to the countries and people that need it most. It is also important to recognise that in some places some forms of leveraging may not yet be appropriate – where for example, the domestic environment is not yet sufficiently developed. In these circumstances, support for the enabling environment, which will also support growth for a thriving domestic private sector, could be more effective than trying to crowd in vast sums of international finance, and not require large amounts of ODA.

Not all drivers of poverty can be addressed at the country level. Global public goods will also be critical to ending poverty and enabling sustainable development in the long term. Investments in research development or tackling communicable diseases, for example, can directly impact people in extreme poverty or people vulnerable to falling into poverty. Attributing such investments to specific places and people can be challenging, but achievable. A balanced approach for aid should initially focus, therefore, on direct country or regional interventions alongside strategic investment in those global goods that have a demonstrable impact for the poorest people. And as poverty decreases, there is increasing scope for ODA to also support development finance institutions in their efforts to leverage other sources of finance including commercial investments.
Action — ODA should focus primarily on transfers to the poorest countries and people, supported by investments in global public goods with demonstrable impact on poverty.

First and foremost, the trends of rising volumes of aid not leaving the donor country and falling proportions of country-specific aid must be reversed. Allocations will change over time as poverty falls but the immediate and most pressing need is to tackle extreme poverty for the people and places being left behind. If the gap between the poorest people and the rest starts to close, the balance can shift to provide additional support to other important elements such as wider investment in global public goods and working with private capital, but that balance should always be defined by poverty and the greatest need.

Political leadership and action needed to accelerate improving aid quality

ODA is a limited resource. Using it effectively and efficiently is as vital as how much is spent but there has been little to no recent progress [and in some cases regression] in meeting commitments made to improve the quality of aid20 and little to suggest that will improve. The agenda has become more complex, with more actors playing a more significant part, greater attempts to deal with challenging contexts such as fragility and efforts to look beyond aid effectiveness to the quality and impact of all development cooperation. But the principles20 remain relevant. Despite the importance [and efficiency] of being more effective with limited development resources, there is little political attention and energy.

Agenda 2030 enshrines countries’ right and responsibility to manage and drive their own development, while current trends in ODA — less programmatic aid and less use of countries’ own systems — suggest instead a move in the opposite direction. And yet, ownership of development by people in developing countries is critical, both to ensure that development serves their needs and to promote strong accountability and governance — equally important for sustainable, long-term development. This is perhaps nowhere more important than in the countries furthest behind, for the people being left behind, and in the places facing the complexities of fragility where uncertainty prevails and traditional approaches to aid and the relationships between different actors that structure its use may not be as relevant or effective.21

Action — All donors, governments and other stakeholders need to recommit and act to implement development effectiveness commitments.

Empowering people builds a more solid foundation for delivery of Agenda 2030. More can be done to better and more effectively support countries and people to drive their own development and to build shared responsibility for delivering the SDGs.
Action for Agenda 2030

The clear message that emerges from the analysis on poverty, resources and data is that the ambitions of Agenda 2030 are at risk and the time for action is now. Three years have passed since the SDGs were agreed, not enough has changed, and it is increasingly clear that business as usual will not deliver. Unless decision-makers at all levels take stock and change track, the ambitious goals and targets they agreed in 2015 will soon be out of reach. If current trends continue, the gap between the poorest 20% and the rest of the population will continue to grow, both globally and in most countries, and by 2030, millions of women, men and children will be left behind, consigned to a life of extreme poverty. It does not have to be this way. With 12 years to go until 2030, there is still time for decisive action to get the world back on track to meet the SDGs. Our agenda for action and key recommendations are as follows:

**Invest in people**

To end extreme poverty by 2030 and leave no one behind, the focus must be on people and on the poorest people first. That means increasing investment in human capital, including social protection, health and education.

**Close the widening gap to the poorest people**

There is an urgent need to mobilise additional resources for the SDGs. All resources – international and domestic, public and private – have important roles and responsibilities, but for the poorest countries and the poorest people, ODA will remain vital. Donors therefore have a responsibility to ensure their aid is being spent in line with the priorities of Agenda 2030. It is time for a refreshed vision of aid, recast as a resource to ensure that no one is left behind. In support of that new vision:

- **The volume of ODA should be increased in line with existing targets.** Donors who have yet to meet the 0.7% ODA/GNI target should set a timetable for doing so, committing to annual increases in aid volumes in support of Agenda 2030. If ODA was increased to meet the 0.7% GNI target, an extra US$1.5 trillion would be raised by 2030.

- **ODA should be redirected to the people and places that need it most.** The trend of an increasing proportion of ODA remaining in the country of origin needs to be reversed, so that more ODA goes to specific countries, and is targeted to the people most at risk of being left behind, or the global public goods most likely to benefit them.

- **The quantity, quality and development impact of other resource flows need to be improved.** All actors need to work together to deliver the SDGs, including implementing development effectiveness commitments. Working in partnership means identifying and acting on synergistic opportunities.

- **More effective approaches are needed in fragile contexts and crises to meet rapid and longer-term response.** All actors need to work more effectively in these complex contexts to reflect the need for long-term investment, highly context-specific support, flexibility, political commitment and leadership. Investments in peacebuilding, prevention and resilience must be prioritised alongside post-crisis response.
**Invest in data**

Better data is required to target resources effectively to the people who need them most and, for each of those resources, to measure who is included and who is left out. That means greater investment in systems to ensure everyone is counted, and in the collection and use of data that is disaggregated by income, gender, geographic location, age and disability to identify the people who are at greatest risk of being left behind.

Poor disaggregated data, particularly at the subnational level, undermines both national and global efforts to direct the right amount of the right types of resources and investments to the people who need it most. But the best data, information and evidence are only as useful as the will to act on them.

**Political will and leadership are critical:** Despite limitations in data, who is at risk of being left behind and where they are, or will be, is broadly known. As are many of the types of investments, tools and mechanisms to best reach these people. The allocation of resources is ultimately a political act, shaped by competing political incentives. How successfully these are overcome during the next decade will be measured by how many people remain in extreme and other dimensions of poverty, how many people remain excluded from progress and for how long the gap between the poorest people and everyone else continues to grow.
Notes


2 Development Initiatives (DI), 2018. Countries being left behind. Available at: www.devinit.org/post/countries-left-behind

3 OECD DAC Creditor Reporting System. Available at: https://stats.oecd.org/index.aspx?DataSetCode=CRS1#


5 See note 2.

6 DI, 2018. ODA for domestic revenue mobilisation. Available at: www.devinit.org/post/oda-for-domestic-revenue-mobilisation


12 See notes 2 and 10.


14 See note 10.

15 See note 10.


19 For more information on development effectiveness commitments see the Global Partnership for Effective Development Cooperation [home]. Available at: http://effectivecooperation.org, and for the latest monitoring data see Global Partnership. About global partnership monitoring. Available at: http://effectivecooperation.org/monitoring-country-progress/what-is-global-partnership-monitoring (both accessed 12 September 2018).
