

# Ending extreme poverty by 2030

- The first Sustainable Development Goal (SDG) goal of ending poverty in all its forms everywhere, specifically the first target of ending extreme poverty by 2030, will be much more challenging than the previous Millennium Development Goal (MDG) goal of halving poverty.
- Progress has been very uneven to date, with poverty becoming increasingly concentrated in a number of priority countries that now need a significant shift in their current trajectories if they are to end poverty by 2030. Business as usual will not be good enough.
- Many of these countries are politically fragile, environmentally vulnerable, or both; these challenges hold back progress and risk undermining or reversing achievements made. These issues must be addressed to sustainably end poverty
- Ending poverty requires a focus on people as well as countries: on reaching the poorest people wherever they are.
- Furthermore, ending poverty will require the ability to measure the progress of the poorest people against this goal to make sure no one is left behind.

**T**he MDGs were an unprecedented commitment for progress against poverty and social challenges across the world. The first target, to halve the proportion of people living in extreme poverty, has been instrumental in galvanising effort to reduce poverty, and the target was met ahead of schedule in 2009.

The Sustainable Development Goals (SDGs) build on the MDGs and the first goal – ending poverty in all its forms

everywhere – includes target 1.1 which aims to end extreme, \$1.25 a day, poverty by 2030. Achieving this target is by no means the end – to many the idea of an international poverty threshold of \$1.25 is far short of what is needed for people to command basic standards of wellbeing – but it would nevertheless be an important and historic step on the path to ending poverty in all its forms everywhere.

However, ending extreme poverty under the SDGs will be more

challenging than halving it was under the MDGs. Many countries must realise a significant change in their current trajectories and overcome challenging contexts of fragility or environmental vulnerability. Even in those countries where progress has been more rapid, it will be important to ensure no one is left behind, requiring focused sub-national efforts. To achieve this we must focus on the poorest people, and this in turn requires significant improvements in disaggregated data, to inform resource allocation decisions.

## Ending poverty will be more challenging than halving it

### The goal to halve extreme poverty rates was met ahead of target, in 2009

MDG1a, to halve the proportion of people living in extreme poverty (defined as less than \$1.25 a day) was met ahead of target, in 2009. Projections suggest that the proportion of people living in extreme poverty in developing countries by 2015 will have fallen 69% from 1990 benchmark levels. The absolute number of people living in extreme poverty has also been more than halved, from 1.9 billion in 1990 to an estimated 836 million in 2015,<sup>1</sup> despite growing populations. All regions have met the target to halve extreme poverty rates except sub-Saharan Africa, where the proportion of people living in poverty has fallen 28% whilst absolute numbers have remained roughly unchanged.<sup>2</sup>

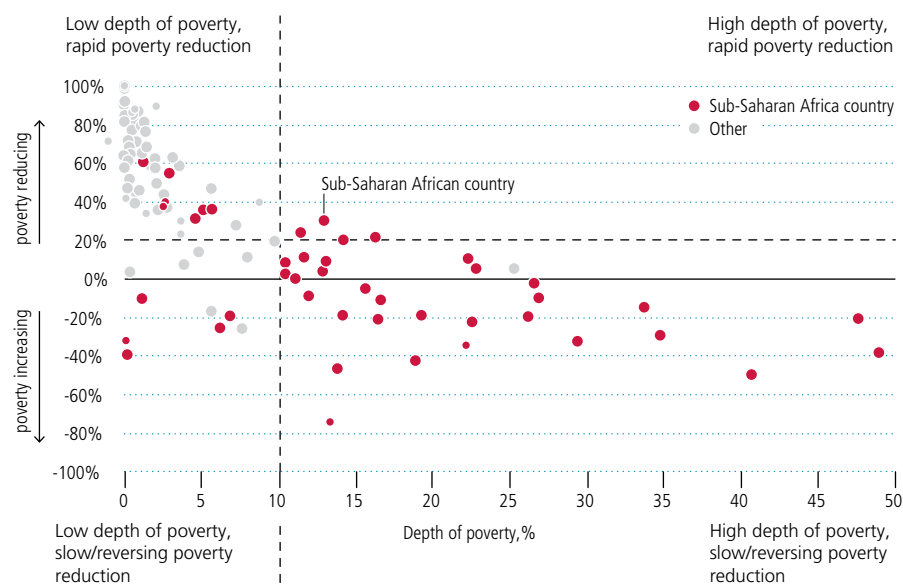
### Poverty is increasingly concentrated in hard-to-reach contexts

Much poverty reduction since 2000 has been concentrated in a few countries – just five countries<sup>3</sup> account

FIGURE 1.1

### Countries where poverty is deepest have made the least progress in reducing poverty, with many in sub-Saharan Africa

Rate of poverty reduction between 2002 and 2011, based on number of people living below \$1.25/day



Notes: Data covers extreme, \$1.25 a day, poverty in 113 developing countries. Countries with populations of less than 1 million people are shown by smaller circles.

Source: Development Initiatives based on PovcalNet. See also Chandy *et al*, 2015, *The Last Mile in Ending Extreme Poverty*.

Explore further: depth of poverty (<http://bit.ly/1KoFCwd>)

for over 85% of the reduction in the number of people living in extreme poverty between 2002 and 2011 (the most recent year for which country-level estimates are available).

To reach the goal of ending poverty, specifically extreme poverty by 2030, a much broader set of countries must reduce poverty rapidly. For many this requires a significant change from their current trajectory.

#### BOX 1.1

#### Poverty and the depth of poverty

Poverty is caused by and manifested through a variety of interrelated and overlapping factors. The measurement of poverty can focus either on deprivation in these areas, for example looking at education or health opportunities or attainment, or on proxy measures such as income which are an important, though not perfect, determinant of access to services and outcomes in these areas. At the international level the primary measure of extreme poverty is defined by income, measuring people who live on less than \$1.25 a day. Discussions around the SDGs have increasingly recognised

wider measures and manifestations of poverty, although the \$1.25 a day measure will remain the foundation of the first target of the first goal.<sup>4</sup> Consequently, this report focuses on the extreme poverty, \$1.25 day, measure, while recognising the importance of ending poverty in all its forms.

'Depth of poverty' measures the scale of the challenge that each country faces to end poverty. It is based on an official UN MDG indicator, the poverty gap ratio (Indicator 1.2 under Target 1A of the MDGs),<sup>5</sup> and measures the

average gap in incomes for people living below the poverty line, spread across the population. It is expressed as a percentage of the \$1.25 a day poverty line, where a higher percentage means greater depth of poverty and a more significant challenge to ending poverty. Thus poverty data can be used to tell us numbers of people living below the \$1.25 threshold and also, at a national level, how far below the line people are. The latter is used in this chapter to gauge the scale of the challenge to end poverty and in Chapters 2 to 4 as the basis for analysis on resource flows and poverty.

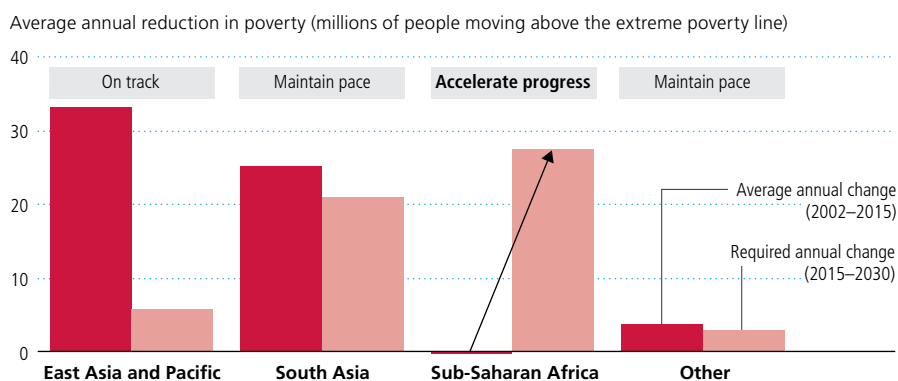
More than half of developing countries (70 of 113 countries with data<sup>6</sup>) reduced the number of people living in extreme poverty by more than 20% between 2002 and 2011 (Figure 1.1). Many of these countries are moving towards ending extreme poverty: in 66 of these 70 countries the depth of poverty is below 10%.<sup>7</sup>

But in other countries the pace of poverty reduction is slower. In 13 countries the number of people living in extreme poverty fell by less than 20% between 2002 and 2011; in a further 30 the number of people living in extreme poverty actually increased over the period. While some of these countries may have started to reverse this trend<sup>8</sup> since 2011 there is, at the very least, a need for many countries to significantly increase the pace of poverty reduction.

Sub-Saharan Africa faces the greatest challenge in ending poverty by 2030 (Figures 1.1 and 1.2). It is home to 32 of the 33 countries with the greatest depth of poverty and has seen the slowest progress in reducing poverty. A number of countries require both reversal of current trends and rapid acceleration of progress: the 18 countries in which the absolute number of people living in extreme poverty rose most rapidly over 2002–2011 are all in the region. On current trends East Asia is set to end extreme poverty before 2030, while South Asia needs to maintain a similar pace to that achieved under the MDGs to do so – a challenging task given the increased effort required to lift those remaining in poverty. But sub-Saharan Africa must rapidly accelerate progress if it is to end extreme poverty by 2030 – from experiencing a small rise in the number of people in extreme poverty during the MDG period, to realising a pace of poverty reduction faster than that achieved by South Asia over the preceding 15 years.

FIGURE 1.2

### Sub-Saharan Africa needs the greatest change in trajectory to end extreme poverty

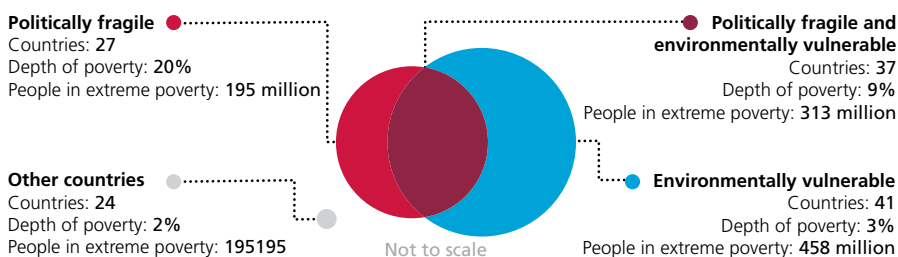


Notes: The left hand columns show the number of people lifted out of poverty on average annually in each region between 2002 and 2015; the right hand columns show how many people currently living in poverty must be lifted out of poverty on average each year between 2015 and 2030 if each region is to meet the target of zero extreme poverty in 2030.<sup>9</sup>

Source: Development Initiatives calculations based on PovcalNet and World Bank

FIGURE 1.3

### The vast majority of people living in extreme poverty live in countries that are environmentally vulnerable, politically fragile, or both



Notes: circles are scaled by the number of people living in extreme poverty in countries in each group. Fragile states are defined based on the Fragile States Index 2015.<sup>11</sup> Environmentally vulnerable countries are defined based on INFORM 2015 mid-year update.<sup>12</sup>

Source: Development Initiatives calculations based on World Bank PovcalNet, Fund for Peace and Information for Risk Management

## Security and environmental issues will become far more prominent and need to be addressed to get poverty to zero

As progress continues elsewhere, poverty is increasingly concentrated in countries and communities that face complex and often overlapping challenges. The proportion of people living in extreme poverty in fragile states, for example, has risen from around 20% in 1990<sup>10</sup> to 62% in 2015. Vulnerability to climate or environmental disaster further threatens to undermine or reverse progress in reducing poverty as those in most severe poverty are also the most vulnerable and

have least access to coping mechanisms or ability to mitigate the risks.

96% of people living in extreme poverty live in countries that are politically fragile, environmentally vulnerable, or both. While these national-level statistics mask the way that conflict or fragility and environmental risk vary within countries that are nationally labelled as ‘fragile’ or ‘environmentally vulnerable’, they nevertheless highlight that extreme poverty is increasingly concentrated in complex and challenging contexts. Efforts will need to be intensified and better focused if poverty targets are to be sustainably met in such contexts.

## Ending poverty needs a focus on people as well as countries

MDG1a focused on halving poverty rates – the number of people living in poverty as a percentage of a given population. Ending poverty, on the other hand, requires lifting every person above the poverty line. While some countries need to make progress as a whole (see above), the goal of ending poverty everywhere takes this further, requiring a move beyond national averages to ensure no one is left behind, wherever they are. This demands a clear understanding of who is living in poverty and where. A key step to achieving this goal will be subnational data on people living in poverty.

As global poverty reduction trends mask differences between countries, national trends often mask considerable differences within them. For example, India and Indonesia are two countries on the path to ending extreme poverty: both have achieved healthy economic growth rates (averaging 6.9% and 5.4% a year over 2000–2015 respectively), have reduced national poverty rapidly and are in the ‘low depth, fast poverty reduction’ category shown in Figure 1.1. Both countries, however, still have notable populations living in extreme poverty (estimated at 301 million in India and 39 million in Indonesia in 2011).

The rate at which progress in reducing poverty has been achieved, and the sub-national distribution of that progress differs substantially between these countries (Figure 1.3).

The number of people living in poverty in India fell at an average 5.7% per year between 2004/05 and 2011/12 (against national poverty lines), although progress was very uneven within the country. In 10 states and union territories the number of people

FIGURE 1.4A INDIA

### Rapid national progress in India has not been equally distributed within the country across different states

Average annual reduction in number of people living below state poverty line, %, 2004/5–2011/12

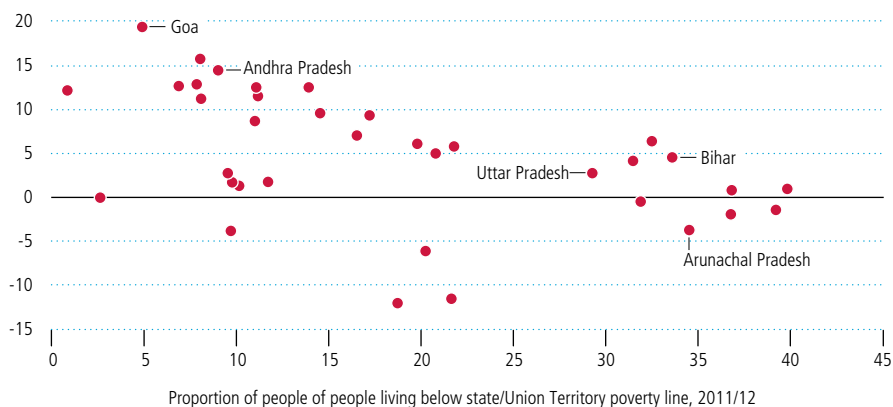
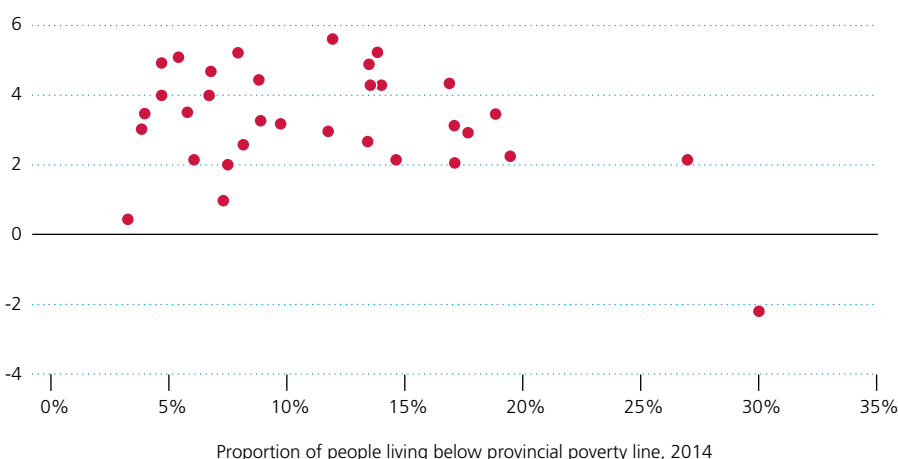


FIGURE 1.4B INDONESIA

### Progress in Indonesia has been more evenly spread across the country

Average annual reduction in number of people living below provincial poverty line, %, 2007–2014



Notes: Both charts show the proportion of people living in poverty (calculated as the reduction in the number of people living in poverty over the period divided by the number at the start of the period) and poverty reduction disaggregated into subnational administrative regions in each country. Indian data is broken down into 35 states and union territories (UTs); Indonesian data is broken down into 33 provinces. In both countries figures combine rural and urban estimates of poverty for each state/UT and province. In both countries the monetary value of poverty lines varies across states/UTs and provinces (though in Indonesia they are based on the money needed for a given level of consumption). This analysis is designed to illustrate the general point about sub-national disparities, rather than give a precise analysis of the specific contexts within India and Indonesia.

Sources: Reserve Bank of India, Handbook of Statistics on Indian Economy; Statistics Indonesia, Social and Population statistics. Data accessed online August 2015.

Explore further: India country profile ([devinit.org/#!/country/india?tab=1](http://devinit.org/#!/country/india?tab=1)), Indonesia country profile (<http://devinit.org/#!/country/indonesia?tab=1>)

in poverty fell by more than 10% a year,<sup>13</sup> though in three of four states with the largest numbers of people living in poverty, it reduced at less than half that rate.<sup>14</sup> The number of people living in poverty actually rose in eight smaller states and union territories.<sup>15</sup>

In Indonesia poverty reduced at a slower average rate, although the pace was more even across the country. Between 2007 and 2014 the number of people in poverty in Indonesia fell by an average 3.8% a year (measured against the national poverty line).

Poverty fell between 2% and 5.6% in all except four provinces and the number of people living in poverty only increased in one province.<sup>16</sup>

Understanding trends within countries is essential for achieving the goal of ending poverty and leaving no one behind. Sub-national data will be vital for focusing efforts to tackle the specific drivers of poverty in different regions, and to inform policy on the effectiveness of different instruments for groups of people in different contexts within countries.

To end poverty everywhere means we must focus on people and measure their progress against the goal of ending poverty.

For example, despite rapid economic growth across many developing countries in aggregate, the benefits of such growth have not been equally shared among the poorest people. Their incomes have grown much less compared to those who already earn more (Figure 1.5). Economic growth is vital but current distributions of growth are not sufficient to end poverty by 2030.<sup>17</sup> Since 1998 only 0.6% of the benefits of economic growth worldwide have gone to the poorest 20% of the world's population.<sup>18</sup> By continuing to focus on national averages instead of people we will not be able to accurately measure the progress of the poorest people and will, therefore, be in danger of missing this target.

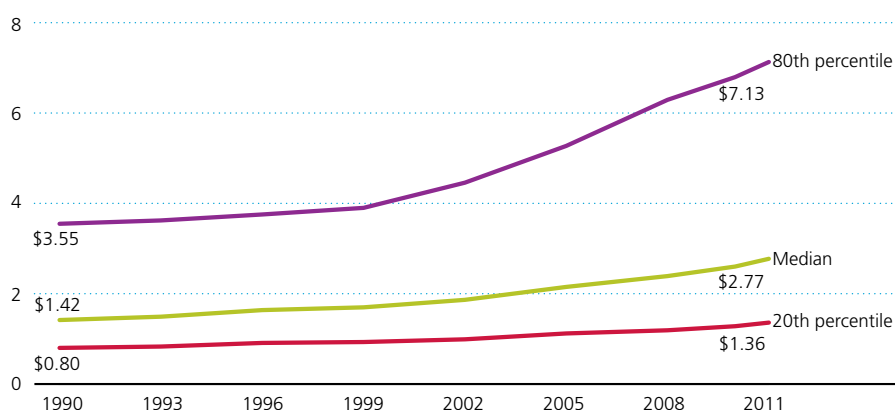
### Poverty data is insufficient to support the effective targeting of the poorest people

Good data is the foundation for achieving the end of poverty by 2030. It is essential for understanding the challenge and assessing the impact of efforts to address that challenge. We need good data to accurately identify the most

FIGURE 1.5

### The poorest people have seen incomes grow, but less quickly than others

Income per day (2005, PPP\$)



Notes: This figure shows how the estimated daily income of the person living at the 20th percentile, median and 80th percentile changed.

Source: Development Initiatives based on PovcalNet

Explore further: the distribution of the poorest 20% of people globally (<http://bit.ly/1DqWTbu>)

vulnerable, marginalised and poorest people and track their progress.

Our understanding of global poverty today is not based on direct knowledge of poor people, where they live and their situation, but on surveys that rely on a long chain of transformations and assumptions to derive estimates of the level, depth and distribution of poverty. Many issues with these data cloud and add doubt to our understanding of who and where the poorest people are.

### Infrequent and inconsistent surveys

Countries undertake the underlying surveys on which all international poverty data are based infrequently, meaning that global estimates for a given year draw from surveys from a wide time period. Estimates of global poverty for 2011 drew on surveys from before 2005 for 17 countries.

The surveys themselves are also inconsistent. A key difference is what survey respondents are asked about – most surveys ask about levels of consumption, but some, particularly in Latin America, ask

about income. Income is more difficult to measure accurately and is likely to be underreported.<sup>19</sup> Data collection methodology brings up further inconsistencies – whether respondents are asked in an interview to recall transactions (over periods of varying length) from memory or keep a diary of purchases made (which is far more accurate); whether key items such as healthcare or education are included or excluded; who in a household is asked about consumption or expenditure; and whether seasonal variations are considered.

Moreover, 28 developing countries have collected no data that can be used to measure extreme poverty (see also Chapter 5). Many of these countries, such as Myanmar, Somalia, South Sudan and Zimbabwe, are likely to have high poverty rates following years of conflict and instability. When calculating global poverty rates the World Bank applies the regional average poverty rate to countries with no data, which may poorly reflect reality – this means, for example, that North and South Korea are treated as if they have the same poverty rates.

## Adjusting for different prices

To compare poverty data across countries, prices must be converted into a common price basis known as purchasing power parity (PPP) prices. PPPs are constructed by comparing the cost of a common basket of goods in different countries, but a central challenge is that consumption patterns vary widely and few items are consumed everywhere. Approaches for dealing with these challenges have become more sophisticated over time, having a major impact on our understanding of poverty – previous revisions of PPPs have caused significant shifts in the estimated number and distribution of people living in extreme poverty. At the start of the SDG era, another change is coming: PPPs for 2011 were published in 2014 and the World Bank has launched a commission to advise on the best approach for applying these to poverty data.<sup>20</sup>

## Modelling

Different models are used to estimate poverty in different countries. The World Bank is responsible for producing global estimates of poverty and uses econometric models to turn surveys with such issues and gaps into estimates that can be compared across countries.

Understanding how consumption is distributed in each country is a fundamental building block of estimating poverty levels – yet the models used to estimate consumption distribution differ from country to country. Most construct parametric models, though some use a larger array of micro-level data.<sup>21</sup>

When survey data is out of date, further modelling is used and proxy measures are applied to infer likely trends since the last survey was conducted. For most countries the proxy measures estimate total household consumption growth. But in sub-Saharan Africa gross domestic

product (GDP) per capita trends are used instead (GDP per capita is known to be a less accurate indicator of consumption trends for the poorest people). These models also assume that growth since the last survey is 'distribution-neutral' – that the underlying consumption distribution is unchanged.

## Timeliness

Effective interventions rely on timely, up-to-date information, yet estimates of poverty are out of date. Until recently estimates of global poverty were available only with a considerable timelag. The World Bank has committed to and now started publishing annual estimates of global and regional poverty levels – a big step forward: for the first time we have official estimates for current poverty rates worldwide. But country-level data is still untimely – the most recent estimates available as the SDGs are agreed in September 2015 are for 2011. Each problem, assumption or calculation needed to develop poverty estimates increases the margin of error and reduces the accuracy of poverty data. This in turn reduces the efficiency with which efforts to reduce poverty can be targeted across and within countries. We must improve the comprehensiveness, timeliness, accuracy and disaggregation of the underlying data if we are to achieve the end of poverty in the SDG era (see Chapter 5). The goal to end poverty in all its forms everywhere and the specific target to end extreme poverty by 2030 is a serious challenge which will not be met if the world continues to rely on the practices of the last 15 years. Achieving this goal will require a significant change in trajectory for many of the poorest countries, as well as overcoming challenging contexts of conflict, fragility and environmental vulnerability. It also requires a focus on the poorest people. While measures of national progress were sufficient for the goal of halving poverty rates, ending poverty means leaving no one behind,

and this demands much better data. Such acceleration of progress requires targeted investments. Economic growth is vital, but the current distribution of the benefits of growth is not reaching the poorest sufficiently to end extreme poverty by 2030. Targeted investments require resources to be mobilised from across the public, commercial and private spheres to contribute according to their comparative strengths to offer greater opportunity and access the benefits of growth, improved access to services, and strengthened resilience for the world's poorest people.

## Summary

The goal to end poverty in all its forms everywhere and the specific target to end income poverty by 2030 is a serious challenge. Achieving it will require a significant change in approach. A new trajectory for poverty reduction must be established for many of the poorest countries; challenging contexts of conflict, fragility and environmental vulnerability must be overcome. This requires a focus on the poorest people. While measures of national progress were sufficient for the goal of halving poverty rates, ending poverty means leaving no one behind, and this demands much better disaggregated sub-national data to allow for targeted investments which can distribute the benefits of economic growth to the poorest people. Targeted investments require mobilising resources from across the public, commercial and private spheres and using them according to their comparative strengths to offer greater access to the benefits of growth, improved access to services, and strengthened resilience for the world's poorest people.

# The mix of all resources

- Actors across the official, commercial and private spheres perform different functions and invest resources for different reasons. All can contribute to the goal of ending poverty, though they impact people in poverty in different ways to different degrees and over different timelines.
- To end poverty by 2030, we must create an environment at global, national and local levels that leverages the comparative advantage of each investment and resource.
- Official resources at the domestic and international level are particularly important because they can be targeted directly towards the investments needed to reduce poverty.
- Unfortunately there are least domestic resources in the countries where the challenge of ending poverty is greatest.
- Therefore, development assistance will remain critical for countries with the greatest depth of poverty and the least domestic public resources.
- International commercial and private resource flows to developing countries are growing rapidly, but remain primarily concentrated in a few larger emerging markets.
- Data on resource flows – particularly disaggregated data that describes context below the national level – must improve if we are to understand how different resources can be used to benefit people in poverty.

**A**chieving the end of extreme poverty by 2030 requires a diverse mix of resources that offer the world's poorest people improved access to services, greater economic opportunity and strengthened resilience against shocks.

Actors from all sectors – public and private, domestic and international – have a role to play in ensuring the end

of poverty, though they bring different strengths and comparative advantages. Different resources are driven by incentives and perform functions that vary widely in different contexts. Their impact on people in poverty also varies, with each resource impacting over a wide-ranging timeline through diverse mechanisms.

Ending extreme poverty by 2030 requires a political environment at

national and international levels that can leverage the strengths of different resources and ensure that the people in the deepest poverty also benefit from an appropriate mix of investments. To understand these comparative strengths and the role each resource can play, we must first understand the resource landscape – what resources are available, why they move in and out of countries and communities, and how they impact on people in poverty.