

MDGs



SDGs



End of poverty

2000

2015

2030

57% poverty reduction

Improve targeting of resources

Focus on the poorest people, wherever they are

Revolutionise the data on poverty and resources



Meeting the challenge: reducing poverty to zero

Investments to End Poverty

2015

Development Initiatives exists to end extreme poverty by 2030

Development Initiatives

www.devinit.org

You can also download 'Investments to End Poverty 2015' from:

devinit.org/investments-to-end-poverty-2015

Email us for a hard copy of the report

info@devinit.org

Please share your feedback by email, on our website or on Twitter at

[@devinitorg](https://twitter.com/devinitorg)

Copyright © 2015 Development Initiatives Ltd

North Quay House, Quay side, Temple Back,
Bristol BS1 6FL, United Kingdom

We encourage dissemination of our work providing a reference is included.

While the authors have made every effort to ensure that the information in this report was correct at time of print, Development Initiatives does not assume liability for the accuracy of the data, or any consequence of its use.

INVESTMENTS TO END POVERTY 2015

Preface

Dear Reader,

Welcome to the Investments to End Poverty report 2015, our second edition to date. It is an honour to be writing this as Development Initiatives' new Executive Director. For the past 20 years Development Initiatives has sought to help end extreme poverty by making data and information on poverty and resource flows transparent, accessible and useable. I hope this report forms another valuable contribution in the journey to achieving the end of poverty.

This year has brought with it an unprecedented moment of political will to end poverty. Specifically the new Sustainable Development Goal target to end extreme poverty over the next 15 years will be a much more difficult task than halving it has been. The data shows that many of the world's poorest countries need a significant change in policies and approach, along with accelerated growth, if they are to see an end to poverty. This is no easy task, especially against a complicated backdrop of exploitation, inequality and political and environmental insecurity that affects different people in different ways; this has to be considered and navigated to ensure that we genuinely leave no one behind.

This report, and our online Development Data Hub, pick up from our first edition in looking at the impact of all resources on poverty reduction. In this edition, you will find the latest overview of the mix of all resources – including new details of governments' spending in developing countries; commercial flows such as foreign direct investment and lending; private giving through non-governmental organisations and remittances; and official development assistance and other official investments in developing countries; and global public goods. We hope the report will contribute to productive discussion about how all resources, and particularly development cooperation, can be better targeted to ending poverty.

As ever, we have sought to gather the best available information on all resources and poverty. But at the core of the report is recognition of the urgent need to revolutionise data for development. Data is central to achieving an end to poverty – without it we cannot identify the most vulnerable, marginalised and poorest people; understand the services they have access to; know about the full mix of resources that could lift them sustainably out of poverty; or track their progress. Importantly, data is required at a local level. It needs to be available for use by district officials and community-based organisations so they can make the right decisions about where to spend money for greatest impact. Only then can we set ourselves firmly on the path to end global poverty and make sure no one is left behind.

I hope the report provides a detailed picture that will help inform people's choices on how to allocate resources to end poverty. I very much value your feedback on insights that the report raises as we work together to make the end of poverty a reality.



Harpinder Collacott

Overview

- Ending extreme poverty over the next 15 years will be a much more difficult task than halving it has been. When data is disaggregated it shows that people are being left behind. Many of the world's poorest countries need a significant change in trajectory if they are to see an end to poverty.
- National institutions are best placed to end poverty but have fewer resources where the challenge of ending poverty is greatest. Developing countries cannot end poverty alone and international assistance is critical where poverty is deepest.
- The international community has a range of tools that can support countries and we need to better understand the comparative advantages of all resources and the role they can play in getting poverty to zero. Official development assistance (ODA) remains the most important international resource for ending poverty yet we need to improve the way it is targeted towards that goal.
- But all of this demands much better data because today's data is not fit for getting poverty to zero. There is an urgent need to revolutionise the data on who and where the poorest people are, how deep their poverty is, the services they have access to, and the full mix of resources that could lift them sustainably out of poverty.

This report and the Development Data Hub

Much of the data presented in this report is available online in our Development Data Hub (devinit.org/data). Links to relevant parts of the Development Data Hub are included throughout the report and, while the data was aligned when the report was launched in September 2015, the Development Data Hub will be updated with new and updated data so as time passes there may be differences between the numbers printed here and in the live version online.

Ending poverty over the next 15 years will be a much more difficult task than halving it has been

Many of the world's poorest countries need a significant change in trajectory if they are to see an end to poverty by 2030. Ending extreme¹ poverty is a critical step toward ending poverty in all its forms everywhere. The countries where poverty is deepest will require the most substantial shifts in current rates of poverty reduction.

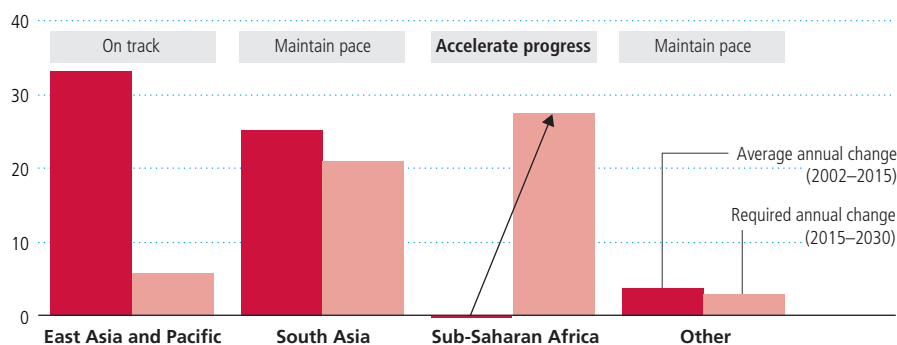
Sub-Saharan Africa faces the greatest challenge in ending poverty by 2030. Progress in the region must be accelerated to reduce poverty faster than in South Asia over the past 15 years.

Security and environmental issues must be addressed to sustainably reduce poverty. Poverty is increasingly concentrated in regions, countries and communities that face complex and often overlapping challenges – over 90% of people in extreme poverty live in countries that are politically fragile, environmentally vulnerable or both. Addressing these challenges is vital to continuing poverty reduction and safeguarding progress made to date.

To end poverty in all its forms everywhere, we must ensure no one is left behind. The focus must now shift to the poorest people wherever they are, as well as the poorest countries. While Millennium Development Goal (MDG) 1a focused on halving the proportion of people in poverty, the Sustainable Development Goals (SDGs) aim to lift every person out of poverty. Progress has been uneven between and within countries, even those such as India that have achieved rapid progress at the national level. Over the past 15 years, just 1.7% of the benefits of economic growth worldwide have gone to the poorest 20% of the world's population.³ So we

FIGURE 1
Sub-Saharan Africa needs the biggest change in trajectory to end extreme poverty

Average annual reduction in poverty (millions of people moving above the extreme poverty line)

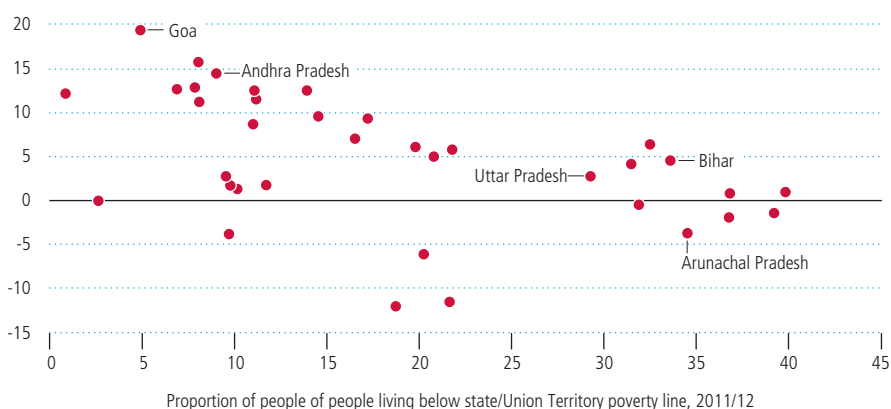


Notes: The left hand columns show the number of people lifted out of poverty on average annually in each region between 2002 and 2015; the right hand columns show how many people currently living in poverty must be lifted out of poverty on average each year between 2015 and 2030 if each region is to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

Source: Development Initiatives calculations based on PovcalNet and World Bank

FIGURE 2
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



Notes: Shows proportion of people living in poverty and poverty reduction (reduction in the number of people living in poverty over the period divided by the number at the start of the period) disaggregated into sub-national administrative regions.²

Source: Reserve Bank of India, Handbook of Statistics on Indian Economy. Data accessed online August 2015.

Explore further: India country profile (devinit.org/#/!country/india?tab=1)

need to unpack national measures of average progress to understand and reduce poverty **for all people** within and across countries.

The resources that can drive the end of poverty need to be better targeted at the poorest people, wherever they are

National institutions are best placed to lead efforts to end poverty, but where poverty is deepest, government resources are lowest – these countries face the greatest challenge in ending poverty

The countries where poverty is deepest mobilise the least domestic resources and are projected to have the slowest revenue growth. In 24 of the 33 countries where depth of poverty⁴ is highest, government revenues are less than PPP\$500 per person each year (PPP\$1.37 a day). This compares with revenues of over PPP\$15,000 per person each year (PPP\$43 a day) in high-income countries.

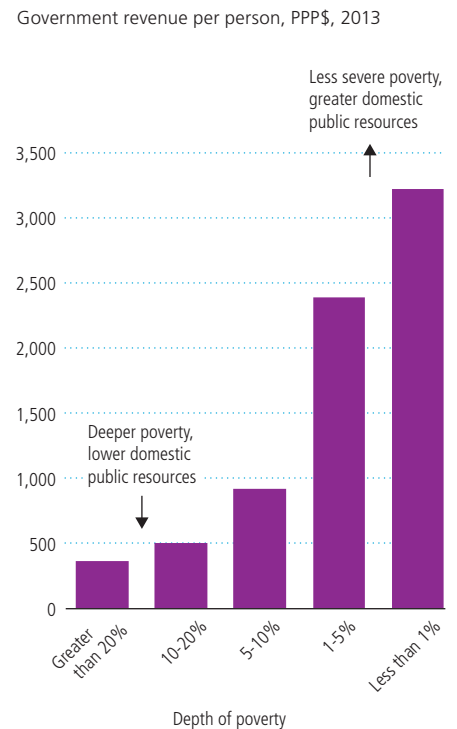
Where depth of poverty is greatest, many countries raise higher proportions of revenues from sources such as indirect taxes that can impose a greater burden on people in poverty. The way governments mobilise and use resources can have a significant impact on people living in poverty. Indirect taxes are easier to collect but, without careful design, can be regressive and place a greater burden of tax on people in poverty. In countries where depth of poverty is highest indirect taxes account for

41% of total revenue, compared with 30.5% where depth of poverty is less severe. Despite this, there is potential for a number of governments with institutional capacity to increase revenue mobilisation and they should be supported to achieve this.

Many of these countries still rely heavily on international grant funding. In almost two-thirds of countries where depth of poverty is highest, grants make up more than 10% of total revenue; in almost a third they make up more than 25%.⁵

Despite placing high priority on key sectors such as education and health, low revenues mean very low spending in many countries. In sub-Saharan Africa, health accounts for an estimated 10% of total spending⁶ – the second highest of any region – yet this equates to just US\$33 per person,⁷ just over half of the World Health Organization’s recommended US\$60 per person benchmark.⁸

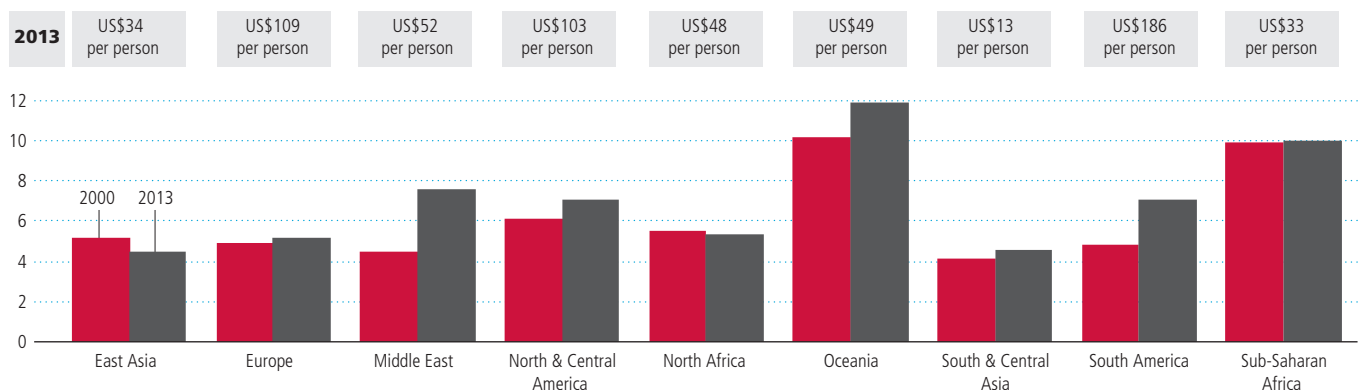
FIGURE 3
Government revenues are lowest where depth of poverty is highest



Notes: Each bar shows the weighted average government revenue per person for countries grouped by the estimated depth of poverty.
Sources: Development Initiatives calculations based on PovcalNet and IMF Article IV data
Explore further: how revenue per person varies across countries (<http://bit.ly/1EEV0Tu>) in comparison to depth of poverty (<http://bit.ly/1Vw3NAY>)

FIGURE 4
Sub-Saharan Africa is the second highest regional spender on health, but the second lowest per person

Health spending (minus social security funds), % of total spending in each region, 2000 and 2013



Note: This figure only includes developing countries. 2012 data is used for countries in the Middle East.
Source: Development initiatives calculations based on World Health Organization data

Many developing countries cannot end poverty alone. International official finance is important and must be well targeted, with the appropriate mechanisms used in the right contexts

The international community has a range of tools that can support countries; we need to better understand the comparative advantages of each of these instruments in each context.

International official finance is much broader than traditional official development assistance (ODA), incorporating development cooperation from other providers, other official flows, additional lending and other activities by development finance institutions, and peacekeeping activities. We need greater visibility on these resources and the instruments they comprise to inform debate about how to use them most effectively.

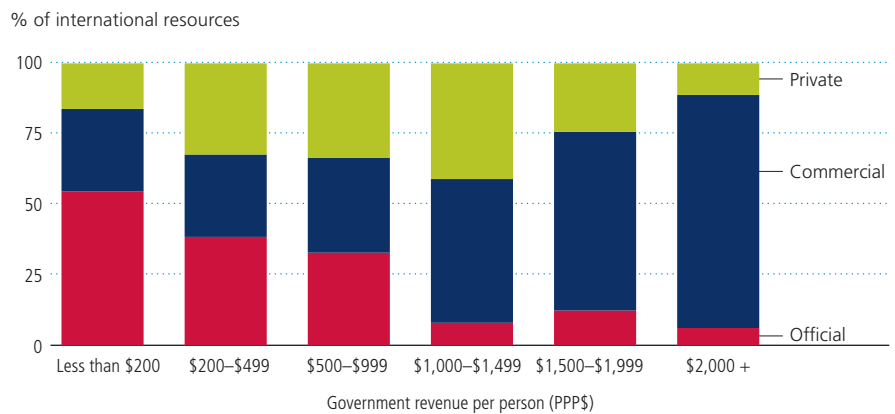
International official finance is important in many countries where poverty is deepest and domestic public resources lowest.

In countries with the least domestic resources, where revenues are less than \$200 per person each year, official finance – primarily ODA – accounts for more than half of international resources.

Though larger in aggregate, commercial and private⁹ flows are concentrated in a few developing countries that are more economically developed.

International commercial resources equate to US\$43 per person in countries with domestic public revenues of less than PPP\$1,500 per person, compared with US\$451 per person in countries with greater domestic public resources.

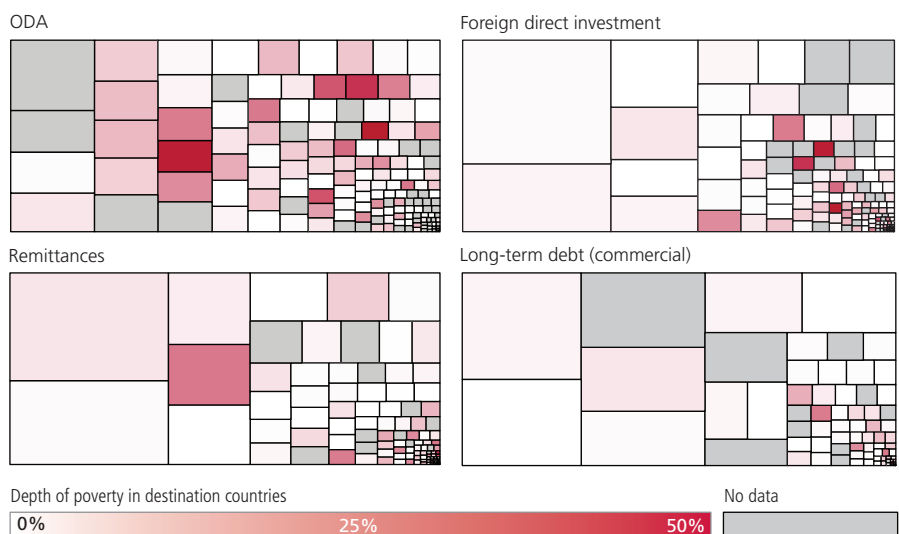
FIGURE 5 International official finance is important in countries where domestic public resources are lowest



Notes: Flows for which recipient country level data does not exist are excluded from this figure.
Sources: Development Initiatives calculations based on numerous sources (see methodology notes on international resource flows)

FIGURE 6 ODA targets the poorest countries more than any other international resource does

Distribution of four international resources across developing countries



Notes: Size of squares represents volumes received by each country; colour represents depth of poverty – darker red squares show a higher proportion of the resource flows to countries with greater depth of poverty. Regional and unspecified destinations for ODA are excluded.

Source: Development Initiatives calculations based on numerous sources (see notes in methodology)

Explore further: destinations for ODA (<http://bit.ly/1EgE3E8>)

Aid is crucial for supporting poverty reduction – strengthening its mandate can make it even more effective

Aid's¹⁰ comparative advantage is that it can be targeted more directly at the investments needed to reduce poverty than can other international resources.

Aid is unique among official and other resources. It can play a central role making and catalysing investments for the poorest people – to reduce poverty, create stability and reduce vulnerability to shocks.

In many of the countries where poverty is deepest and domestic resources lowest, aid supports investments in key sectors for poverty reduction such as agriculture, education and health. It can also catalyse wider resources; though still small in volume, an increasing amount of international support is being provided for domestic resource mobilisation, for example, covering more than 230 projects in over 70 countries in 2013.

While aid targets countries in need better than other resources do, targeting can be improved.

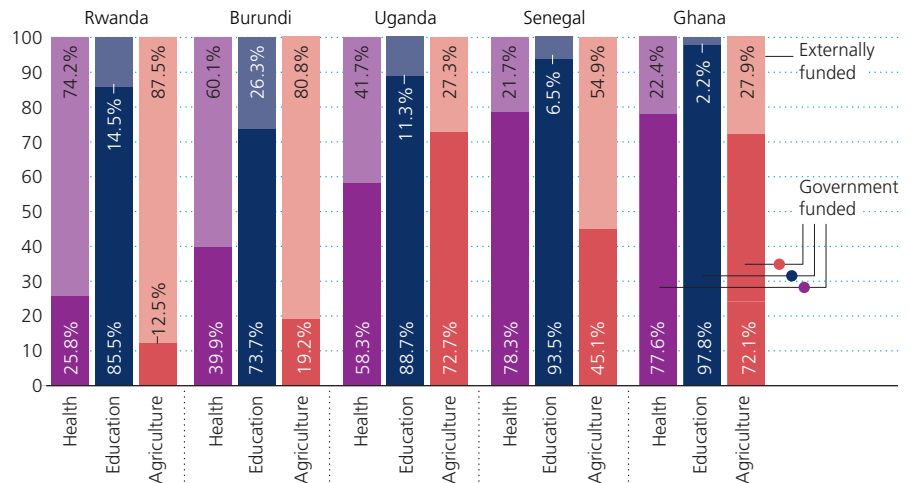
A significant proportion of aid still goes to countries that are lower priorities for assistance in the target of ending extreme poverty: 29% of ODA goes to countries with a depth of poverty of less than 1%. Similarly, while ODA targeted at adapting to climate change is important for building resilience against environmental shocks, in 2013 just 9% of new commitments were targeted at the most vulnerable¹¹ countries.

Agencies with a stronger mandate for reducing poverty target their resources more effectively. Agencies that have a legally grounded mandate for poverty reduction allocate almost twice as much of their resources to countries with the highest depths of poverty (above 10%) than do agencies for which poverty reduction is not a specific goal.

FIGURE 7

Donors' fund a significant portion of government spending in key sectors

Percentage of sector spending from government and donor resources



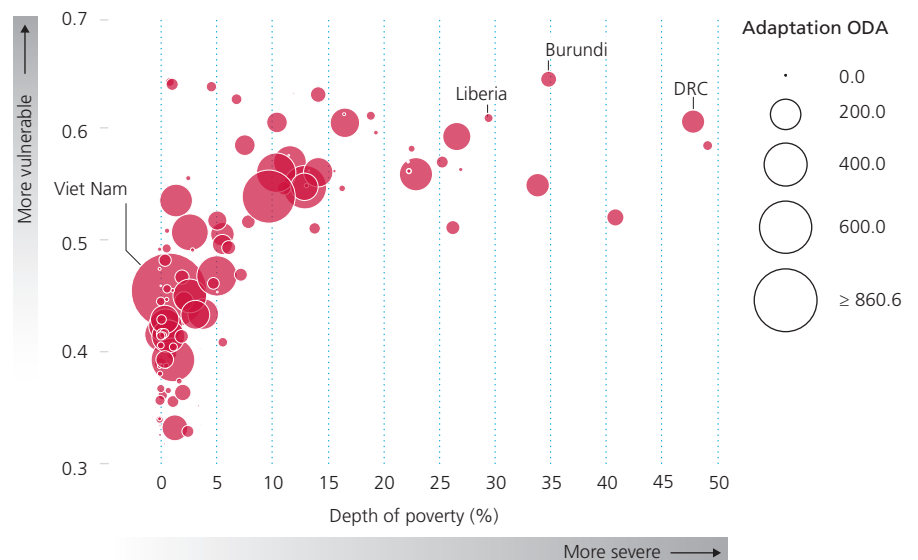
Source: Latest available government budget documents

Explore further: health spending in Senegal (<http://bit.ly/1Q62Ewq>) or education spending in Uganda (<http://bit.ly/1Q62SDA>)

FIGURE 8

A large proportion of adaptation-related ODA is allocated to countries with relatively low levels of vulnerability to climate change

Climate change vulnerability



Notes: Size of bubbles represents volume of adaptation-related ODA commitments in 2013. Vulnerability to climate change is defined as a country's exposure, sensitivity and ability to adapt to the negative impacts of climate change, based on data from ND-GAIN – greater scores mean greater vulnerability.

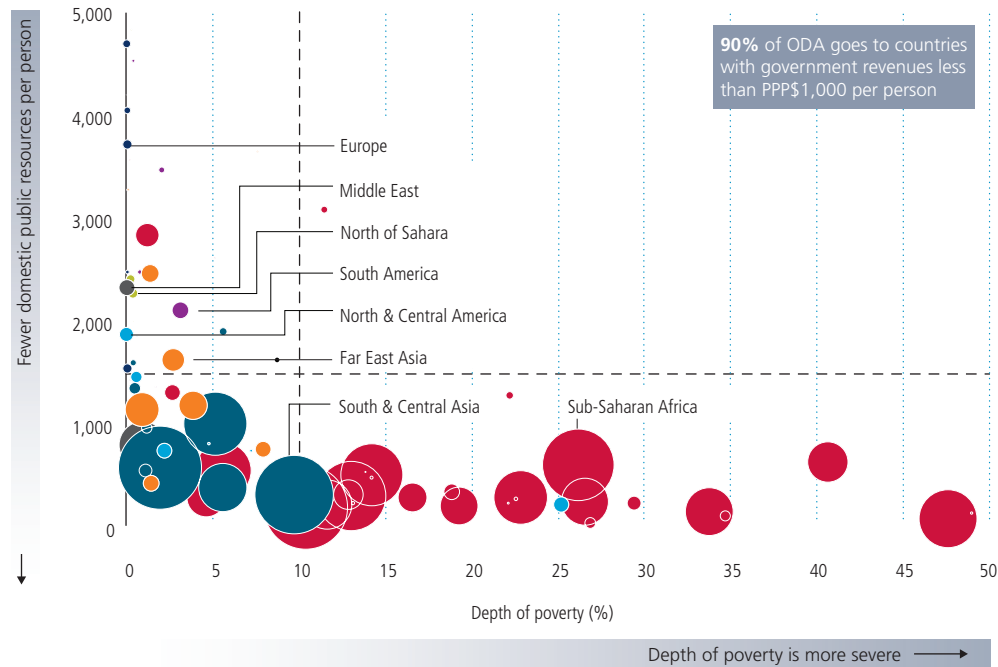
Sources: Development Initiatives calculations based on OECD DAC, PovcalNet and ND-GAIN.

FIGURE 9

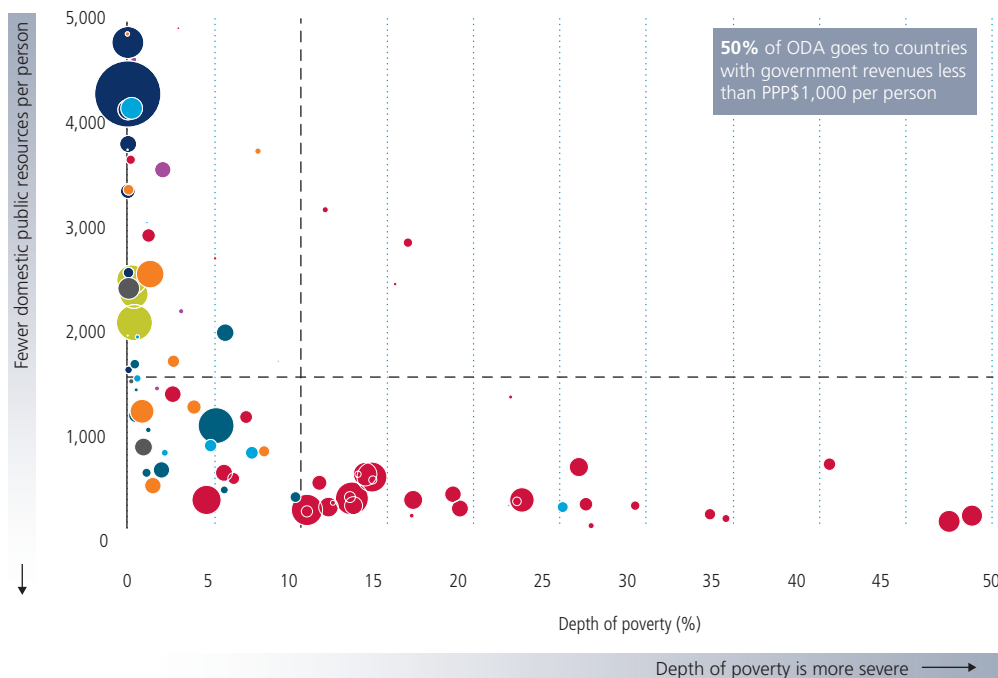
Donor agencies with different mandates on poverty allocate their ODA very differently

Government revenue per capita, 2013 (\$PPP)

ODA allocations from agencies with a legal mandate to target poverty reduction



ODA allocations from agencies for which poverty reduction is not a specific goal



Notes: Size of bubble represents 2013 gross ODA received. Bubbles represent countries receiving ODA; size of bubble represents 2013 gross ODA received. Colours indicate regions.

Sources: Development Initiatives calculations based on OECD DAC, PovcalNet, IMF WEO and data extracted from IMF Article IV publications

Explore further: how do different donors allocate their ODA? (<http://devinit.org/staging/wp/#1/post/oda-donor>)

But all of this demands much better data

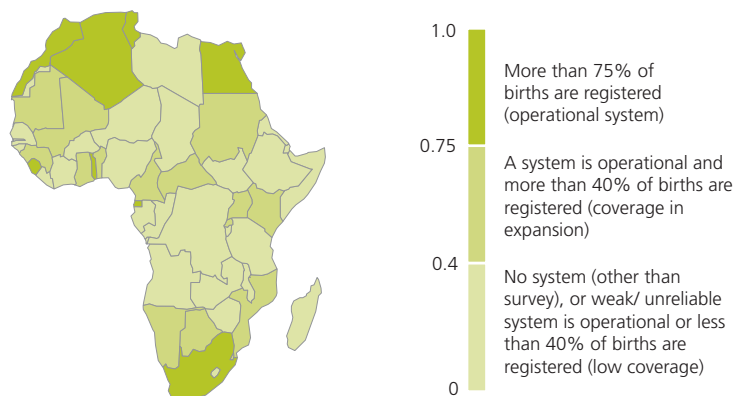
There is an urgent need to revolutionise the data on who and where the poorest people are, how deep their poverty is, the services they have access to, and the full mix of resources that could lift them sustainably out of poverty. Decision-making can only be as good as the evidence on which it is based. But currently the data is not fit for getting poverty to zero. In many countries the systems that capture basic, vital statistics such as total populations are poorly functioning. And our understanding of global poverty is not based on direct knowledge of people living in poverty, but on surveys that require a long chain of transformations and assumptions to derive estimates about the level, depth and distribution of poverty. Timely sub-national estimates that look beyond national averages are only available for a small number of countries.

Gaps in our understanding of the scale, nature and impact of different resources limit discussion about their comparative advantages in financing the end of poverty. Information on government resources is improving, though gaps remain in spending across key sectors. Information on aid has significantly improved over the past 10 years, including through initiatives such as the International Aid Transparency Initiative (IATI), though gaps remain in areas such as forward planning. Limited information on international official finance beyond ODA constrains discussion about how the international community can deploy all its instruments most effectively. We have limited data on other resources such as foreign direct investment or private development assistance – giving only limited insight into how they are distributed and their impact.

FIGURE 10

Most African countries do not have functioning civil registration systems

Estimated level of coverage of births in civil registration system

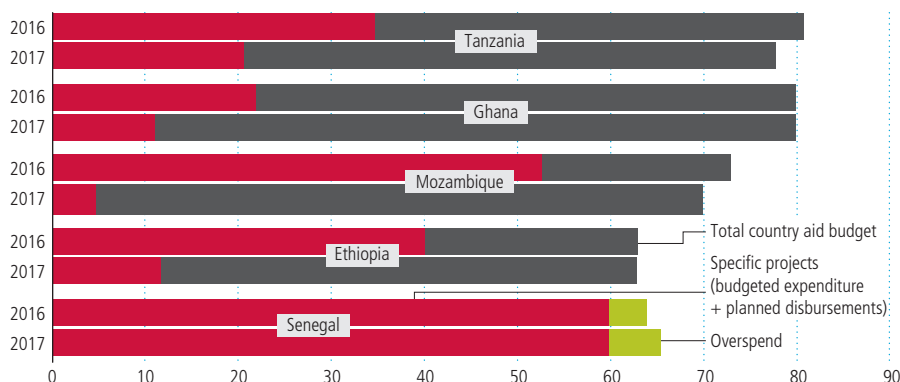


Source: Development Initiatives based a range of sources, see: tinyurl.com/omhvw

FIGURE 11

Detailed data on donors' planned aid spending, such as Canada's, is becoming available through IATI

Canadian dollars, millions



Source: d-portal and the International Aid Transparency Initiative data published by the Department for Foreign Affairs, Trade and Development Canada

Different types of data can improve our understanding of progress and guide policymaking – crucially, we should be able to disaggregate and join-up data.

Civil registration, administrative data, surveys, citizen-generated and big data can be used in complementary ways to improve our understanding of poverty, needs and efficiency. Ensuring data is disaggregated by age, gender, disability, income quintile and sub-national location, and that it can be joined up, are essential.

Developing a culture of data use will require partnerships between private and public data users and producers. If data is fit for use, it can support better resource allocation and help build trust between citizens and governments. Countries must own and develop their own national data systems and thereby develop cultures of data use. The international community has a supporting role to play by investing in core statistical systems and data collection that reflects national priorities.