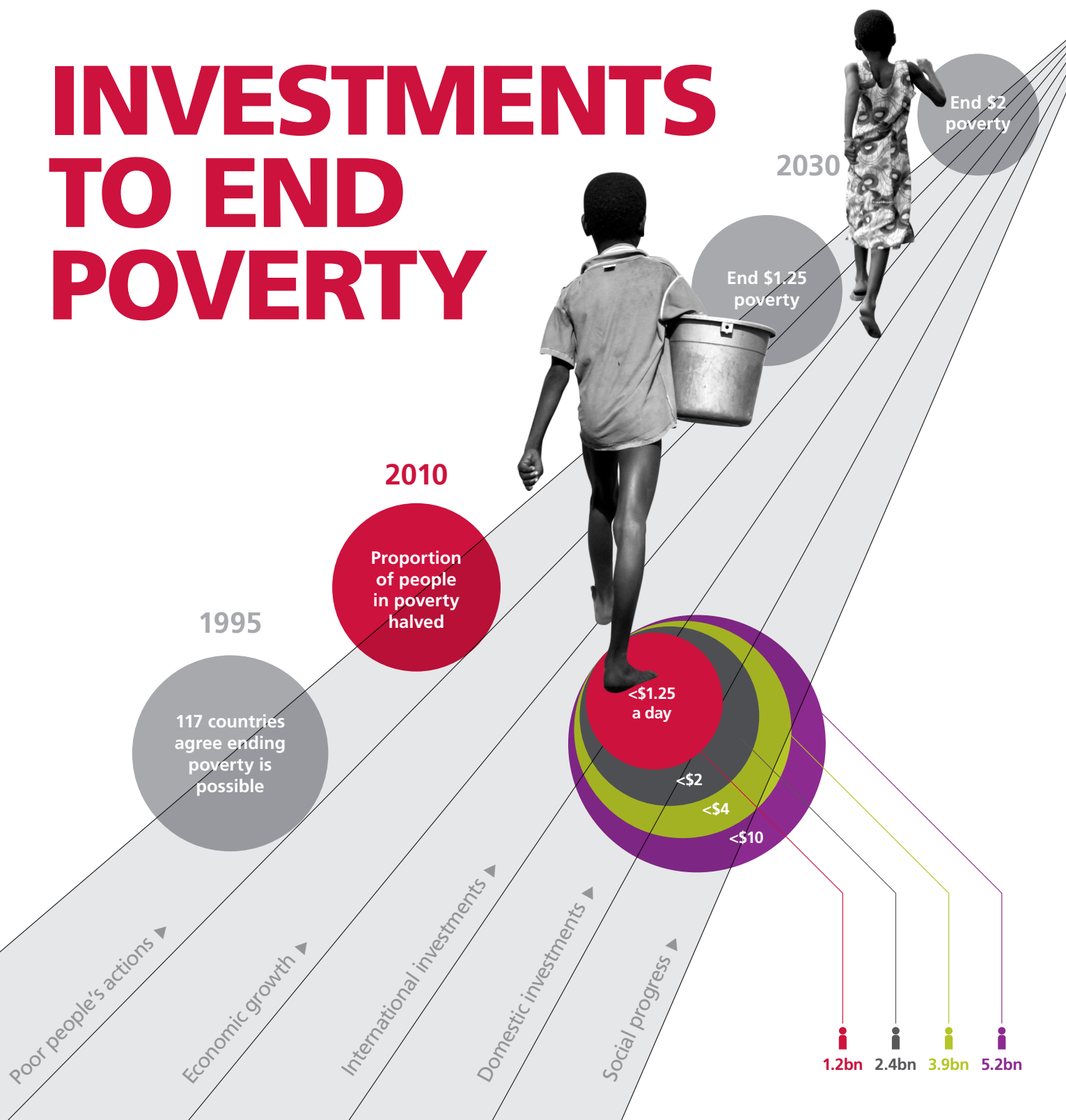


# INVESTMENTS TO END POVERTY



## Investments to End Poverty Highlights

**2013**

Development  
Initiatives  
exists to end  
absolute poverty  
by 2030

**i** Development  
Initiatives

[www.devinit.org](http://www.devinit.org)



# Real choices, real money, real lives

**Development Initiatives believes that we can – and must – end absolute poverty by 2030.**

No one should be living below the international poverty line of \$1.25 a day. To achieve this vision, we need to mobilise all the available resources and target them on those living in poverty.

Today, 1.2 billion people live in extreme poverty. Varying projections based on economic growth predict that, by 2030, that figure could be reduced to 100 million, or it could actually increase. While economic growth is vital, to ensure that no one is left behind we need to better understand all the resources available for poverty reduction and maximise their impact.

Our *Investments to End Poverty* report maps those resources and makes complex data simple, to enable better decisions about future resource allocations.

Most poor people live in countries with low government spending per person. Where government spending is higher, international resources flows are higher too. In many of the poorest countries where government spending is lowest, aid is still the largest international resource flow, so it remains critical to poverty reduction.

To maximise its impact, the aid bundle must be unpacked: aid may be cash, expertise or goods. It may not even leave the donor country but be used to fund debt relief, student fees or refugees. As a result, there are significant variations in the value of each donor's aid, and in the value of aid received by each developing country.

The data show that we can end absolute poverty by 2030. To do that, we need to target aid to the poorest people, mobilise all of the other resources that can contribute to reducing poverty, and maximise the value of every dollar.

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*This document summarises the highlights from our *Investments to End Poverty* report. For further information or to download a copy of the full report, please visit: [devinit.org/report/investments-to-end-poverty](https://devinit.org/report/investments-to-end-poverty)*

# Highlights

## Ending poverty by 2030

**Extreme poverty can be ended by 2030.** The UN Secretary-General's High-Level Panel and subsequent reports have all called for eradicating extreme poverty from the face of the earth by 2030.

### Poverty has many dimensions – it is not just about income.

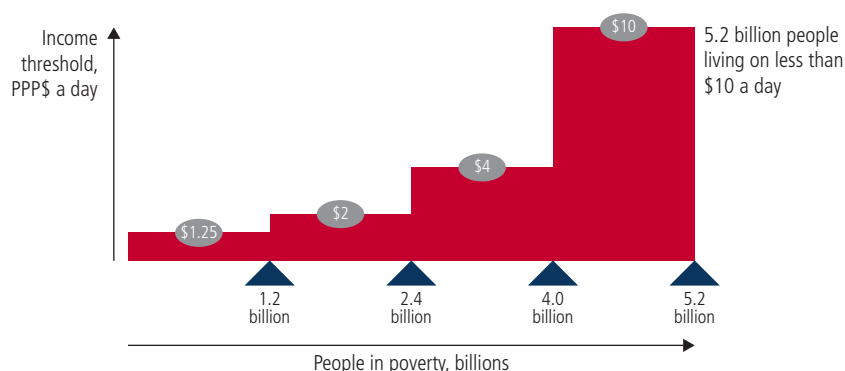
Ending poverty means ensuring that everyone has adequate nutrition, basic health, education and housing as well as the information and freedom from discrimination that enable them to take part in society.

**No one should live on less than \$1.25 a day in any country.** This must be the first step towards achieving global well-being.

**Economic growth alone is unlikely to get us to zero extreme poverty in time.** Growth will be critical for reducing poverty but will not be fast and inclusive enough – current best-case scenarios leave more than 100 million people living in extreme poverty in 2030.

FIGURE 1

The extent of poverty depends on the income threshold

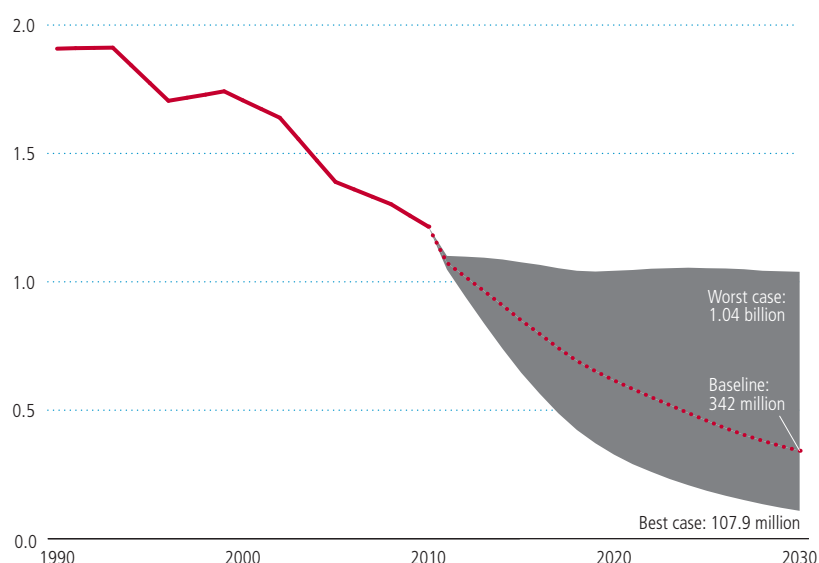


Source: Development Initiatives calculations based on data from World Bank Development Research Group's PovcalNet database (<http://iresearch.worldbank.org/PovcalNet/>).

FIGURE 2

The number of people in extreme poverty in 2030 could be anywhere between 100 million and more than 1 billion

People in extreme poverty, billions, 1990–2030



Source: Chandy, Ledlie and Penciakova, 2013, Unpublished update to "The Final Countdown: Prospects for Ending Extreme Poverty by 2030," The Brookings Institution, Washington, DC.

**Targeted interventions are needed.** More than 400 million people in sub-Saharan Africa were living in extreme poverty in 2010. Many of them are so deep in poverty that only interventions that go beyond the broader benefits of growth can overcome the risks and structural barriers they face.

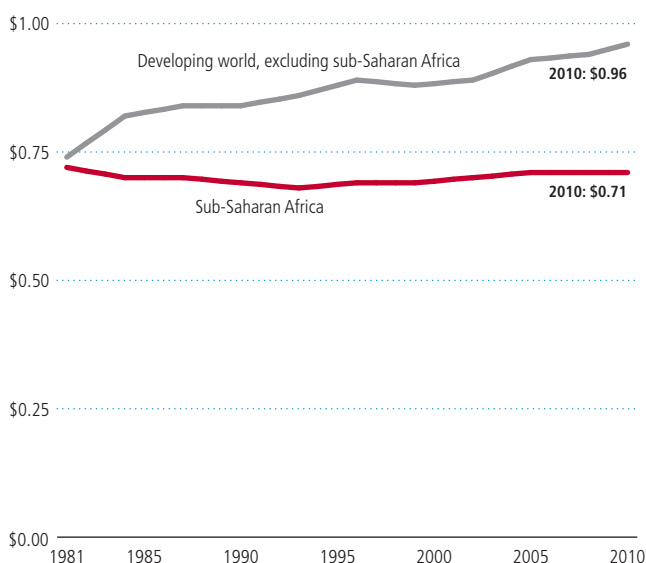
**Poverty eradication demands an international backstop.** To prevent people falling back into poverty, the international aid architecture must act as a backstop, providing a basic minimum when domestic governments cannot.

**Aid must be used in the context of other resources.** By focusing aid on people in poverty and leveraging other resource flows – such as investment and private giving alongside government spending – we can make progress towards ensuring that every person attains the most basic living standards by 2030.

FIGURE 3

**Average incomes of the extreme poor in sub-Saharan Africa are often far below the \$1.25 a day poverty line**

Average daily consumption of individuals living on less than \$1.25 a day, 2005 PPP\$, 1981–2010

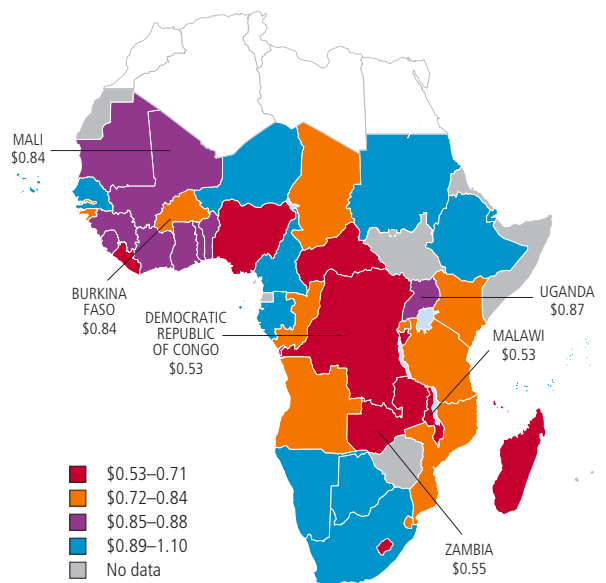


Source: World Bank, 2013, "The State of the Poor: Where Are the Poor and Where Are They Poorest?" Washington, DC.

MAP 1

**Poverty is very deep in parts of Africa, with many people living a long way below the poverty line**

Average daily consumption of individuals living on less than \$1.25 a day, 2005 PPP\$, 2010



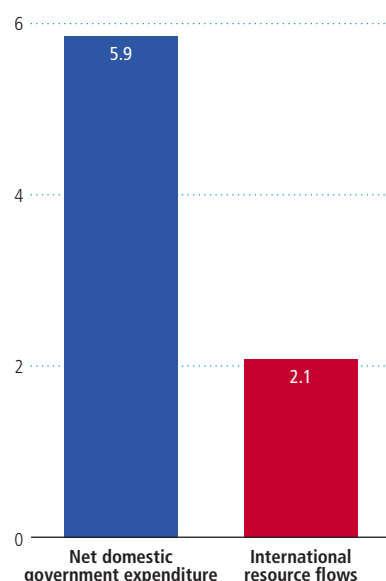
Source: Chandy, Ledlie and Penciakova, 2013, Unpublished update to "The Final Countdown: Prospects for Ending Extreme Poverty by 2030," The Brookings Institution, Washington, DC.

**All investments – domestic and international, public and private – can contribute to ending poverty.** Some will deliver immediate returns, others longer term impact. Those by developing countries and poor people themselves will contribute the most.

**Government spending in developing countries is now US\$5.9 trillion a year.** More than half of all developing countries have seen government spending grow at an average of over 5% a year between 2000 and 2011. For the remainder, average annual growth in government spending has been 2.5%.

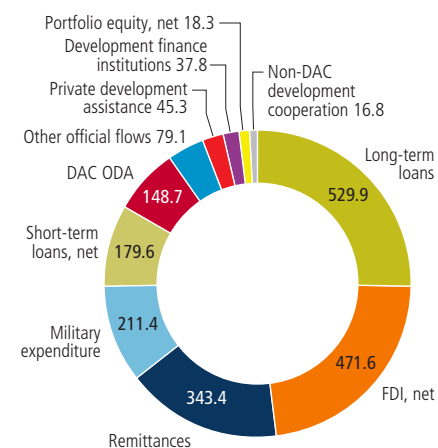
**The scale and diversity of resource flows to developing countries have increased rapidly.** The volume of international resources received by developing countries has more than doubled since 2000, reaching an estimated US\$2.1 trillion in 2011.

**FIGURE 4**  
**Domestic resources outweigh international resources for most developing countries**  
2011 US\$ trillions



Source: Development Initiatives calculations based on data from a wide range of sources – see *Methodology*.

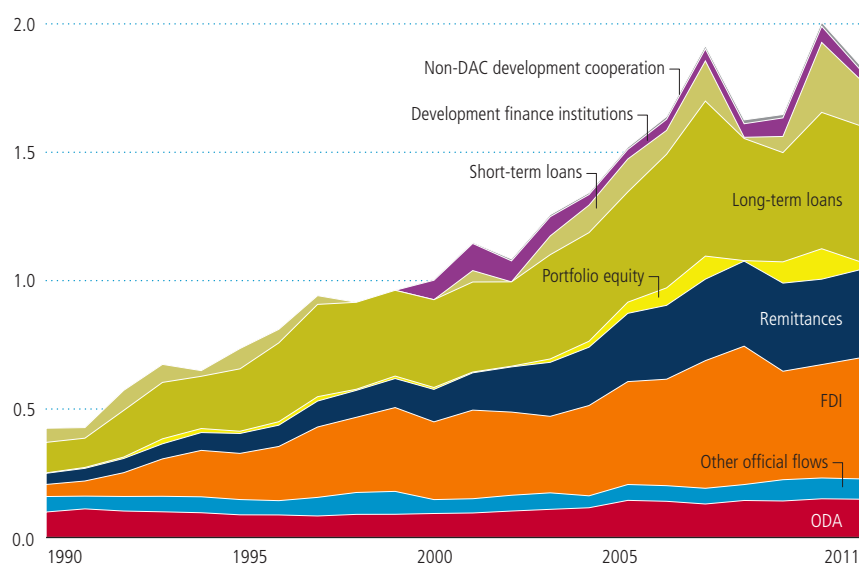
**FIGURE 5**  
**International flows include commercial, government and private resources**  
2011 US\$ billions



Note: All values are gross unless otherwise indicated.

Source: Development Initiatives calculations based on data from a wide range of sources – see *Methodology*.

**FIGURE 6**  
**International resource flows to developing countries have grown rapidly**  
2011 US\$ trillions, 1990–2011



Note: Data for some flows does not cover the whole period – see *Methodology*. Excludes flows with no historic data, so headline figures are lower than the total US\$2.1 trillion inflows in 2011.

Source: Based on data from a wide range of sources – see *Methodology*.

**Resources also flow out of developing countries.** Of the US\$472 billion in foreign direct Investment into developing countries, US\$420 billion flowed out as repatriated profits.

**The poorest countries still face severe spending constraints that are likely to continue.**

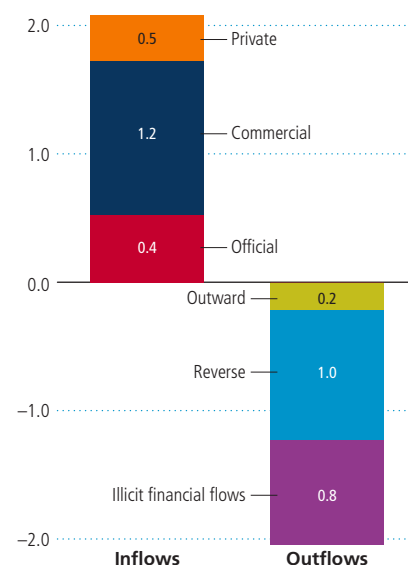
82% of the world's extreme poor live in countries where government spending is less than PPP\$1,000 per person per year, compared with PPP\$15,025 across DAC countries.

**Low government spending and poverty go together.**

More than 100 million people in extreme poverty live in countries where government spending is less than PPP\$200 per person per year (55 cents a day), and in those countries more than half the population lives below the \$1.25 a day poverty line.

**FIGURE 7**  
**Resources flow both in and out of developing countries**

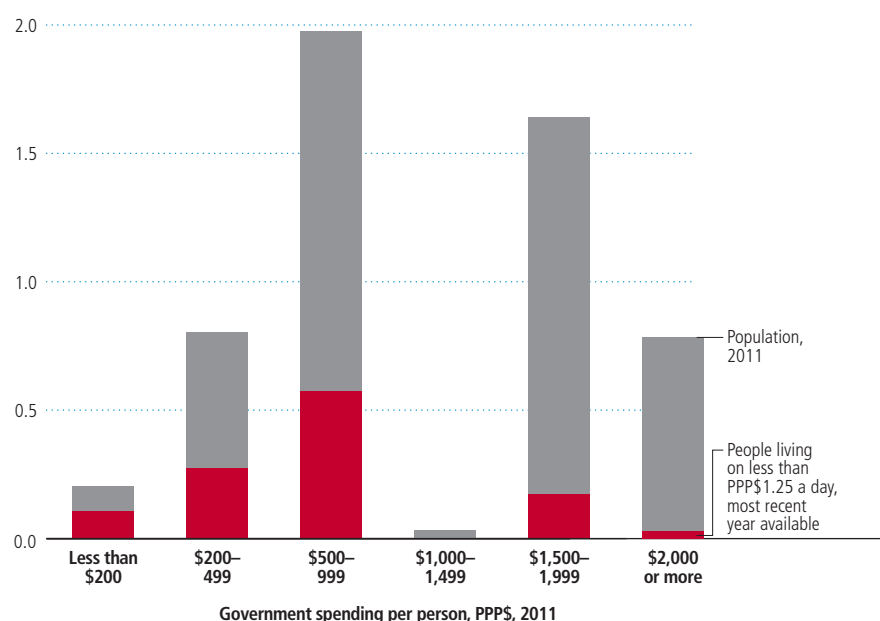
Inflows and outflows of resources from all developing countries, US\$ trillions, 2011



Source: Development Initiatives calculations based on data from a wide range of sources – see *Methodology*.

**FIGURE 8**  
**Some 82% of the world's poor live in countries with annual government spending of less than PPP\$1,000 per person**

Billions of people



Source: Development Initiatives calculations based on data from the IMF and World Bank.

## Official development assistance remains important.

ODA remains the main international resource for countries with government spending of less than PPP\$500 per person per year.

## Better information is needed to deliver better results.

Harnessing all resources for poverty reduction will be easier when we know more accurately who provides them, who controls them, and where and on what they are spent.

## Transparent data is needed.

Greater transparency of international and domestic flows is essential for resource allocation and gives more control to people and governments in developing countries so they can actively address poverty.

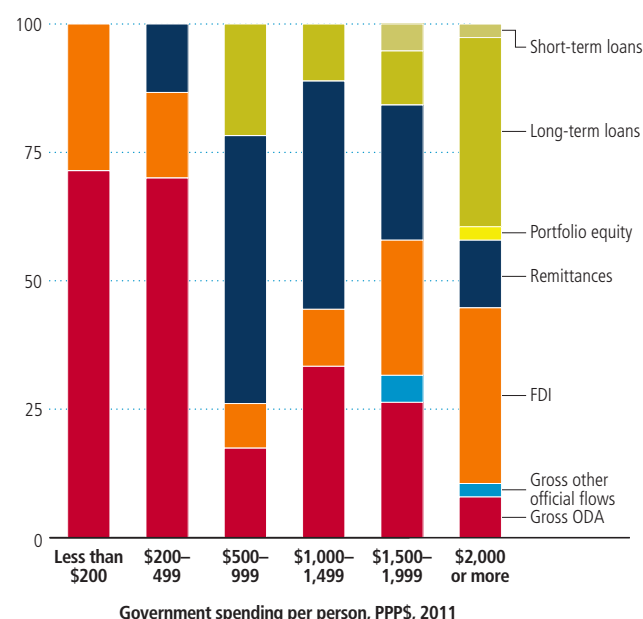
**ODA is unique.** It is the only official international resource flow aimed explicitly at the economic development and welfare of developing countries.

**ODA has grown substantially since 2000.** ODA from DAC donors totalled US\$128 billion in 2012, having grown substantially in real terms since 2000. G8 countries provide two-thirds of ODA, with the USA accounting for a quarter of total ODA.

FIGURE 9

## ODA dominates where government resources are lowest, while FDI is more important for countries with higher government resources

% of countries for which each resource flow is the largest they received in 2011

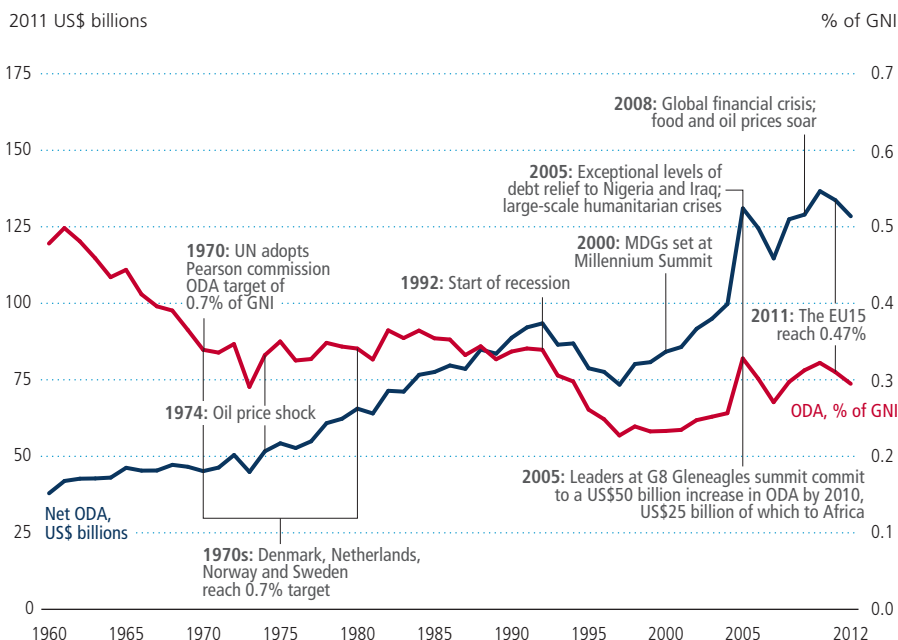


Source: Based on data from a wide range of sources – see Methodology.

FIGURE 10

## ODA has grown to record highs since the 1970s – but the path has not always been smooth

Net ODA, 1960–2012  
2011 US\$ billions



Source: Development Initiatives calculations based on data from the DAC.

**Sub-Saharan Africa gets the largest share of ODA.** Sub-Saharan Africa receives about 35% of ODA, South and Central Asia about 17%. Thirteen of the twenty largest aid recipients are in sub-Saharan Africa, while the largest is Afghanistan, which receives 4.9% of total ODA disbursements.

**ODA can be targeted at priorities for poverty eradication.** Health receives the largest single share of ODA from bilateral and multilateral donors, followed by governance and security and then infrastructure. Despite the persistence of malnutrition and the fact that rural livelihoods are very important for the poorest, spending on agriculture remains well below that on humanitarian crises, which are often acute phases of chronic food insecurity.

FIGURE 11

**ODA to sub-Saharan Africa and South and Central Asia has risen in recent years; ODA to the Middle East and East Asia has fallen**

2011 US\$ billions, 2000–2011

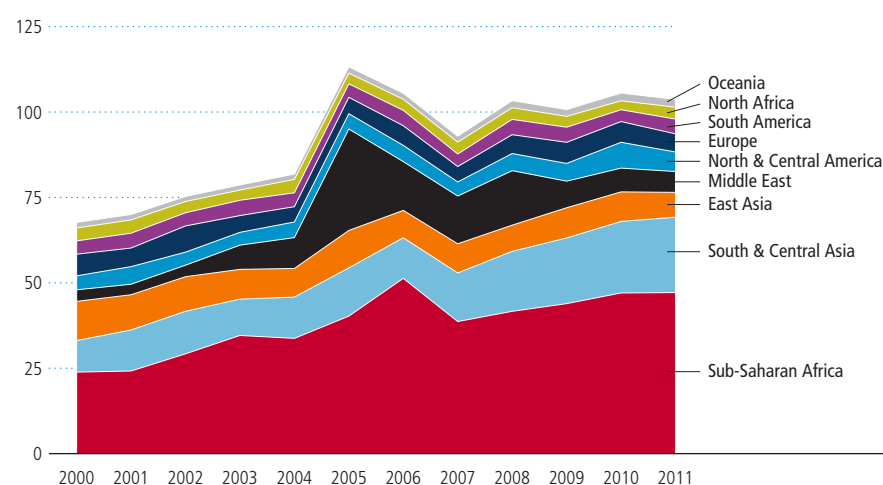
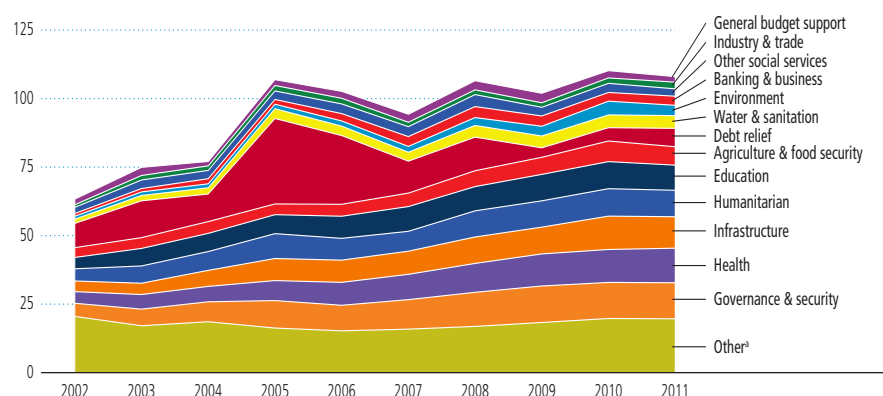


FIGURE 12

**Debt relief has fallen since 2005; ODA to most sectors has grown**

Gross bilateral ODA by sector, US\$ billions, 2002–2011





## Aid targets haven't been met.

Only five countries currently exceed the UN target for ODA of 0.7% of GNI, set in 1970. Together, DAC donors achieved only 0.29% of GNI in 2012.

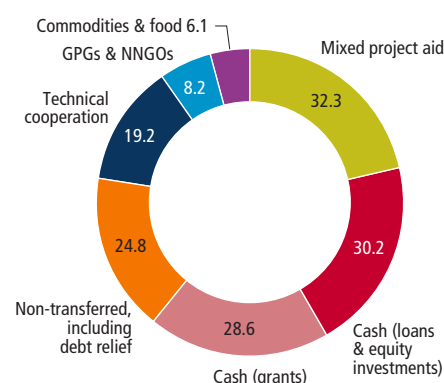
**ODA and the architecture around aid need to be updated.** ODA has a clear and continuing part to play in ending poverty but need to be updated to meet the challenge of financing the post-2015 development goals.

**There is much misunderstanding about what aid is.** The debate around aid is very polarised. Large headline figures are presented as if aid were entirely a cash lump sum passed directly from donor to recipient.

**Aid is a bundle of different things.** Some of it is money. Some is food and other goods. Some is people: the costs of consultants and staff providing technical advice and training.

**FIGURE 15**  
**Unbundling aid in 2011**

US\$ billions, 2011

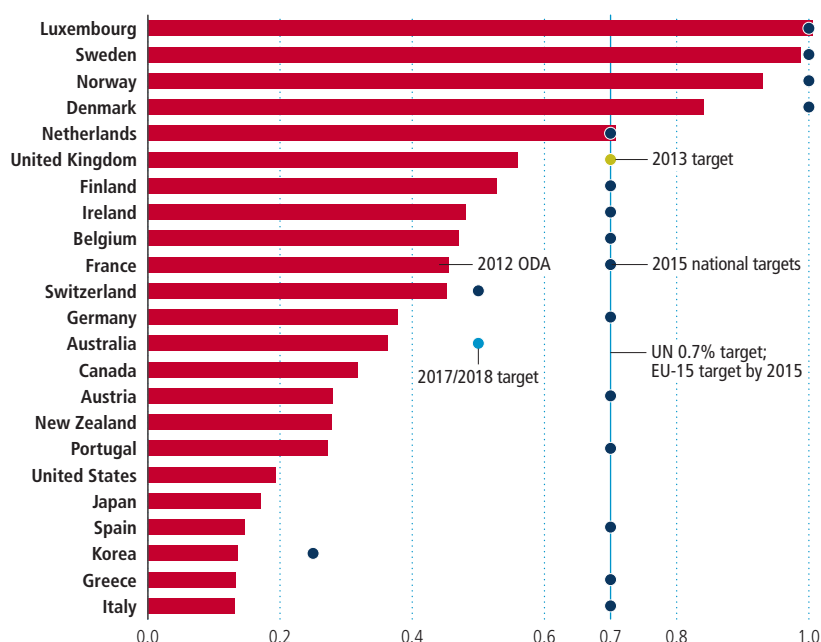


Source: Development Initiatives calculations based on DAC data.

**FIGURE 13**

## Achieving 0.7% of GNI as ODA by 2015 is the target for European donors

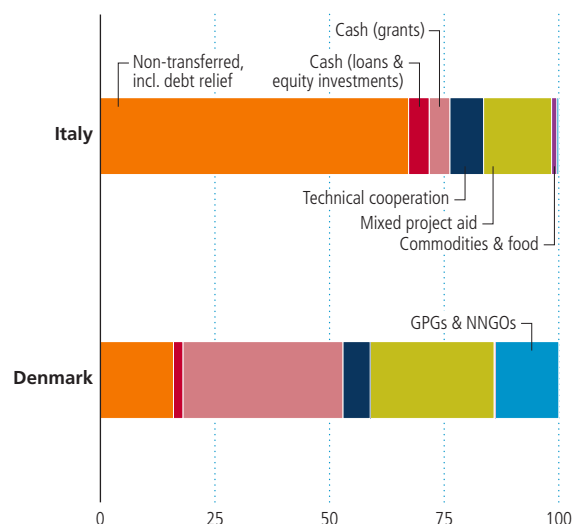
Net ODA, % of GNI, 2012, and 2015 national targets



**FIGURE 14**

## Unbundling US\$2 billion of aid shows very different allocations between donors

% of ODA, 2011



Source: Development Initiatives calculations based on DAC data.

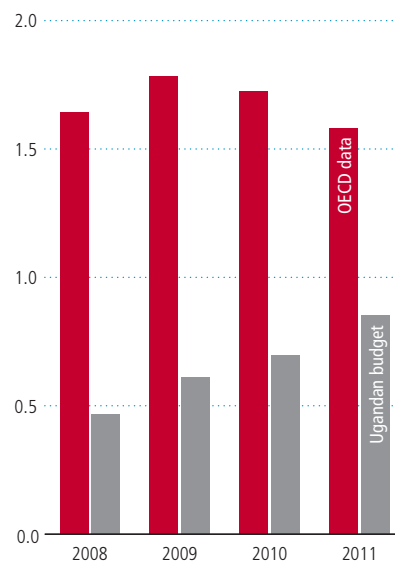
**Not all aid is transferred to developing countries.** Some parts of the aid bundle never leave the donor country – among them, debt relief, support for students and refugees in donor countries, and development awareness.

**Developing countries do not always receive what donors report as allocated.** The headline amount of aid reported as disbursed by donors (including investment in global public goods) is much bigger than the amount developing-country governments control and can directly administer.

**Aid is the main international flow that can be readily targeted on reaching the poor.** Vital to many low income countries, it is well suited to the targeted interventions to ensure that the poorest people share in the benefits of growth.

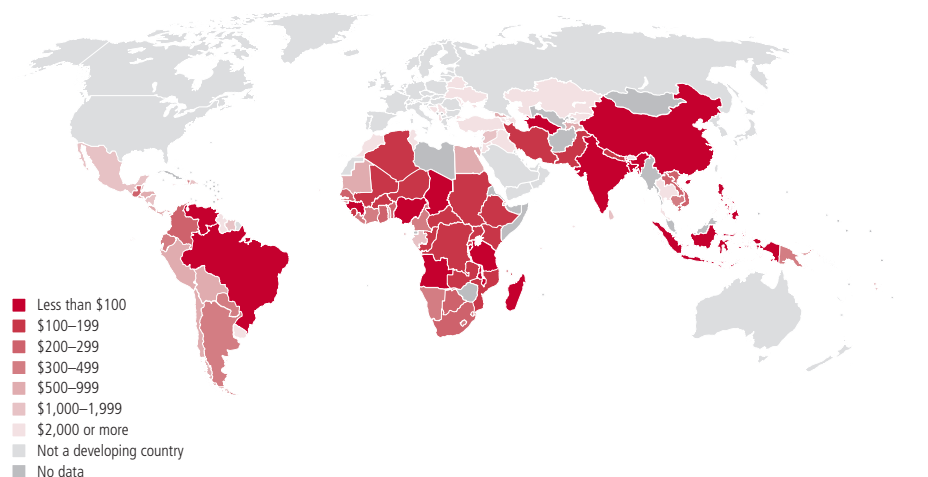
**Aid can play different roles.** Aid can deliver direct, immediate and measurable benefits. It can also invest in longer term impacts that may be transformational and benefit larger numbers of people. And it can provide catalytic funding, leveraging other resources.

**FIGURE 16**  
**Aid reported for Uganda greatly exceeds aid recorded as received**  
US\$ billions, 2008–2011



Source: Development Initiatives calculations based on DAC data and data from Ugandan budget documents.

**MAP 2**  
**Targeting aid on ending poverty: the darker the shading, the less ODA allocated per person in extreme poverty**  
ODA per poor person, PPP\$, 2011



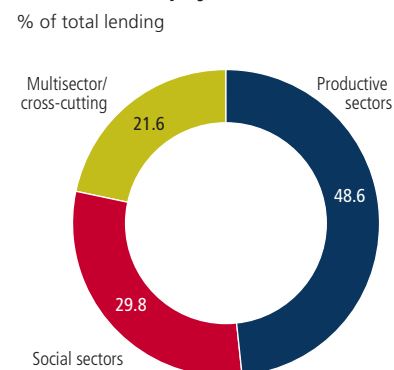
Source: World Bank, 2013, *World Development Indicators 2013*, Washington, DC.

**The type of aid affects the impact it delivers.** A dollar spent on food aid will have markedly different economic effects from a dollar spent on debt relief or on a consultant based in a ministry. Getting the most value for poverty reduction from every aid dollar requires deploying different aid instruments for different contexts.

**Better information on aid will improve decisionmaking.** Deciding among the many competing calls on aid requires clear thinking on who will benefit, when the benefit will be felt and what the probability of impact is.

**Measuring poverty by averages will continue to leave people behind.** Disaggregated data on people in poverty and more timely, subnational, geocoded data on how aid and other resources are used can underpin more disciplined planning, resource allocation and evaluation.

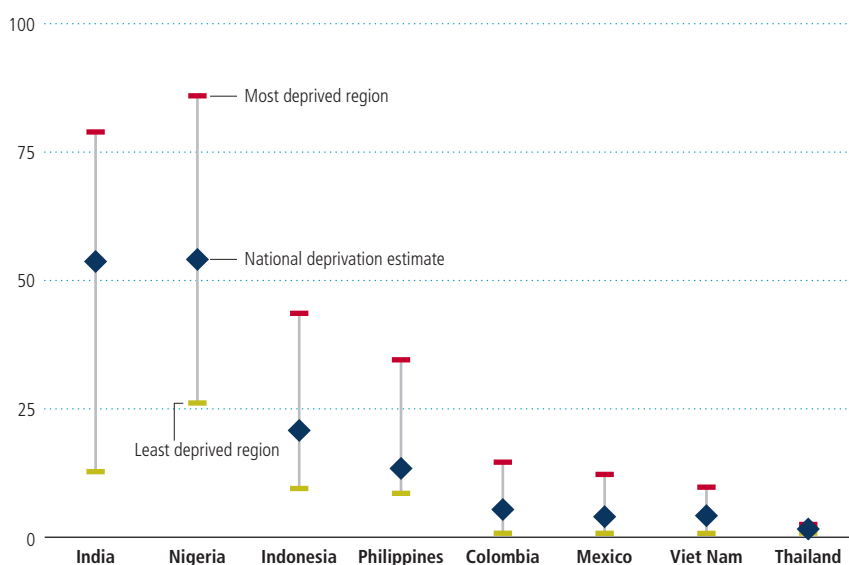
**FIGURE 17**  
Substantial lending continues to go to social sectors, which may not generate direct financial returns for repayment



Source: Development Initiatives calculations based on DAC data.

**FIGURE 18**  
Differences between the least and most deprived parts of emerging economies vary widely

Multidimensional poverty rate, %, most recent year available



Source: Oxford Poverty and Human Development Initiative Multidimensional Poverty Index Data Bank ([www.ophi.org.uk/multidimensional-poverty-index](http://www.ophi.org.uk/multidimensional-poverty-index)).

## Estimates of poverty are unreliable and out of date.

Global poverty estimates draw on five data sources, including household surveys and national accounts. The collection methods for surveys and the use of different data sources can change the estimates of the numbers of people in poverty by hundreds of millions.

**Calculations are built on weak assumptions.** Much of what is known about poverty rests on statistically demonstrated relationships that might not stand up to new price estimates or assumptions that data from different sources is compatible.

## Traditional statistical approaches can be improved.

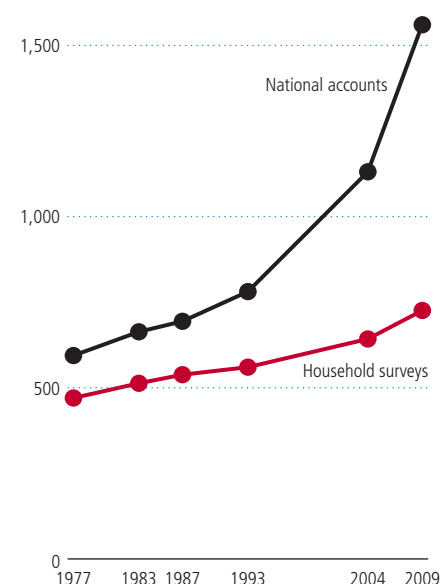
Current methodologies can be improved by harmonising survey design, publishing provisional 'real-time' poverty estimates and reforming the governance of country poverty data. Better statistics can be used alongside crowd-sourced data and feedback to improve information for decisionmaking and accountability.

**A Development Data Revolution is needed to end poverty.** With timely, forward looking, disaggregated data, resources can be allocated more optimally, progress can be properly monitored, and lessons can be learned about effective and efficient policies and programmes.

FIGURE 19

## India's rapid economic growth since the early 1990s has barely registered in survey data

Annual consumption per capita, PPP\$, 1977–2009

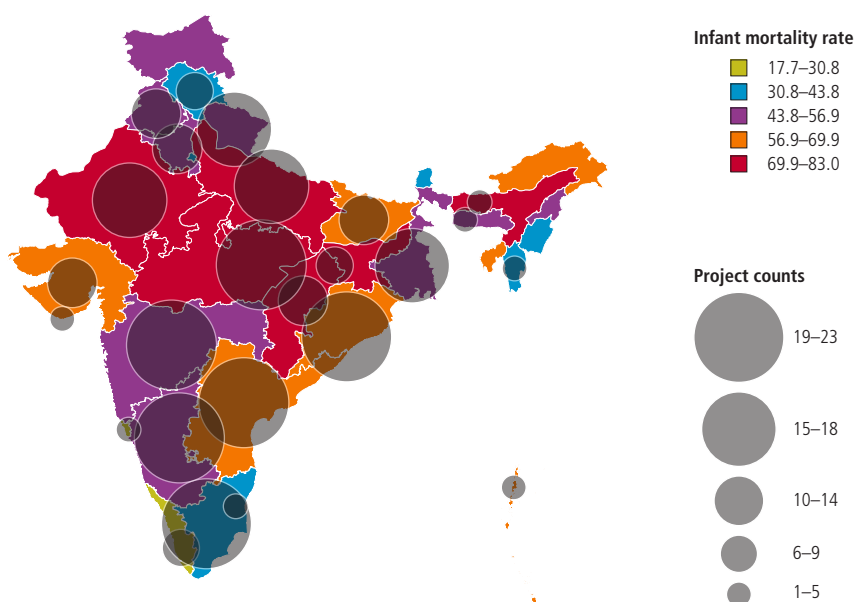


Source: World Bank, 2013, *World Development Indicators 2013*, Washington, DC.

MAP 3

## Geocoded aid projects can be linked to deprivation data to improve targeting

Infant mortality rate (deaths per 1,000 live births) and number of projects active as of 28 March 2012



Source: World Bank Mapping for Results database (<http://maps.worldbank.org>).

Development Initiatives exists to end absolute poverty. Through objective, high quality research and analysis, we inform decisions at all levels that deliver better use of resources. We champion transparency, enable effective use of information and support others to deliver practical tools and systems for people to hold their representatives to account and to inform policy and practice. We have centres in the United Kingdom, Kenya and Uganda, and have partners globally including governments, academic institutions, the private sector and citizen representatives.

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ISBN 978-0-9926821-0-1



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