

The Third International Chronic Poverty Report: DRAFT Executive Summary and Overview

Executive Summary

This is the 3rd Chronic Poverty Reportⁱ and comes at a time when the world is on the cusp of agreeing new global goals to succeed the Millennium Development Goals (MDGs), which largely expire in 2015.

A central part of the post-2015 discussions has been ‘getting to zero’ – eradicating extreme poverty for the first time in human history. The MDGs have been part of an unprecedented global effort to halve the number of people living in such poverty, but this report argues that ‘more of the same’ will not allow us to get to zero.

Why? Because the MDG approach concentrates on lifting people out of poverty, whereas this report shows that in some places, the number of people falling back into poverty or becoming impoverished for the first time can be nearly as high as the number of those that have escaped poverty. Getting to zero means monitoring the numbers of poor people as well as the proportions of the population in poverty, and the numbers of people climbing out, slipping in or staying poor. For example, in Uganda between 2005 and 2011 around 3.4 million people escaped poverty, while around 5.5 million slipped below the poverty line. There were similar trends in Tanzania between 2008 and 2010. In Nepal, around 2.3 million people slipped into poverty while around 3.3 escaped poverty between 2003 and 2010.

To get to zero the world needs new approaches that will work to move the poorest, hardest to reach people well beyond the extreme poverty line. And importantly, ones that will keep them out of poverty for good. The work required to bring people up and beyond the poverty line and to keep them out of poverty would also significantly contribute to reducing inequalities. If poverty reduction policies continue as they are now, there is a very real risk that up to a billion people will still be extremely poor in 2030.

The road to zero extreme poverty will be very difficult, but it can be navigated. It will require a shift in the way we think about poverty, with the chronic poor – those that are likely to remain poor for many years, or a lifetime, of generation upon generation – placed at the centre of poverty eradication policies, and with much greater emphasis on stopping descents into extreme poverty.

Until now, much of the analysis and effort have focused on helping people escape from poverty, but for the *chronic* poor, who often experience multiple disadvantages, any escape is likely to be short-lived. The poorest people often lack the skills, education or assets (such as land) to remain permanently above the poverty line and are highly vulnerable to falling back into poverty if they are hit by shocks such as illness, unemployment, extreme climate events, or conflict. Progress in reducing poverty to date has had less lasting impact on these people than on those nearer the poverty line. Without approaching development policies with the chronic poor at the forefront, getting to zero will remain an unreachable target.

This report breaks new ground by arguing that to get close to zero extreme poverty, policies must be built around three separate but interdependent objectives – the poverty ‘tripod’ (Figure 1):

- Tackle chronic poverty
- Stop impoverishment
- Sustain poverty escapes

FIGURE TO COME

There are three policies which address all three legs of the tripod and require *massive* global investment: social assistance, which brings the poorest nearer a decent standard of living, provides a safety net, and encourages poor people to make the investments and take the risks to get out and stay out of poverty; education, which enables escapes from poverty, and sustained climbing away from poverty, and is a 'portable asset' resilient to impoverishing crises; and pro-poorest economic growth, which ensures the benefits of growth reach the poorest.

In addition to these three universally relevant policies, the policy packages required will vary from one context to the next. The context will help to identify the priorities, sequences and combinations of policies required – for example, in situations where the number of households becoming impoverished outweighs the number of those escaping poverty, policies should give greater priority to stopping impoverishment before or as well as investing too much in promoting poverty escapes.

All three legs of the poverty 'tripod' must be addressed in order to eradicate extreme poverty sustainably.

To **tackle chronic poverty** governments need to implement inclusive national development plans that ensure that the poorest children receive a good quality basic education, including pre-school. The working conditions, security and wages paid by informal jobs need improvement. Agricultural value chains need to generate reasonable returns for smallholder farm households. Social assistance programmes, such as cash transfers or employment guarantees are relevant for reducing extreme poverty in all country contexts and these are most effective when integrated into anti-poverty programmes, as successfully demonstrated in Brazil.

Governments and civil society both have work to do to make sure that the poorest people are represented politically and are included in the economy, politics and culture of their country *on good terms*. Anti-discrimination policies need to be implemented, often requiring institutional innovation and careful monitoring to ensure that women, people with disabilities, older people and disadvantaged ethnic, religious or caste groups are included in these processes on equitable terms. Social norms guiding people's behaviour also need to change, requiring a raft of top-down and bottom up initiatives. Policies which ensure women have good access to resources – land, other property, finance, cash transfers – will help tackle chronic poverty as well as prevent impoverishment. The poorest women are being left behind others, so women's empowerment is a necessary aspect of tackling chronic poverty, stopping impoverishment and sustaining escapes.

To **stop impoverishment** all countries must aim to achieve universal health coverage, as ill-health can push people into poverty and prevent them from escaping it. Countries at all income levels can make concrete steps towards it, as demonstrated by the experience of Thailand and Burundi. Social insurance is also required to help protect people against major risks such as extreme weather or loss of assets. In places where people are especially vulnerable to shocks and stresses, savings and insurance are more effective at preventing impoverishment than micro-credit schemes, which can contribute to debt-driven impoverishment if not well designed.

Conflict and environmental disasters are key factors in driving people below the poverty line and only by addressing these major risks will it be possible to prevent people from becoming impoverished. It is essential that governments work to reduce the risk of violent conflict and to establish sustainable peace settlements in places where conflict is present. Improved disaster risk management is essential in countries and sub-national regions where poverty and vulnerability is concentrated, and where the effects of climate change are increasingly felt.

To **sustain poverty escapes** there needs to be substantial investment in post-primary education, which must be of good quality and provide relevant employment skills. Governments should work together with the private sector to ensure that young people are developing the right skills for the jobs market. Land is an important asset for sustained poverty escapes and land tenure policy reforms are required to protect the poorest people from losing the land that they own, and to gain access to more over time. This is the basis for the essential pro-smallholder agricultural system and support policies,

which will help sustained escapes from rural poverty. Having assets such as education and land will also help to build poor people's resilience to shocks, reducing the risk of them falling back into poverty when these occur, and enable them to diversify into the nonfarm economy. Progressive regional and local economic development policies are also important to extend the benefits of economically dynamic regions outwards to poorer areas through improved infrastructure and institutions.

Getting to zero therefore requires progressive social change that tackles the intersecting inequalities faced by the poorest people – in gender, in access to land, education and labour markets, and which result in injustices perpetuating poverty and powerlessness. The financial resources required for the above agenda are significantly in excess of what is currently spent in many developing countries, where more than half a billion people live in the 31 countries whose governments are spending (including aid) less than \$500 per person per year. Projections indicate that these resources may not increase by 2030 in 15 of these countries, indicating a strong continued need for aid.

There is no single, universal solution to eradicate extreme poverty and these policies must be tailored to country contexts. Likewise, there is no single set of actors that are responsible for eradicating extreme poverty. Governments, civil society, the private sector and development financiers need to work collaboratively to ensure that the right policies are identified and implemented in each country or sub-national region. Getting to zero extreme poverty will not be easy, but by focusing post-2015 poverty eradication efforts and policies on the three objectives outlined above, this historic achievement is within humanity's grasp. The post-2015 development framework should outline the roadmap, emphasising the universal pre-conditions for achieving them, but also leaving countries space to define how they will get there.

Box 1. New analysis in this report

This report presents new analysis of: the balance of impoverishment versus escaping poverty; the critical correlates and causes of sustained escapes from extreme poverty, and of the thresholds beyond which falling back into poverty is unlikely; identifies the relative successes in making progress towards zero extreme poverty across LICs and MICs and learns about the policies and politics behind the successes; makes a new projection of extreme poverty and critical human development outcomes to 2030; proposes a new understanding of how to get to zero extreme poverty, and a new framing for a poverty eradication goal.

Box 2 Some definitions of poverty concepts used in the report

Extreme poverty = \$1.25 per person per day (or below national poverty lines in some cases)

Severe poverty = \$0.70 per person per day, based on the average consumption of Sub-Saharan Africa's poor (or in some cases below national food/severe poverty lines)

Chronic poverty = extreme poverty which persists over years, a lifetime, is transmitted inter-generationally

Impoverishment = descent into extreme poverty

Sustained escapes from extreme poverty = staying out of poverty and progressing towards a higher threshold (eg \$2 per person per day)

Multi-dimensional deprivation (poverty) = the Oxford Poverty and Human Development Initiative's 'deprived in 30% of 10 assets and capabilities'; and severe deprivation = deprived in 50% of indicators.

Political settlement = the relationship between power and institutions in a country. It refers to the way in which organisational and political power is organised, maintained and exercised, as well as to how the state relates to citizens .

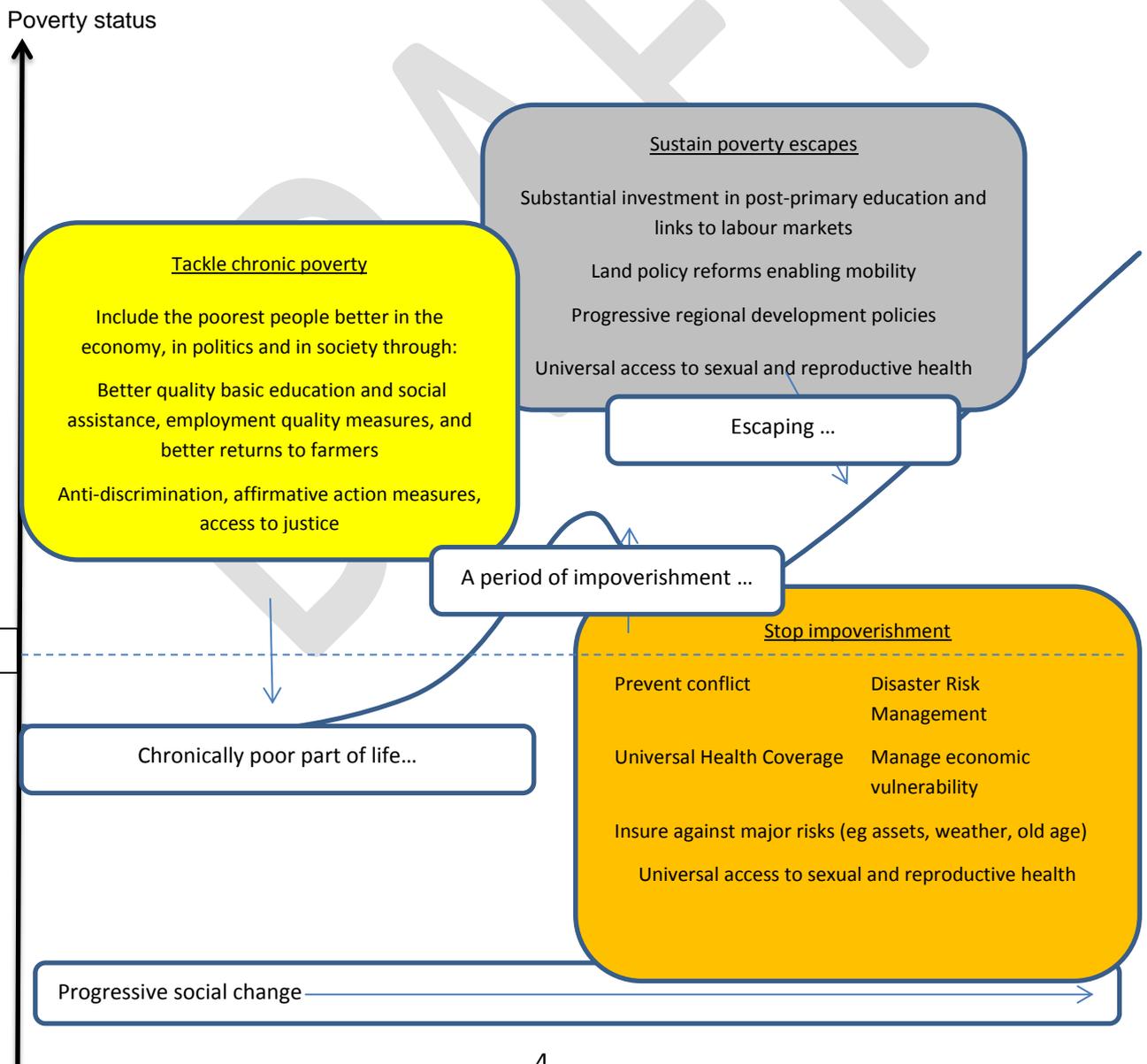
Key policy messages

- To reach zero extreme poverty, post-2015 poverty eradication policies must not be centred on poverty escapes alone. They must focus on all three of the following objectives: tackling chronic poverty, stopping impoverishment, and sustaining people’s escapes from poverty. This is a new approach to developing national plans and policies.
- The main actors driving to zero are national governments, with the private sector and civil society. Progressive social change is needed alongside social assistance systems; pro-poorest growth; human development for the hard to reach; and governance and politics. While leading to zero extreme poverty, these interventions will also reduce inequality.

Setting priorities

- The main public policies needed are shown in Figure 1. The major policies are quite different for each trajectory, with the exceptions of social assistance, massive investment in education, and enabling pro-poorest growth. Priorities and sequences will be decided in each country context, depending partly on the balance between escaping poverty, impoverishment and chronic poverty.

Figure 1. Policies to tackle chronic poverty, stop impoverishment and sustain escapes from poverty



- The gains can be wiped out by impoverishment, as people experience shocks and predictable stresses. Governments rarely give enough priority to stopping impoverishment, being more attracted to more positive agendas. With increased frequency of climate extremes, and continued economic vulnerability of many Least Developed Countries, this neglect must be reversed in the 21st Century, with its growing threats of climate and economic volatility. This includes giving adequate attention to health, something the most successful countries have often left till late in the development process.
- Poverty eradication strategies should lay out what they will do to improve these poverty dynamics. Countries without poverty eradication strategies need to pay particular attention to achieving the eradication of poverty through national development plans and annual development budgets.

Regional priorities

- In Sub-Saharan Africa developing social assistance (cash transfer) *systems* is the major policy challenge for the next 5 years. Countries which have not developed these by 2020 will have very little chance of getting close to eradicating extreme poverty by 2030.
- In South Asia constitutional and legislative instruments to strengthen citizen rights are a necessary complement to economic growth patterns which currently exclude the chronic poor. This usefully includes a right to employment, which has set in motion a new process of pro-poor growth in India by pushing up rural and then urban real wages

How to get there

- To get to zero the quality of policy delivery needs improvement in many contexts, so that both poverty outreach and quality of service are maximised.
- Stronger domestic tax revenues will be required. 540 million people live in multidimensional poverty in countries where the government spends less than PPP\$500 per year per capita.
- Aid will also continue to be extremely important in LICs. However, most donors have not yet shown much interest in tackling chronic poverty.
- All this requires changes to policies, institutions and political bargains between elites, middle classes and the poor, as well as their attitudes. The report identifies several political and governance factors that can help sustain these changes, including credible commitments by political leaders and parties, strength of oversight systems, coherence of policies, capacity for local problem solving and collective action.
- Implementing the above would be helped by a new framing for a post-2015 goal to eradicate extreme poverty, with targets to stop impoverishment, supporting sustained escapes from poverty and tackle chronic poverty (Figure 2). All three are necessary to have a chance of 'getting to zero'. Table 1 provides suggested indicators.

Figure 2. A dynamic post 2015 goal to eradicate extreme poverty



Indicators for these targets should reflect the changing dynamics of poverty, inequalities, and access to opportunities. They should be expressed in terms of numbers as well as proportions.

Table 1. Indicators for a dynamically framed poverty eradication goal

Target	Indicators
1	1.1. % and numbers crossing the extreme poverty line, 1.2. % and numbers of chronically poor. 1.3. % and numbers of severe poor crossing the extreme poverty line. 1.4. % of national income going to bottom 5%, 10%, 20%. 1.5. % of the poor children, women, older women and men, and poor disabled people in excluded groups and regions crossing the extreme poverty line. 1.6. % of the poor covered by social assistance enough to close the poverty gap. 1.7. % of the poor effectively included by value chain standards and/or labour standards ⁱⁱ . 1.8. % of poorest children, women, older women and men, and disabled people covered by the above. 1.9. Implementation of anti-discrimination and affirmative action measures. 1.10. Years of (quality) education acquired by the poorest children.
2	2.1. % and numbers becoming poor 2.2. Number of forced displacements. 2.2. Asset depletion due to conflict, natural disasters or ill-health. 2.3. Reported impoverishment due to conflict, natural disasters or ill-health. 2.4 Coverage of the poorest households by universal health care, disaster risk management. 2.5. % of poorest children, women, older women and men, and disabled people malnourished.
3	3.1. % and numbers who have crossed the extreme poverty line who reach an upper poverty line (eg \$2 a day) and a country-specific resilience threshold (eg \$y a day/x years of education – see chapter 6). 3.2. Extent to which target is met by excluded groups and regions. 3.3. % of the women in excluded groups and regions crossing the extreme poverty line and reaching upper poverty line. 3.4. Years of post-primary education achieved by the poorest children. 3.5 The poorest educated children's access to (decent) jobs.

- This set of indicators is demanding of new data, including national panel data (especially indicators 1.1, 1.2, 1.3, 1.4, 1.5, 2.1, 2.3, 3.1, 3.2, 3.3). To satisfy this need investment are required not only in data collection, but also in capacities to analyse disaggregated data in

terms of gender, age, and intersecting disadvantages. Associated qualitative research/data collection and analysis will promote understanding of the causes of what is observed, to inform policy.

Overview

Part A. Improving poverty dynamics

This third Chronic Poverty Report proposes a new framing for a post-2015 goal to eradicate extreme poverty, focused on improving poverty dynamics – stopping impoverishment, supporting quality escapes from poverty and tackling chronic poverty.ⁱⁱⁱ All three are necessary to have a chance of ‘getting to zero’. The specific targets to be achieved under each heading need to be set by each country, because the relationships between the three trajectories are context specific – in some countries more emphasis is required on stopping impoverishment, for example – and these relationships may change over time.

One of the implications of the phrases ‘getting to zero’ and ‘leaving no one behind’, which have been liberally used to characterise the evolving post-2015 sustainable development framework, is that governments have a duty to include the poorest people in progress. If this principle is to stick, the implications need to be worked out. That is part of the purpose of this report. Chapters 1-4 outline the kinds of policy agendas and political settlements required to tackle chronic poverty, stop impoverishment and support *sustained* escapes from poverty – escapes which last and which take people some way above the extreme poverty line. **Poverty eradication strategies (or national plans which have that as a component) should lay out what they will do to improve these poverty dynamics.**

Incorporating ‘reducing (income) inequality’ as a post 2015 goal would set the international agenda in the right direction, since reducing or containing inequality speeds up the effectiveness of economic growth in reducing poverty. The framework would still need to frame a goal on eradicating poverty, since inequality generic reduction in inequality might be achieved without eradicating poverty (depending on the measure used).

This report argues that focusing on reducing *inequalities* and polarisation processes at the bottom of the income distribution in access to land, labour markets and between the women and men can allow to achieve the double target of reducing both chronic poverty and inequality. The policies are virtually the same as those produced by a concern with inequality, and the level of political contention is far less. Improving poverty dynamics will reduce inequalities and polarisation at the bottom of the distribution, and it can be applied to all societies however unequal.

What works everywhere to improve poverty dynamics in all three trajectories? Education and social assistance are universally relevant, and require massive public resourcing and political support in the coming years. An implication is that stronger domestic tax revenues will be required. Aid will also need to contribute massively in the form of start-up costs for social assistance, education finance including scholarships for the poorest children and other measures.

Tackling chronic poverty

Up to half a billion people are chronically poor, mainly in South Asia and Sub-Saharan Africa. Around a third of all those who are extremely poor are poor over many years, a lifetime and/or pass their poverty on to the next generation.

The severely poor (those well below the extreme poverty line – on less than \$0.70 per person per day in this report’s calculations) are often also chronic poor because of three layers of factors:

assets, returns to assets, and negative events which lead to asset loss; the distribution of power, and inclusion in economies, politics and cultures on adverse terms; the wider enabling environment of the political settlement (the nature of the elite-citizen political bargain), macro-economic policy, and social norms. Policies need to address all three layers.

Compared to macro-economic policy, and lately politics, **social norms** are a neglected aspect of poverty eradication work. They can be critical in marginalising and keeping people poor, and stigma can be a powerful impoverishing force. Creating **quality jobs** (which guarantee safe working conditions and a decent salary) is as important as a general commitment to increasing employment. **Improving access to and quality of education** reinforces the impact of all other anti-poverty interventions.

Obtaining a pro-poorest enough political settlement is partly about political change but progress can also be made if intermediate characteristics of governance are good enough. These include credible commitments by political leaders and parties, strength of oversight systems, coherence of policies, capacity for local problem solving and collective action. Tackling the most intractable, identity based injustices does require a combination of political and constitutional change leading to universal policies and affirmative action, accompanied by social mobilisation and political participation (Figure 3).

A (relatively simple) administrative reform such as establishing a civil registration system can significantly increase the efficiency of social assistance and enable access to public services for poor and vulnerable people.

A focus on chronic poverty is justified by the fact that the poorest are still being left behind. This phenomenon may continue in the future given the growth paths adopted by some countries (India would be an example) and the threats posed by conflicts and natural disasters in certain parts of the world. Tackling chronic poverty outside of social assistance is rare, and has not been a mainstream or comprehensive effort in most countries, with the possible exceptions of Bangladesh, Brazil and China. Given the general absence of specific concern among governments (and donors) for the chronically poor, this is inevitably the most challenging target, requiring much context-specific analysis and policy creativity. In addition to social assistance, the strategies required include: pro-poorest growth which tackles adverse inclusion through employment and value chain development measures; ensuring that the hard to reach are included in human development, for example through empowering women in education; and transformative social change, for example tackling the discrimination and exclusion which some of the poorest experience in labour markets and other institutions.^{iv}

There are a few exceptions – of which Ethiopia, and Nepal are featured in chapter 2 as tackling the identity based intersecting inequalities which keep people poor, affecting minorities and others. China has also done exceptionally well in reducing its ethnic minority extreme poverty and deprivation. Figure 3 outlines the critical ingredients in these stories of change: this is a good way of showing how difficult eradicating poverty is going to be – it will require political and constitutional change, supported by social mobilisation, as well as universal and targeted policies or affirmative action.

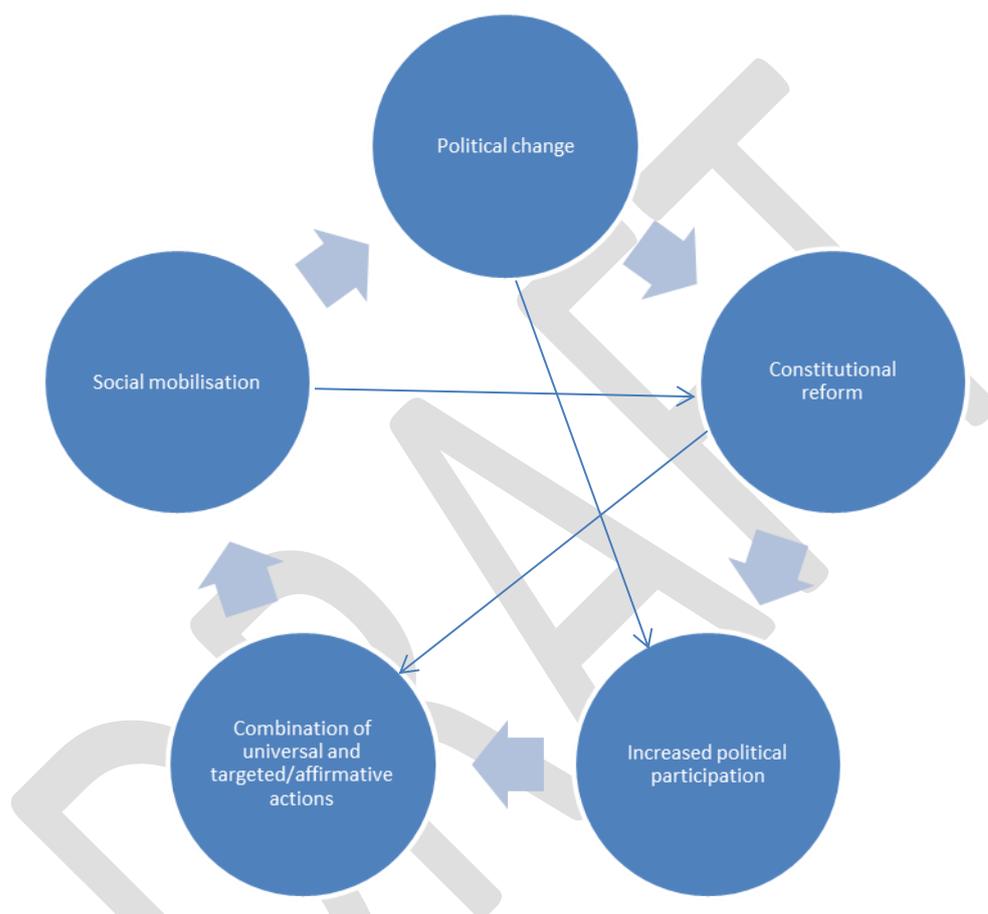
Then there are more common but still very effective, programmatic responses: inclusive strategies – for example, in education, through school feeding, providing stipends for poor children or girls or fee exemptions; a few cases where the poorest have been targeted by micro-finance institutions or anti-poverty programmes with the kinds of transfers, training and institutional support and development needed to bring them up to the level where they can afford to take credit; occasional programmes in agriculture target the poorest farm households aiming to improve their food security, usually through provision of seeds and fertiliser farming inputs – the Malawi fertiliser subsidy is a rare high profile example.

Tackling chronic poverty and the intersecting injustices which keep people poor is also served by social protection (social assistance, upgrading towards an integrated approach over time), but the problem here, in countries which have not yet got social protection systems, is that demand from

elites and citizens is too weak. Mechanisms for citizen voice and a realisation by elites that it's in their own self-interest to promote social cohesion through such measures are necessary.

While addressing income inequality head on may or may not be a relevant objective, depending on country context and history, *polarisation*^v in terms of access to land, education and labour market opportunities, and gendered disadvantages will have to be addressed if chronic poverty is to be addressed.

Figure 3: Addressing Intersecting Injustices



Stopping impoverishment

The rationale for the separation of targets by poverty trajectory proposed above is to challenge governments to plan their anti-poverty strategies in a more sophisticated way. People do escape extreme poverty, but often fall back, and non-poor people do become poor – so it makes sense to have a target to stop impoverishment. **Otherwise the gains can be wiped out by people slipping into poverty or falling back into poverty. In the last two decades impoverishment has been nearly as widespread as escaping poverty in many countries** (Figure 4). Considering that the most common causes of impoverishment are natural disasters, conflicts, economic crisis and financial vulnerability, the risk of impoverishment is not likely to decrease in the near future.

Stopping impoverishment is technically the easy bit of improving poverty dynamics – social protection, disaster risk management, universal health coverage can all be radically extended and improved given the political leadership and sustained commitment. The biggest challenge is ending the risk of conflict, especially in the poorest countries, but many (or the same) countries also face a big and urgent challenge of managing disasters better – so that they do not impoverish so many people so

frequently – and responding to climate change. Education (a portable asset) also serves as a major insurance against risk.

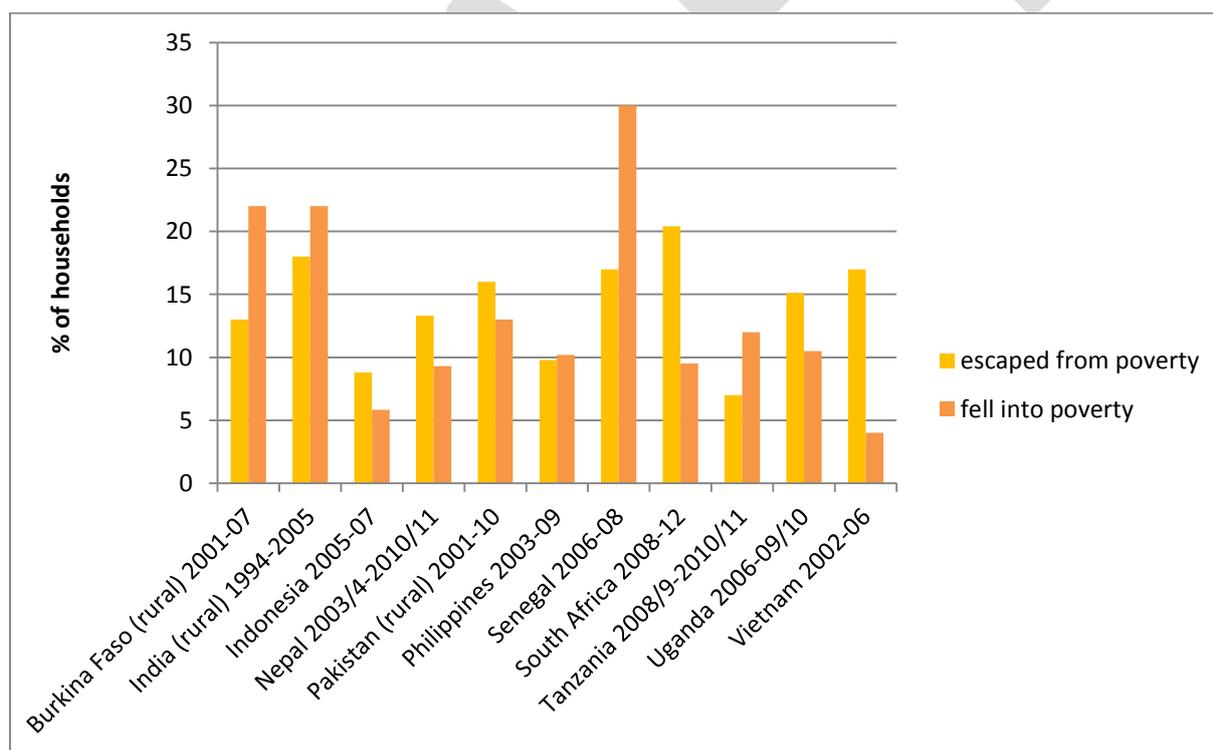
Pro-poor political settlements centre on the idea that the state reduces the risks of impoverishment faced by individuals and social groups. In order to achieve this, the following priorities will have different relevance in different country and sub-national contexts:

- Universal Health Care is a policy priority wherever ill-health constitutes a primary source of impoverishment.
- Improving disaster risk management is critical in countries and especially sub-national regions where poverty and vulnerability to disasters is concentrated.
- Micro-finance and other agencies should promote savings and insurance before credit, where the poor are very vulnerable to shocks and stresses.
- The high start-up costs of insuring the poor against critical risks mean that government (or donors) need to subsidise these at least to start with.

Aiming for a pro-poor political settlement focused on preventing impoverishment through such routes can facilitate fragile states’ turnaround towards resilience, since protected poor people will be much less likely to be interested in participating in violent conflict.

To enable these actions, countries need to be freer to implement counter-cyclical macro-economic and fiscal policies than they have in the past.

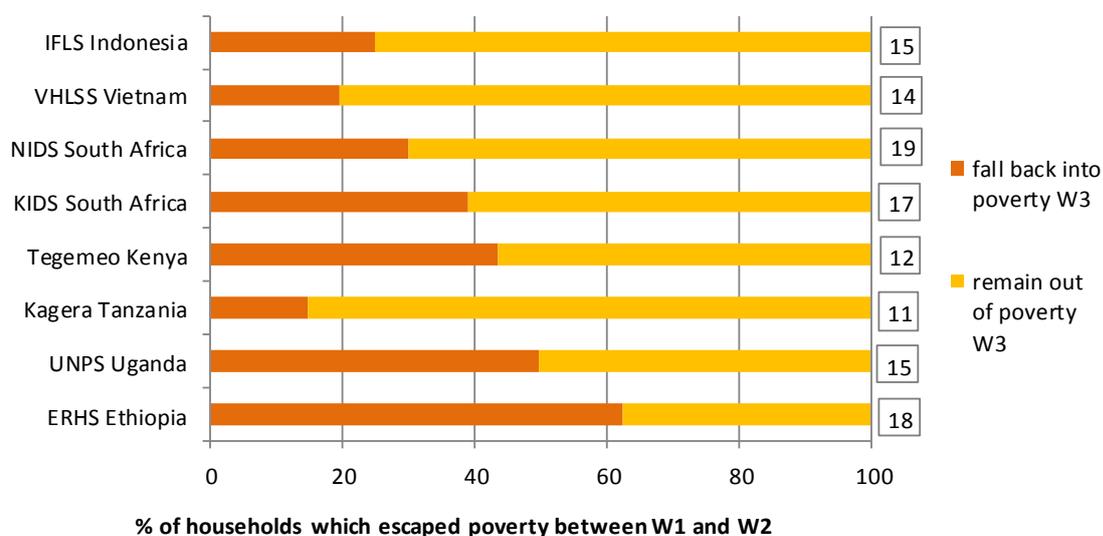
Figure 4. Poverty transitions – escapes and descents into poverty^{vi}



Sustaining escapes

Facilitating escaping poverty is the most frequent apparent objective of anti-poverty policies. This report provides the first evidence that this does occur in many different contexts. Figure 5 shows that between 4 and 8 out of 10 households who had escaped poverty remained out of it in countries ranging from Ethiopia to Indonesia.

Figure 5: The subsequent fortune of households which escape poverty between wave 1 and wave 2^{vii}



However, strategies rarely identify the combinations of policies required to keep newly non-poor households out of poverty. Foundations include: a ‘pro-poorest growth package’ of agricultural, infrastructural and employment policies, supported by a life cycle approach to education and social assistance systems, to end chronic poverty. The policies required to support continued upwards trajectories of people escaping poverty include education again; secure land tenure systems for the poorest, and regional and local economic development policies. Each country would need to identify context-specific policies to sustain escapes from poverty – it will have a lot to do with the character of economic growth in a particular place. Possible interventions include:

- Supporting the accumulation of agricultural assets (such as land and livestock) and diversification of crops and livestock further helps to increase upward mobility.
- Security of tenure is vital including: reversing policies that disenfranchise women on separation, divorce or widowhood; legal protection of existing land assets of poor smallholders, especially where land is not registered or privately owned; and its physical protection through soil and water conservation and sustainable smallholder agricultural development.
- Encouraging landowners to increase land availability for smallholder farm households by establishing a secure legal basis for renting land.
- Reducing landholding fragmentation upon inheritance through legal reforms that allow families to consolidate their fragmented holdings privately.
- Investing in good quality education and skills for the poorest children, to enable them to find employment in non-farm activities and bring their future households out of poverty. The level of education required to do this is context specific, but in all cases the education needs to be of a good quality and provide skills relevant to the world of work. Primary school education alone is usually not sufficient and several years of post-primary education are needed if children are to have sufficient chance of pulling their families out of extreme poverty.
- Much more work needs to be done on improving skills based education to make the transition from education to work more successful, and here working with the private sector is central to ensure young people are developing skills required for them to succeed in jobs market.
- In countries with a large informal sector, work skills could be improved by: formally recognizing traditional apprenticeships; introducing regulations to protect apprentices from exploitation and certifying the skills and experience gained through a national qualification.

This would need to be accompanied by targeted interventions such as cash transfers to ensure the poorest could participate.

- Regional development policy can extend the benefits of an economically dynamic region outwards to poorer areas. Urbanisation is a critical aspect of regional development.
- Implementing universal access to sexual and reproductive health services is also important for staying out of poverty, as it is for other trajectories. But an equitable demographic transition is achieved by a combination of this, income increases, investment in education and other public health measures to reduce the security provided by having many children.

Working to improve poverty dynamics will require significant investment in national (and sub-national) panel data, and associated qualitative research to promote understanding of the causes of what is observed.

Finally, a dynamic approach to setting poverty targets would need to extend beyond the \$1.25 a day poverty line. While only context specific resilience thresholds were identified in chapter 5, monitoring progress escaping households make toward \$2 and \$4 lines would make sense from an extreme poverty perspective, since vulnerability to impoverishment generally declines as income rises.

Part B. Can it be done?

Getting to zero extreme poverty by 2030 will be extremely difficult. There are both Low Income Countries (LICs) and Middle Income Countries (MICs) which have been making the kind of progress required to get to zero extreme poverty and deprivation by 2030 on some indicators, but few manage it on all indicators, especially when the poorest are disaggregated from the average. Even much vaunted successes like Bangladesh, with its powerful NGO programmes, or Ethiopia with its social protection and major investments in human development and infrastructure, have major strides to take for their poorest people.

There are policies and programmes which have been successful in addressing chronic poverty as well as extreme poverty in general and in improving human development outcomes. Less successful countries can learn from these experiences at the 2015 'half way mark' to the complete eradication of extreme poverty. For LICs to reach zero poverty it's a combination of pro-poorest growth and managing risks better, but the policies to achieve this and the politics of both are very challenging. Risks facing the poorest tend to have been addressed late in the development sequence especially in today's East Asian successes, partly because landholdings were relatively equal to start with, which reduced the need for risk management through public policy. Now, leaving improved risk management till last is a problem in the increasingly high risk global economy and climate affected twenty first century.

Today's Middle Income Country successes were also Low Income Countries two or three decades ago. This should give hope to today's LICs. But projections based on a complex and constantly updated global model show that getting close to zero will be very difficult. The political and policy pre-conditions can be daunting. **The risk is that up to nearly a billion people will still be extremely poor in 2030 (Table 2), and up to 300 million severely poor.**^{viii} Several of the successful LICs and MICs are at risk of continued major poverty in 2030. The projections indicate that **2030 poverty is fairly equally split between LICs and MICs, and fragile and non-fragile states (Figures 5 and 6), with extreme poverty in Sub-Saharan Africa a significantly bigger share of the whole than South Asia by 2030 (Table 2).**

Table 2: Regional and global projections in 2030 for severe (\$0.70 per person per day), extreme (\$1.25 per person per day) poverty, optimistic, baseline and pessimistic scenarios (millions of people)

	East Asia and Pacific	Europe and Central Asia	Latin America & Caribbean	Middle East & North Africa	South Asia	Sub Saharan Africa	Global
\$0.70/day Optimistic	6.9	0.2	8.8	2.2	27.5	84.5	130.1
\$0.70/day Baseline	10.3	0.4	11.6	4.1	47.8	124.8	199.0
\$0.70/day Pessimistic	15.2	0.6	14.4	6.3	92.8	172.1	301.4
\$1.25/day Optimistic	33.1	1.9	21.4	9.1	143.4	218.7	427.5
\$1.25/day Baseline	46.6	3.0	27.8	14.2	228.0	304.5	624.1
\$1.25/day Pessimistic	68.3	4.4	35.3	20.3	409.1	417.5	954.9

Figure 5: Projected poverty headcount in 2030 by country category – LICs, LMICs, fragile and non-fragile states (severe, \$0.70 a day poverty and extreme, \$1.25 a day)

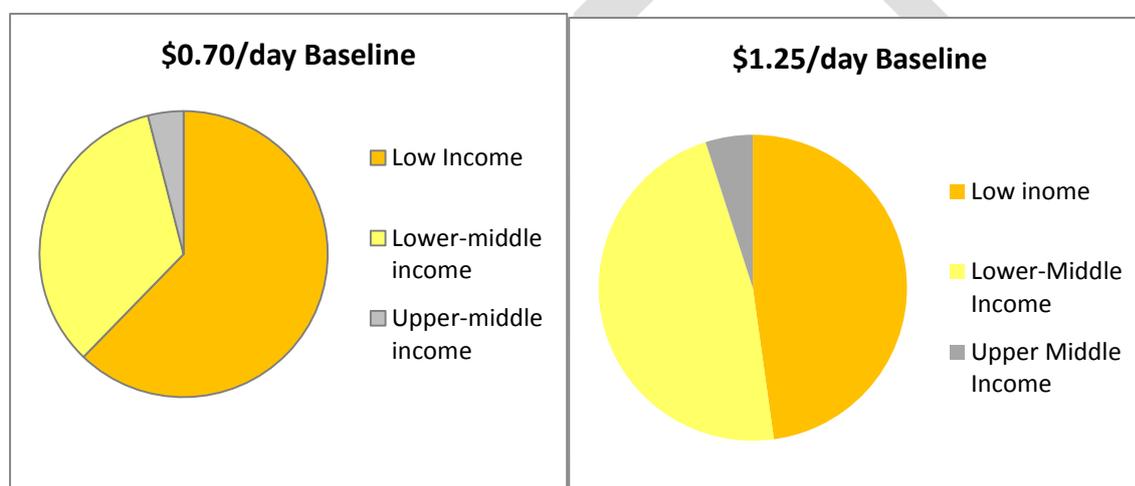
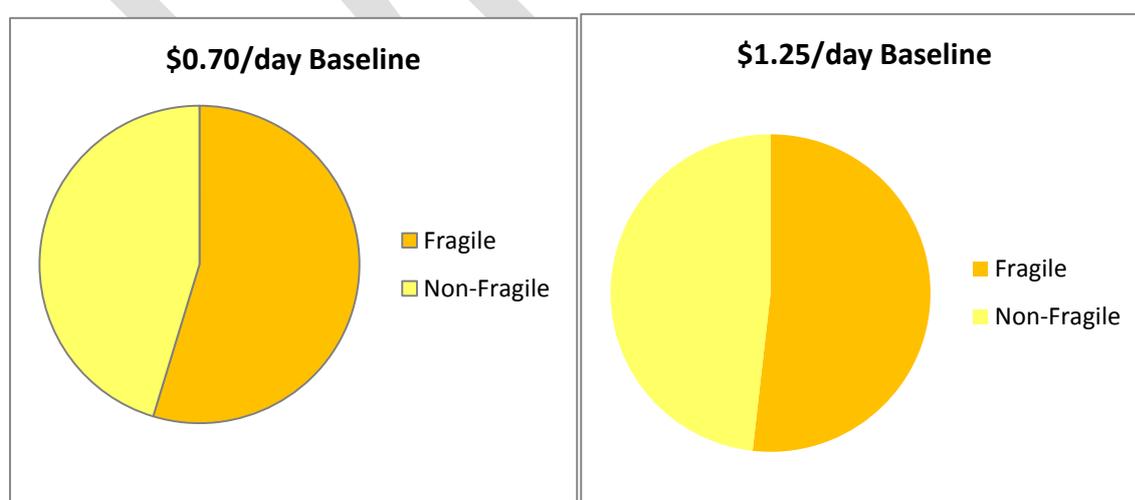


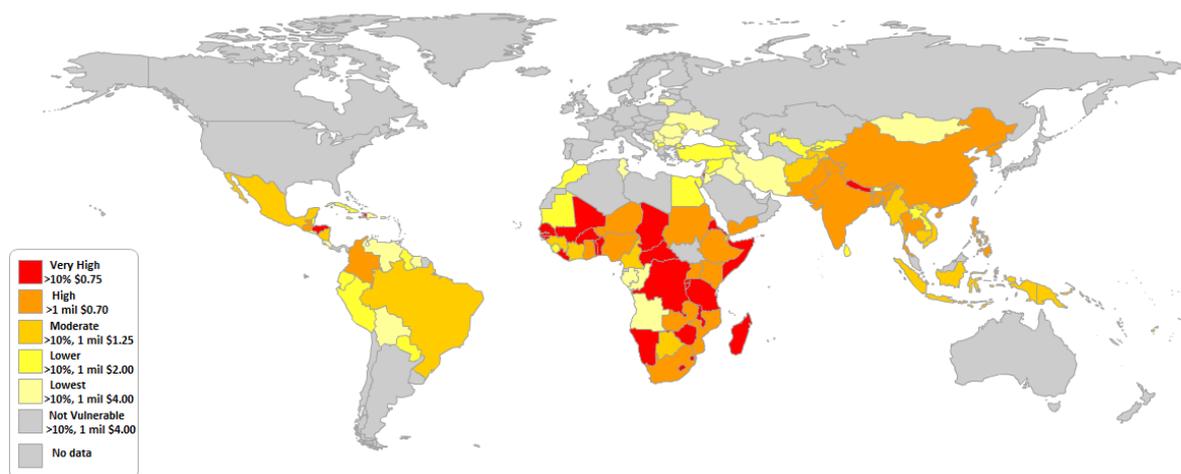
Figure 6: Projections to 2030, fragile and non-fragile states



The report argues that there are therefore two categories of country, plus Indian states that need special attention if getting to zero is to be made truly possible:

- i. A number of fragile, unstable and conflict affected countries (and Indian states), both LMICs and LICs, where getting a stable political settlement is the first challenge, and preventing the recurrence of conflict through inclusive development is the second challenge; key countries include: Burundi, DRC, Madagascar, Nepal, Nigeria, Pakistan, Rwanda, Sudan (and the poorest and conflict affected states in India such as Bihar, Madhya Pradesh, Orissa, Uttar Pradesh). The resources to eradicate poverty are significantly more available in the LMICs compared to the LICs in this group, but the political settlements are not necessarily better.
- ii. LICs (and some Indian states) where conflict, stability or social cohesion are not immediately pressing issues, but where poverty remains widespread owing to sectoral and geographical patterns of economic growth, adverse inclusion (see Chapter 3) and resource constraints; key countries include: Bangladesh, Burkina Faso, Ethiopia, Malawi, Tanzania; key Indian states include: Andhra Pradesh, Rajasthan, West Bengal.

Figure 7 is a way of summarising the geography of vulnerability to poverty in 2030, with the highest vulnerability being in countries with the highest proportions of the population in severe poverty; the most vulnerable being those with the highest proportions under \$0.70, through to the lowest vulnerability category being countries with more than 10% of the population living at less than \$4.00/day and more than 1,000,000 people on less than \$4.00/day.



The politics of eradicating poverty in these states is challenging. Clear successes in the past have been underpinned by several models of political regime:

- Maturing democratic societies which elect redistributive governments for long periods with strong links to social movements, which develop integrated policies and programmes to address the most intractable forms of extreme poverty and deprivation, often with a strong rights based approach;
- Communist regimes where market-based economic growth has been pursued on the basis of initial and continued equal distribution of key resources like land, and a massive commitment to education for all through to post-primary levels as well as to smallholder farming;
- Populist regimes which have invested in significant universal and targeted policy measures, often including social protection, to include the poorest in the benefits of economic growth and human development.
- Autocratic regimes in East Asia which invested early and heavily in human development, and industrialised rapidly while retaining strong commitment to rural development.

These are examples of the most dramatic cases of improvement.

In the 20th Century a number of East and Southeast Asian societies progressed dramatically under anti-communist autocratic regimes, which democratised in the 1980s. It is two of these, South Korea and Taiwan, which are the only non-oil developing countries to have reached High Income Status.

More incremental progress can also be made, even in clientelistic,ix through the development of more progressive 'hybrid' institutions, which contain elements of both modern and traditional arrangements, which have been helpful in finding solutions at local as well as national levels to the critical collective action problems. With such incremental progress, which may often also be set back by crises, eradicating poverty will take a very long time.

Ultimately, if we believe the lessons of history, however, to achieve poverty eradication, incremental progress needs to give way to 'going viral' – where poverty dynamics perspectives are included in the policies of all major sectors and geographical regions, and where competing political parties or other power centres self-interestedly promote the interests of the poor and vulnerable alongside their own, in new political alliances and coalitions. This raises the probability that extreme poverty will be more rapidly eradicated.

Part C. Goals, Financial Resources and Strategies

The report assesses the various goals and targets which have been proposed during the discussions about the post 2015 development framework (up to December 2013), in terms of the extent to which chronic poverty would be tackled and improved poverty dynamics would result from each one. **Priority cross-cutting (ie across the three trajectories) policy areas include: education, including pre-school education for the poorest children; 9-10 years of good quality education for all with special provisions to realise it for the poorest children and girls; and modernised apprenticeship systems to link school and employment. These education investments will help promote pro-poorest economic growth; and social assistance will do the same. In terms of expenditure, health is also a very demanding sector.**

The financial resources required for the likely health and education goals are predominantly domestic resources (and the accompanying politics). However, in 31 countries spending less than \$500 per head total public expenditure, aid would continue to be very important as a source of revenue through to 2030, and probably beyond. These are also the countries with high levels of intense multi-dimensional poverty (arguably a proxy for chronic poverty). **540 million people live in multidimensional poverty in countries where the government spends less than PPP\$500 per year, way below the levels probably required to eradicate poverty. Of the 31 countries in the MPI sample where current government spending in 2011 is less than PPP\$500 per person each year, current projections show that fifteen are still likely to have government spending below PPP\$500 in 2030. All fifteen of these countries are in sub-Saharan Africa.**

The report argues that domestic resource mobilisation is an essential part of an evolving national political settlement (agreement or consensus) between the governing and the governed, elites and other citizens. However, this is technically easier for Lower Middle Income Countries than Low Income Countries. Politically it may be just as hard. International development co-operation and aid can play roles in both situations, though the roles may be different. The boundary between LICs and LMICs is entirely arbitrary – aid should not automatically be reduced or cut off when a country 'graduates'. Unfortunately this is what many donor agencies have decided. There are and will remain many extreme poor people in LMICs.

The political resources and strategies required are therefore considerable. To summarise a thread of political analysis running through the report: eradicating poverty is as much a political as a technical exercise, coalitions and alliances, social mobilisation as well as political settlements and delivering on coherent policies and commitments are likely to be important features. The politics is particularly challenging in fragile states, but LMICs with high or rapidly growing inequality also face significant

political challenges to balance the demands of growing middle classes, the vulnerable and the poorest, who generally have least voice. While the post-2015 international development framework can attempt to build in incentives to elites to form pro-poor alliances and coalitions and adopt transformative policies, it is national politics, political parties and leaders which will determine how rapid progress towards the eradication of poverty will be.

What is to be done to produce the right policies?

The degree of difficulty involved in eradicating extreme poverty suggests that it is not a job for one set of actors only: it will have to be done by coalitions and alliances, with the state playing a major role, but probably a different role in different societies. It is worth asking at this point who should do what and how? Clearly the answer to that must be context and regime specific, so what follows (Table 3) can only be a the beginnings of a menu – a menu to be elaborated in each country, and sub-nationally. This table is more about process than the policies themselves – these were dealt with earlier. While process is even more context-specific than policy, some pointers can be given.

Table 3. Key stakeholders’ strategies on the road to zero.

	<i>Tackling chronic poverty</i>	<i>Stopping impoverishment</i>	<i>Sustaining escapes out of poverty</i>
<p><i>Governments and major political parties</i></p> <p>Develop disaggregated and panel data based monitoring systems, with linked qualitative research and policy evaluation</p>	<p>Political parties acknowledge the electoral significance of giving the chronically poor a voice, and support relevant policy measures – social assistance, human development, pro-poorest growth measures, and use disaggregated data.</p> <p>Facilitate transformative economic and social change, including gender equality and implementation coalitions with local opinion leaders; and support an equitable demographic transition.</p> <p>Support unskilled labour intensive job creation.</p>	<p>Use events (eg disasters) and public discussion to re-prioritise social protection, universal health coverage, and disaster risk management.</p> <p>Develop political strategies to prevent (re-) emergence of violent conflict.</p>	<p>Social contract evolves to focus on job quality – security, wage levels, working conditions.</p> <p>Develop opportunities to reform land tenure policies to support accumulation of land by successful smallholders. Respond positively to social movements on land.</p> <p>Build public opinion in favour of a massive improvement in opportunities for the poorest children to go through 9-10 years of good quality education, as a public good, and for good apprenticeship schemes to create a more skilled workforce.</p> <p>Build a new approach to urbanisation linked to regional development, with a view to supporting migration and other flows with the poorest locations.</p>
<p><i>Global governance institutions/processes</i></p> <p>Support collection of panel data and data disaggregation, and linked qualitative research.</p>	<p>Take an active interest in the fortunes of the poorest, and begin to act as their advocates with partner governments.</p> <p>Provide adequate stable, consistent aid in LICs and high poverty LMICs with a long term perspective through to</p>	<p>Support the initial costs of scaling up of successful social protection pilots into durable tax based systems in LICs.</p> <p>Support Universal Health Coverage and Disaster Risk Management in</p>	<p>Support the achievement of resilience – among previously poor households, poor disaster-prone regions, and resilience against the eventuality of war by providing massive support for education.</p> <p>Take the long term view when social movements or governments propose radical</p>

	<p>2030.</p> <p>Improved international enabling environment for labour-intensive value addition.</p> <p>Develop global social policy to support social assistance based on new global taxation.</p> <p>Build support for tackling chronic and intractable poverty in donor countries.</p>	<p>similar ways.</p> <p>Prioritise support for fragile states, including support for civil society alternatives to state action (‘Bangladesh model’).</p>	<p>schemes for land reform.</p> <p>Continue to work intensively at sub-national levels – the new poverty frontier.</p>
<p><i>Civil society organisations & social movements</i></p> <p>Demand disaggregated and Q² longitudinal data systems.</p>	<p>Lobby for the chronically poor since they rarely lobby for themselves; and against discrimination.</p> <p>Acknowledge that the poorest need a ‘leg up’, cannot pull themselves up by their own bootstraps. For example, they need additional assets to empower them participate in contract farming arrangements.</p> <p>Support social movements for transformative social change.</p>	<p>Global NGOs to support growth of civil society organisations in fragile states, where the ‘Bangladesh model’ may be of special relevance.</p>	<p>Social movements on land issues are critical.</p> <p>Educational NGOs could pave the way to massive investment through pilot programmes to demonstrate how the poorest children can get through enough years of education to bring their families out of poverty.</p>
<p><i>The private sector</i></p>	<p>Introduce and strengthen labour and other ethical standards.</p> <p>Agribusiness to work with smallholder farmers on contract farming and other similar arrangements to achieve economies of scale. Support poorest farm households with relevant asset building.</p>	<p>Disaster- and climate-proofed investments by medium and large scale businesses.</p> <p>Develop weather based and other (life, death, health) insurance schemes with financial arrangements which suit the poorest.</p>	<p>Expand and tighten up voluntary codes and standards.</p> <p>Major actor in TVET and formalising apprenticeships.</p> <p>Agribusiness to work with smallholder farmers on contract farming and other similar arrangements to achieve economies of scale.</p>

i <http://www.chronicpoverty.org/page/chronic-poverty-reports>

ii This is proposed in the absence of a viable indicator on decent work.

iii Improving poverty dynamics is used here in a new, normative sense to indicate the sum of stopping impoverishment, sustaining escapes from extreme poverty, and tackling chronic poverty. Previously poverty dynamics has been used in a descriptive sense, describing movements (or the lack of them) around a poverty line.

iv Shepherd and Scott (2011)

v The poorest losing out compared to others

vi CPAN (2013) CP2

vii Analysis using national poverty lines and household per capita consumption data (with the exception of Tegemeo which uses income data). Indonesia Family Life Survey (IFLS) wave dates 1993/94, 1997/98 and 2000. Vietnam Household Living Standards Survey (VHLSS) wave dates 2002, 2004 and 2006. National Income Dynamics Study (NIDS) 2008, 2010 and 2012. Kwa-Zulu Natal Income Dynamics Study (KIDS) 1993, 1998 and 2004. Uganda National Panel Survey (UNPS) 2005/06, 2009/10 and 2010/11. Ethiopian Rural Household Survey (ERHS) wave dates 1999, 2004 and 2009. The use of national poverty line and different time periods means that data from the different surveys are not strictly comparable.

viii These are necessarily rough figures. Severe poverty is defined here as \$0.70 per person per day or below. This figure has been chosen because it is the average level of poverty in Sub-Saharan Africa – well below the international extreme poverty line. Ideally any such measure would be relative to national extreme poverty lines, so a uniform international figure is very much a second best.

ix Clapham (2009), defines neo-patrimonial (here clientelistic', for simplicity) as a "form of organisation in which relationships of a broadly patrimonial type pervade a political and administrative system which is formally constructed on rational-legal lines." It is a system in which an office of power is used for personal uses and gains, as opposed to a strict division of the private and public spheres.