



Report

# Projecting national poverty to 2030

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## Key messages

At a global level, the Sustainable Development Goal (SDG) target of halving poverty according to national definitions gets less attention than the target of eradicating extreme poverty worldwide, but for country governments national poverty is more politically salient and relevant to policy.

Governments can choose when and by how much to increase national poverty lines as their country becomes richer. Achieving the SDG target depends on how much countries grow, on how that growth is distributed and on what adjustments are made to national poverty lines. We find that:

- If average growth rates, the distribution of growth rates and national poverty lines all remain constant, around two thirds of developing countries will meet the SDG target to halve national poverty by 2030.
- The most effective way to reach the target is for growth to become pro-poor, in which case almost all countries will reach the target whether or not growth increases or governments raise the national poverty line.
- If growth rates remain constant but governments choose to raise poverty lines in line with the cross-country trend, less than half of all developing countries will reach the SDG target.
- If growth rates increase to an average of 4% per year and poverty lines remain constant, effectively all developing countries will reach the target, whereas if governments raise the national poverty line, three quarters of countries will meet the target.
- The key differences between countries and regions that determine the likelihood of a country halving national poverty by 2030 are related to the level and depth of national poverty today. Country's starting points are the overwhelming factor driving success.

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# Introduction

Ending poverty is a centrepiece of the Sustainable Development Goals (SDGs). Most global observers view this aspiration narrowly in terms of the international extreme poverty line (updated in October 2015 to be \$1.90 a day in 2011 purchasing power parity (PPP)). However, alongside SDG Target 1.1,<sup>1</sup> to eliminate extreme poverty, is SDG Target 1.2,<sup>2</sup> which aims to halve the proportion of people living in poverty according to national definitions (hereafter ‘national poverty’).

This target is yet to be examined. At least 10 studies<sup>3</sup> projecting extreme poverty to 2030 exist, but there has not been one on national poverty. The need to fill this gap in the literature is clear, as the national poverty SDG target is particularly important. A co-architect of the Millennium Development Goals (MDGs) has gone as far to say that it is ‘perhaps the sole SDG target that is truly universal in nature’.<sup>4</sup>

This paper is the first to project what national poverty could be in developing countries in 2030.<sup>5</sup> This is a timely piece of analysis, as countries are turning their attention to national implementation of the SDGs. The national poverty target is far more relevant to domestic policy-makers as extreme poverty represents a small share of the population in most countries and reflects a very low standard of living (World Bank, 2015). Governments use their national poverty line for various purposes, such as targeting public expenditure, and they are commonly referred to in national development plans (Deaton, 2011). National poverty lines are also updated over time to reflect changes in what constitutes ‘poverty’, distinct from the extreme poverty line, which aims to represent a minimum standard of living that is roughly consistent over time (Jolliffe and Prydz, 2015). Therefore, the national poverty projections presented in this paper are relevant to policy-makers in developing countries who are currently grappling with what needs to be done to achieve the SDGs.

Furthermore, the World Bank is currently reviewing its approach to measuring poverty through a commission on global poverty.<sup>6</sup> A number of proposals for measuring poverty in the future rely on national poverty lines, such as Ravallion and Chen’s (2009) ‘weakly relative’ approach and Reddy’s (2009) and Klasen et al.’s (2015) suggestion to coordinate national poverty measurement. It is not surprising that national poverty lines are paramount in the discussion around measuring cross-country trends, given that they define the international extreme poverty line. The national poverty lines of the poorest countries in the world are the basis for the ‘\$1 a day’ extreme poverty line, updated to \$1.90 in 2011 PPP (Ferreira et al., 2015).

The projections discussed in this paper are based on assumptions about how the levels of national poverty lines are likely to change over time. To provide a range of possible outcomes, we discuss two circumstances: one where national poverty lines are held constant and the other that assumes they rise in line with the cross-country trend, which is around one third of the rate of increase of the mean. This allows a simple comparison between what would happen to national poverty in 2030 if governments chose to raise national poverty lines and what would happen if they kept them as they currently are.

Changes in poverty are typically modelled using assumptions around growth and potential changes in its distribution. In this paper, three scenarios are considered to illustrate the impact of the level of growth and how it is distributed. The first assumes growth will continue in line with its long-term average and will be evenly distributed. The second models what would happen to national poverty if the bottom 40% grew 2 percentage points faster than the average and the overall growth rate remained constant. This is consistent with all countries achieving SDG Target 10.1,<sup>7</sup> which aims for the bottom 40% to grow faster than the average. In addition, Lakner et al. (2014) consider this

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1 By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than \$1.25 a day

2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.

3 Basu (2013); Chandy et al. (2013); Dercon and Lea (2012); Edward and Sumner (2014); Karver et al. (2012); Lakner et al. (2014); Ncube et al. (2014); Ravallion (2013); World Bank (2015); Yoshida et al. (2014).

4 <http://deliver2030.org/?p=6218>

5 While this target is universal, this analysis focuses only on developing countries as they have ‘absolute’ poverty lines as opposed to the ‘relative’ poverty lines that are common in most developed countries. The next section discusses the distinction between these types of poverty lines.

6 <http://www.worldbank.org/en/programs/commission-on-global-poverty>

7 By 2030, progressively achieve and sustain income growth of the bottom 40% of the population at a rate higher than the national average

scenario when projecting extreme poverty to 2030. The final scenario assumes all countries grow at 4% per person across the distribution. This is in line with SDG Target 8.1,<sup>8</sup> which aims for least-developed countries (LDCs) to grow at 7% gross domestic product (GDP) a year.<sup>9</sup> It is also the same assumption as in Ravallion (2013), which is the basis for the World Bank's 3% extreme poverty goal.

This paper presents six scenarios for national poverty in 2030, summarised in Table 1. Three assume national poverty lines remain constant, which represents a strict lower bound, as it is very unlikely national poverty lines will fall below their level today. The three other scenarios assume national poverty lines will rise in line with the cross-country trend. It is unlikely they will rise far beyond that, so this represents a weak upper bound. In other words, national poverty lines are likely to fall between these two extremes. The high growth and pro-poor growth scenarios are at the upper limits of past experience and assume the other SDG targets can be met in all countries. As such, they present an upper bound of possible progress that could be made against national poverty by 2030. The long-term trend scenarios could be thought of as a more realistic projection of possible progress to 2030.

These scenarios show that varying degrees of success against the SDG target are possible, depending on the rate of growth, how it is distributed and how national poverty lines change over time. Under a very optimistic scenario, if national poverty lines remain constant and all countries grow at 4% per person per year, effectively all developing countries are on track to meet the target. On the other hand, if national poverty lines increase in line with the cross-country trend and if current rates of growth continue, less than half of countries will meet the target. Almost all East Asian and most South Asian countries are set to meet the target regardless of the scenario; much slower progress is projected in countries in Sub-Saharan Africa and especially in Latin America and the Caribbean.

At a global level, this paper illustrates at least two challenges in setting crude targets for all countries to meet. First, the likelihood of a country halving poverty by 2030 is strongly related to its level and depth of national poverty today. Countries in East and South Asia generally have very low national poverty lines compared with those in Latin

**Table 1: Scenarios examined in this paper**

Constant national poverty line	Rising national poverty line
Long-term trends continue	Long-term trends continue
Pro-poor growth	Pro-poor growth
High growth	High growth

America and the Caribbean. Furthermore, the average poverty gap in Asian countries is around a quarter of that in countries in Sub-Saharan Africa and Latin America and the Caribbean. In other words, countries' very different starting points are the overwhelming factor in whether they will achieve Target 1.2.

Second, the SDG target inadvertently creates a perverse incentive for governments not to increase their national poverty line as countries grow, as this will make it more difficult to meet the target. Unlike most indicators of development, it is the governments themselves that set and choose whether to change national poverty lines. Almost 20% fewer countries will meet the target in 2030 if they raise their national poverty line consistent with the cross-country trend compared with if they keep their national poverty line at current levels.

This analysis highlights at least two important policy implications for national governments. First, supporting the bottom 40% of the income distribution to grow faster than the average will dramatically increase the number of countries that could meet this goal. Second, for all countries to meet this target, very high rates of growth are required.

These policy implications are even more apparent when examining the high-population countries of China, India and Indonesia. As such, this paper gives these countries particular attention.

The structure of this paper is as follows. Section 2 provides a brief background on national poverty lines and follows this with an overview of national poverty today. Section 3 discusses the methodology in detail. Section 4 presents the findings of the projections. Section 5 discusses some policy implications that emerge from the analysis and Section 6 concludes.

8 Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 % GDP growth per annum in the LDCs.

9 Kenny (2015) shows the 7% GDP growth target for LDCs is roughly 4% in GDP per capita terms.



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# What are national poverty lines and how are they used?

## National poverty lines: an overview

National poverty lines in developing countries tend to be calculated through the combined cost of a small amount of food and non-food consumption in two main ways (Klasen et al., 2015). The first estimates the cheapest way to reach the minimum number of calories to survive (over 2,000 a day) plus some additional costs for non-food items. The second considers what a lower part of the distribution consumes (e.g. the 20th percentile) and uses their consumption as a measure of poverty.

The types of poverty line discussed above are considered to be ‘absolute’, which means they represent a bare minimum level of consumption (Chandy et al., 2015). This is different from the ‘relative’ national poverty lines in most European countries that are a percentage of the median income and are more like a measure of inequality (Garroway and de Laiglesia, 2012).

National poverty lines are distinct from many indicators used in international development because governments themselves define and change them. A benefit of this greater national ownership is that governments tend to use national poverty lines more than the extreme poverty line (Deaton, 2011). They are used for purposes such as targeting public expenditure or included as goals in national development plans (ibid.). Civil society and international organisations also use national poverty lines to track progress and hold governments to account. Even the World Bank in its country assessments relies on national poverty lines more than international poverty lines (Ravallion, 2012).

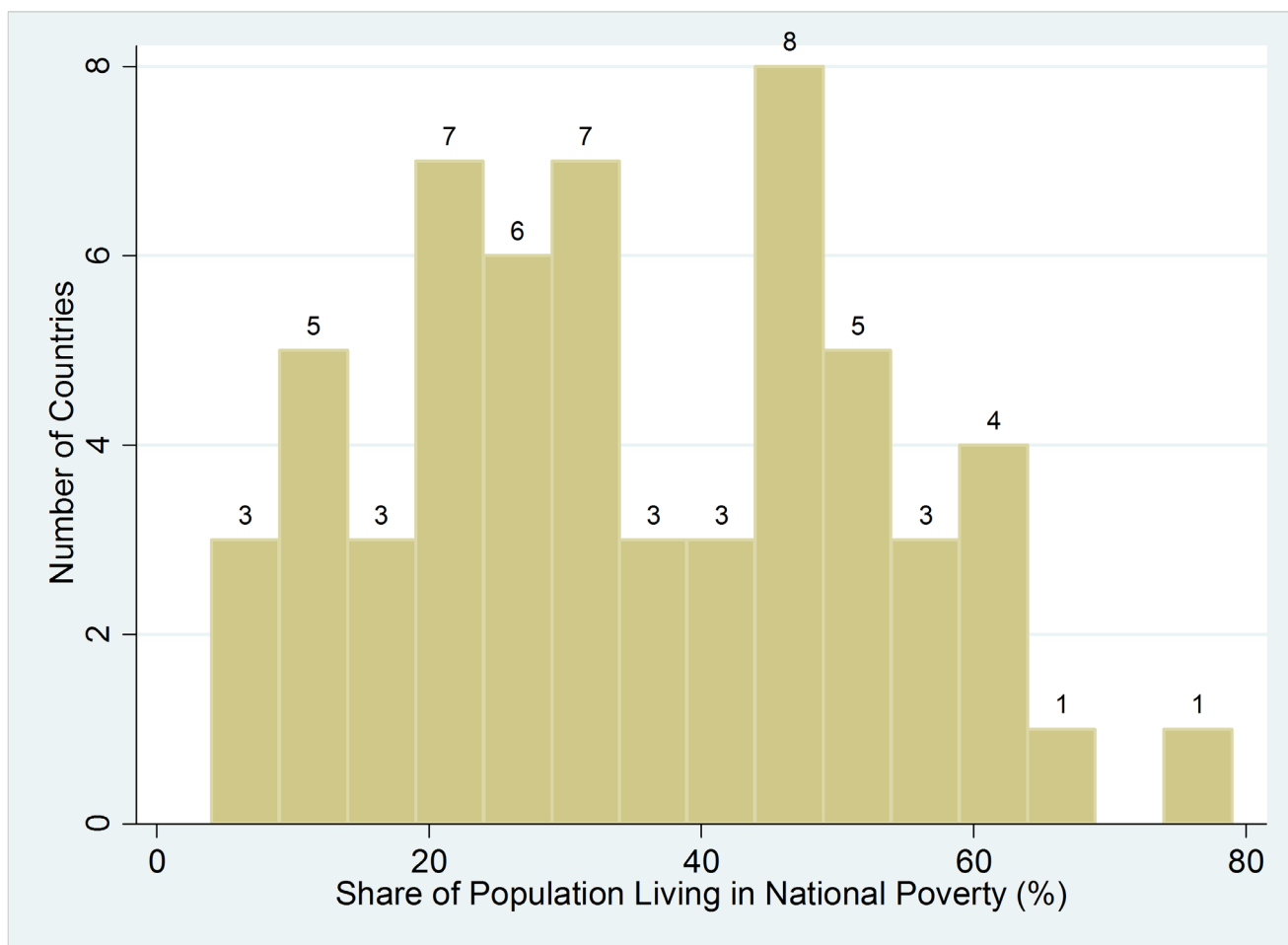
While there is often an effort to make sure national poverty lines have a sound basis, in practice approaches vary dramatically across countries (Reddy, 2009). This lack of consistency across countries means national poverty lines represent vastly different standards of living (ibid.). Dotter (2013) uses the example of Tanzania and Tajikistan, which have similar mean consumption levels but dramatically different national poverty lines. In Tanzania, the national poverty line is just over \$0.60 (2005

PPP), whereas in Tajikistan it is around \$2 (2005 PPP) a day. Another example is Indonesia, which has a national poverty line well below that of Cambodia despite having an average income per person around four times higher (World Bank, 2015).

Despite the great deal of variation, richer countries tend to have higher national poverty lines. As countries grow, national poverty lines tend to be ‘sticky’ and rise at a much slower rate (Ravallion, 2012). This is partly because there is little incentive for governments to raise national poverty lines, as this results in more people being defined as living in national poverty. For example, the US has maintained the same national poverty line in purchasing power terms since the 1960s, even though real average income per person has tripled (Ravallion, 2015; World Bank, 2015).

Despite the limitations, national poverty lines complement the international extreme poverty line. Gentilini and Sumner (2012) show national poverty lines are worthy of examination in and of themselves as there are significant differences in the percentage of people living in national poverty compared with in extreme poverty. Most developing countries have less than 10% of their populations living in extreme poverty (World Bank, 2015). This is part of the reason why both extreme and national poverty are included in SDG 1. It is important to note that the international extreme poverty line is not independent from national poverty lines. In fact, it is based on the mean of national poverty lines in the 15 poorest countries with data available in 2005 (Ravallion et al., 2009). While the majority of countries have national poverty lines, a significant minority do not. In addition, many do not have recent and reliable data available. As such, discussion around national poverty lines is restricted to a limited number of countries. For example, Ravallion (2015) refers only to 75 developing countries with data on national poverty.

**Figure 1: Share of population living in national poverty**



## National poverty today

This section briefly provides an overview of national poverty today, prior to the following sections describing what it could look like in 2030. The discussion is based on a subset of 59 developing countries that had recent, reliable data available. Section 3 on the methodology describes the construction of this dataset in detail.

### Share of population in national poverty

On average, around a third of people live below the national poverty line. This equates to over 1.15 billion people in poverty according to national definitions in this subset, of around 4.5 billion people in 59 developing countries.<sup>10</sup> The share of the population living below the national poverty line varies considerably between countries from 4% to 75% (Figure 1).

On average, around half the population of countries in Sub-Saharan Africa live in national poverty, whereas less than 20% do in East Asia (Table 2).<sup>11</sup> Levels of national poverty are quite low in countries in South Asia, representing only 25% of the population, whereas in Latin America and the Caribbean it is over 40%.

### Poverty gap

The average poverty gap<sup>12</sup> at the national poverty line is 12%. However, this varies considerably across countries as from less than 1% to 37% (Figure 2).

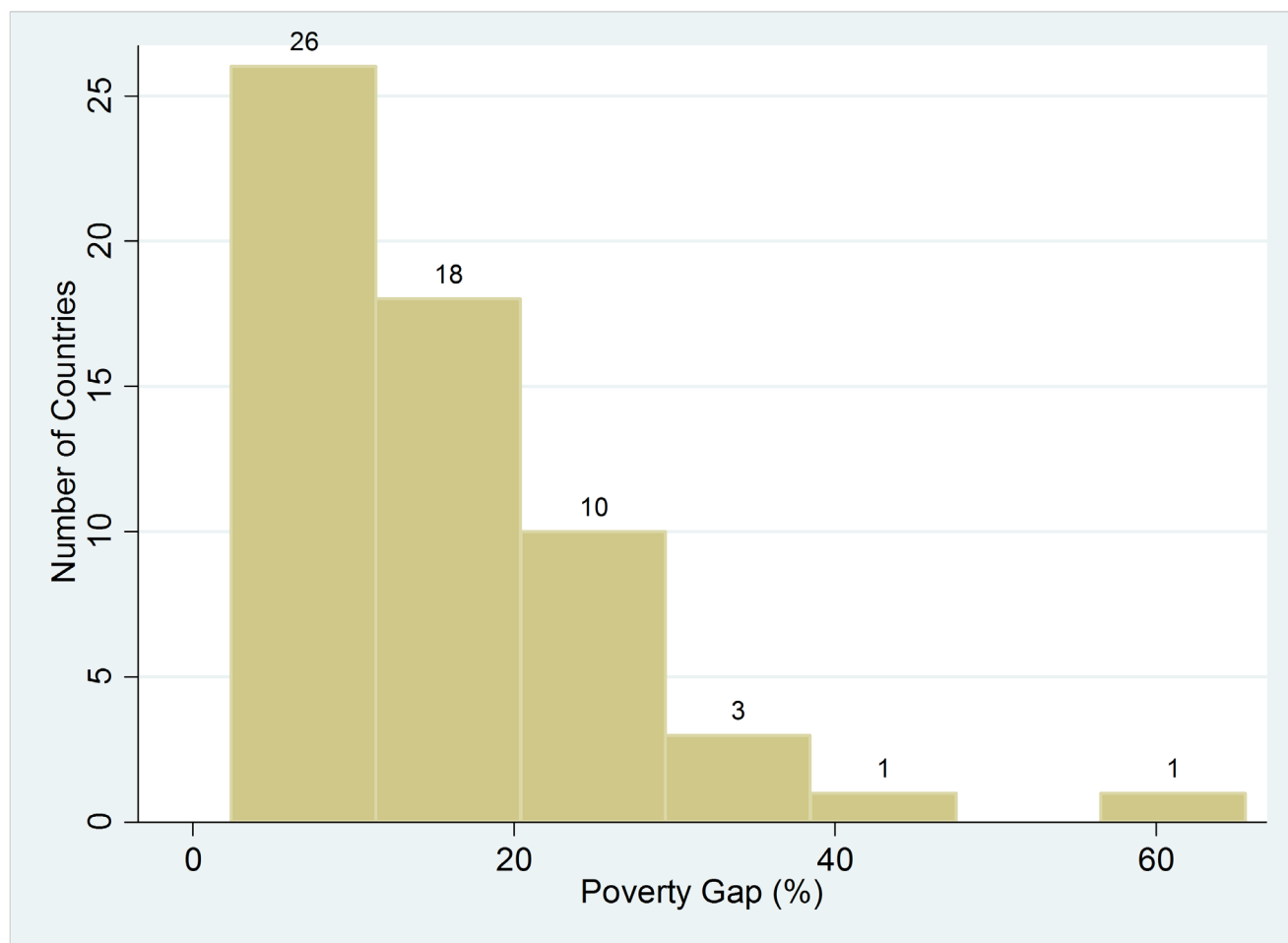
The average poverty gap varies dramatically between regions (Table 3).<sup>13</sup> In East and South Asia, the average poverty gap is only 5-5%. In Latin American, Caribbean and Sub-Saharan African countries the average poverty gap is almost 20%.

10 This is based on UN population estimates from the most recent survey year, which is between 2005 and 2011.

11 For this table and all subsequent regional tables, only the four highly populated regions are referred to. Fourteen other developing countries, in the Middle East and North Africa and Eastern Europe and Central Asia, have recent, reliable data available. These regional breakdowns are not included in the regional tables to simplify presentation of the data.

12 Poverty gap at national poverty lines is the mean shortfall from the poverty lines (counting the non-poor as having zero shortfall) as a percentage of the poverty lines. This measure reflects the depth of poverty as well as its incidence.

**Figure 2: Poverty gap at the national poverty line**



These differences are very important because it is much easier to make progress reducing national poverty when the poverty gap is lower. Therefore, countries in East and South Asia are much better placed than those in Latin America,

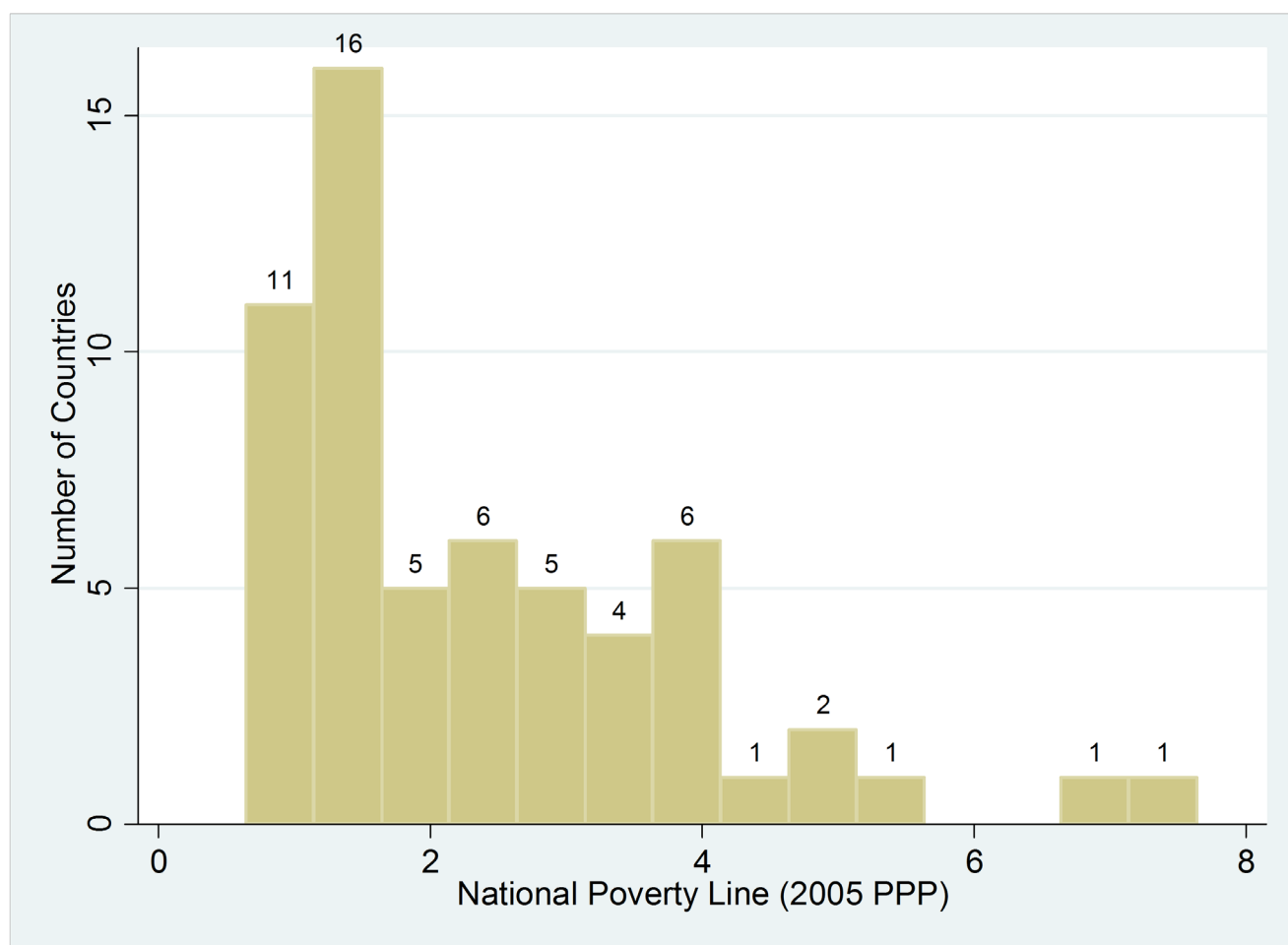
**Table 2: Regional breakdown of share of population living in national poverty**

	No. of countries	Mean	Median
Sub-Saharan Africa	22	49	47
South Asia	5	24	25
East Asia	8	18	19
Latin America and the Caribbean	10	42	43

**Table 3: Regional breakdown of poverty gap at national poverty line**

	No. of countries	Mean	Median
Sub-Saharan Africa	22	19	17
South Asia	5	5	5
East Asia	8	4	4
Latin America and the Caribbean	10	19	17

**Figure 3: Levels of national poverty lines**



the Caribbean and Sub-Saharan Africa to reduce national poverty in the lead-up to 2030.

### Levels of national poverty lines

National poverty line levels vary considerably, from under \$1 a day (2005 PPP) to over \$7 a day (2005 PPP) for these 59 developing countries (Figure 3). National poverty lines in developed countries are much higher. Ravallion (2009) estimates the lowest national poverty line for a developed country (the US) to be around \$13 a day (2005 PPP). The median national poverty line for these 59 countries is around \$1.80 a day (2005 PPP). The mean is slightly higher, at just over \$2.36 a day (2005 PPP).

In Sub-Saharan Africa and South Asia, around half of countries for which data are available have a national poverty line below \$1.25 a day (2005 PPP) (Table 4). In Latin America and the Caribbean, on the other hand, all national poverty lines are over \$2.65 a day (2005 PPP). In East Asia, six out of eight countries have national poverty lines below \$1.50 a day (2005 PPP).

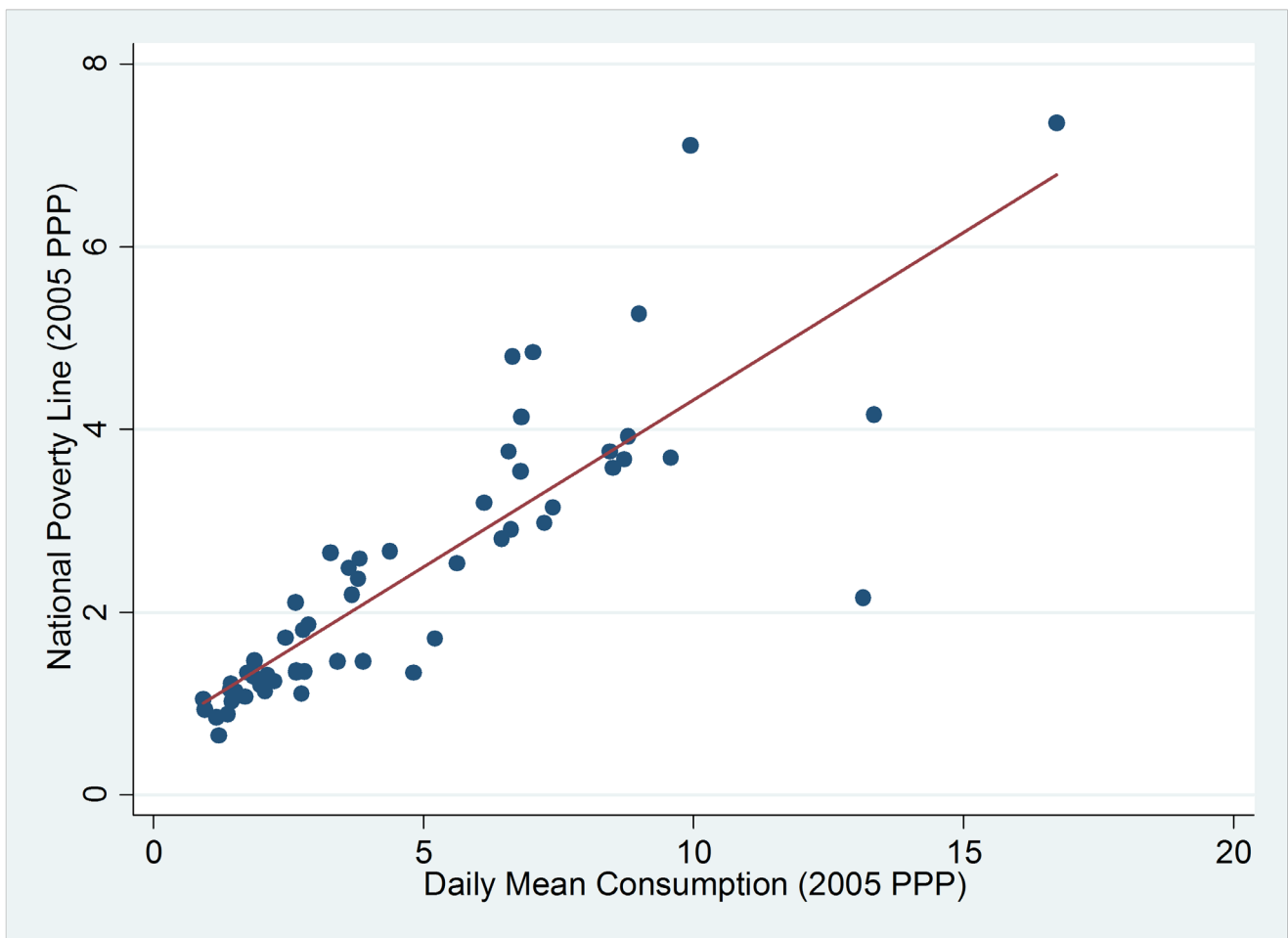
### Relationship between mean and national poverty line

There is a clear relationship between the level of the national poverty line and the mean consumption in a country. On average, countries with higher mean consumption levels have higher national poverty lines

**Table 4: Regional breakdown of level of national poverty lines**

	No. of countries	Mean	Median
Sub-Saharan Africa	22	1.43	1.26
South Asia	5	1.25	1.24
East Asia	8	1.61	1.36
Latin America and the Caribbean	10	4.22	8.84

**Figure 4: Relationship between national poverty lines and mean consumption/income**



(Figure 4). They tend to increase at around a third of the rate of mean income. The slope of the line is around 0.366 using an Ordinary Least Squares (OLS) regression (R-squared=0.72) of the national poverty line as the dependent variable and the mean as the independent variable. Ravallion (2015) highlights some reasons national poverty lines tend to rise as mean consumption increases, which include, put simply, a rising cost to achieve the same level of welfare and rising standards for what societies consider to be poor.

### High population countries

The discussion thus far has treated all countries equally – but the countries with the largest populations are worthy of greater consideration. China (1.3 bn), India (1.2 bn) and Indonesia (242 m) are the three largest developing

countries in terms of population and make up almost two thirds of the population of this subset of countries. Compared with other countries, they have quite low national poverty lines (and share of population in national poverty as well as poverty gap) (Table 5). This is especially the case in China and Indonesia. These countries would have much higher national poverty lines today, given their mean consumption, if they were consistent with the cross-country trend. The national poverty line would be almost four times higher in China, around 2.5 times higher in Indonesia and more than 50% higher in India. This would result in around two thirds of the population in these countries being defined as living in national poverty.

Through out the paper these countries are looked at more closely because they exemplify many of the issues that emerge when considering what national poverty will be in 2030.

**Table 5: Key indicators of national poverty today for high population countries**

Country	National poverty (% of population)	Poverty gap (%)	Poverty line (2005 PPP)	Poverty line (and % population in poverty) if consistent with trend (2005 PPP)
China	14	4.28	\$1.33	\$4.84 (66)
India	30	8.57	\$1.20	\$1.97 (68)
Indonesia	13	3.73	\$1.10	\$2.73 (66)

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# Methodology

The rest of this paper focuses on the feasibility of the SDG target to halve national poverty, by illustrating what levels of national poverty could exist in 2030. We consider a range of scenarios that illustrate the viability of the SDG target and the crucial role governments will play in choosing whether to change (or maintain) national poverty lines.

This paper projects national poverty to 2030 using a similar approach to existing projections of extreme poverty to 2030.<sup>13</sup> Two main assumptions are required to project poverty to 2030, which relate to:

1. what growth rate countries will experience and
2. how the growth will be distributed

Most studies use recent national account growth rates and assume growth will be equally distributed. This paper includes scenarios whereby growth is assumed to be equally distributed and scenarios whereby growth is modelled as being pro-poor.<sup>14</sup> This shows the impact of achieving SDG Target 10.1<sup>15</sup> that aims for the bottom 40% to grow faster than the mean.

A major difference between this paper and most projections of extreme poverty is that, instead of using 10- or 20-year average national account growth rates, long-term survey mean consumption growth is used. Some authors argue for the use of national account growth rates, citing the lack of availability of survey data. However, by doing so, they mix data sources that are not directly comparable – namely, national accounts data to measure growth and survey data to measure its distribution.<sup>16</sup> A few authors (e.g. Chandy et al., 2013) attempt to adjust for the observed discrepancies. However, given the large amount of survey data available, it does not seem necessary to use national accounts data in the first place, particularly for analysing poverty, which is measured through survey data alone. The approach used in this paper is not unprecedented, as a number of publications have included scenarios for extreme poverty in 2030, using mean consumption from household surveys (Edward and Sumner, 2014; World Bank, 2015). Ultimately, the use of

survey data to project national poverty to 2030 is likely to produce a more conservative estimate of possible progress than if national accounts data are used, as survey mean growth tends to be lower than national accounts growth. In addition, relying on long-term trends, as opposed to recent growth spells, produces a more conservative estimate. However, it is likely to be a more reasonable assumption given that growth rates tend to regress to the long-term mean (Pritchett and Summers, 2014).

The rest of this section describes in detail the datasets used and how the scenarios are constructed. One issue to highlight is that seven countries did not experience any improvements in mean consumption according to household surveys. For these countries past trends do not suggest any reduction in national poverty is likely as on average they have been becoming poorer.

## Consumption dataset

All consumption data used in this analysis are sourced from PovcalNET, the World Bank's publicly available database of all internationally comparable household surveys.<sup>17</sup> The data were retrieved prior to the latest update of the database. However, given that the focus of this analysis is on long-term trends, there is little reason to believe updated data will have a significant impact on its findings.

The major difference between this dataset and the most recently released data, which became available in October 2015 on PovcalNET, is that this is denominated in 2005 PPP as opposed to 2011 PPP. The 2011 PPP data were not available when national poverty lines were most recently updated. Therefore, if countries considered what their relative prices were compared with other countries when they updated their national poverty lines, then they would have had access only to 2005 PPP. As such, there is good reason to believe it is more appropriate to estimate the \$US PPP value of national poverty lines based on the information that was available at the time policy-makers released the most recent data. Using 2011 PPPs would effectively be retrofitting 2011 price levels to national poverty lines that

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13 See Footnote 3 for a list of papers that give these projections.

14 Pro-poor growth refers to when the bottom of the income distribution grows faster than the average (Duclos and Wodon, 2004).

15 By 2030, progressively achieve and sustain income growth of the bottom 40% of the population at a rate higher than the national average.

16 It is well known in the literature that national account growth rates tend to be substantially faster than survey growth rates, especially in India (see Chandy et al., 2013; Edward and Sumner (2014).

17 <http://iresearch.worldbank.org/PovcalNet/index.htm?1>

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were set well before the 2011 PPP data became available. Another reason for relying on the 2005 PPP dataset is that the World Bank has not provided a user-friendly mechanism for researchers to access disaggregated 2011 PPP data.

All countries with data in the World Bank's PovcalNET were included in this analysis as long as two surveys were available (at least 10 years apart) along with recent national poverty line data. Both the earliest and the most recent surveys were used, and no income surveys (when consumption surveys were also available) or surveys broken down across rural and urban dimensions were included, to avoid double counting. Owing to limited data availability, different time periods for different countries had to be used, with the gaps ranging from 10 to 32 years.<sup>18</sup> This is clearly an illustrative rather than an indicative exercise.

## National poverty line dataset

This paper uses the strategy adopted by Jolliffe and Prydz (2015) in a World Bank working paper to imply the national poverty lines in PPP terms by reconciling national poverty headcount ratios in each country with consumption data (hereafter 'implied national poverty line approach'). The national poverty headcount ratio was sourced from the World Bank's World Development Indicators (WDI)<sup>19</sup> and the consumption dataset used is discussed above. An exception was made in the case of China because the most recent national poverty headcount estimate on the WDI is from 1998. According to government sources, the national poverty line was updated in the past five years and, given the importance of China to the global poverty story, the national poverty line in 2005 PPP was sourced elsewhere (*The Economist*, 2011).

A number of steps were taken to ensure the dataset was as robust as possible. First, only national poverty line data were used if they were sourced during the period 2005 to 2011.<sup>20</sup> If national poverty line data had not been released in the past 10 years, it was considered not recent enough to be confident the data would still be relevant.

Second, to test the validity of the implied national poverty line approach, its results were compared with an older set of national poverty lines that were collated from a range of sources (Ravallion et al., 2009). Both datasets comprised a similar set of countries. For the vast majority of countries, the national poverty lines were very similar. However, in eight countries, the difference was quite significant.<sup>21</sup> For example, according to Ravallion et al., Brazil had a national poverty line around \$6 (2005 PPP) a day in 2002/03, whereas the implied national poverty line

approach suggested a national poverty line just above \$2 (2005 PPP) a day. This can be explained partly by the fact that Ravallion et al. used (higher) urban 2005 PPPs for a number of countries to estimate national poverty lines. Because of these significant differences between the implied national poverty line approach and the Ravallion et al. set of national poverty lines, these eight countries were dropped.

## Combined dataset

Reconciling the national poverty line dataset and the consumption dataset provided data on national poverty headcounts for 59 countries, which is similar to but slightly less than Jolliffe and Prydz (2015), Klasen et al. (2015) and Ravallion (2015), as well as Ravallion et al. (2009). The main reason for the difference relates to concerns regarding the reliability of data for a number of countries owing to differences between the implied national poverty approach and those included in Ravallion et al. (2009). Another reason is only recent national poverty data were used, as relying on national poverty data from prior to 2005 was deemed less relevant for the SDGs, which begin in 2016.

The total population of the 59 countries in the dataset is around 4.5 billion, which represents around 80% of the developing world population in 2010. The only very populous country not included is Brazil: as discussed above, there are challenges with using its national poverty line. Given that the dataset, for various reasons, does not capture all countries, the analysis is not aggregated up to a global or regional perspective. As such, the findings are only at the country level. Therefore, when differences are highlighted between regions, this is based on the countries with recent, reliable data available. As such, these trends may not be representative of all countries in the region.

## Constant vs. rising national poverty lines scenarios

These scenarios differ based on an assumption of how the national poverty line is likely to change over time. In a number of scenarios, the poverty line is assumed to be constant in 2005 PPP. In other words, whatever the most recent national poverty line is, it will be the same in 2030. This is clearly a lower bound estimate, in light of evidence suggesting that, as countries grow, they will raise their national poverty line, albeit at a slower pace. For example, Ravallion (2012) uses government data sources to show that both China and India have increased their national poverty lines at a slower pace than that of their average consumption.

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18 Equally, because the data are patchy, distinct sub-periods within the 30-year period were not analysed.

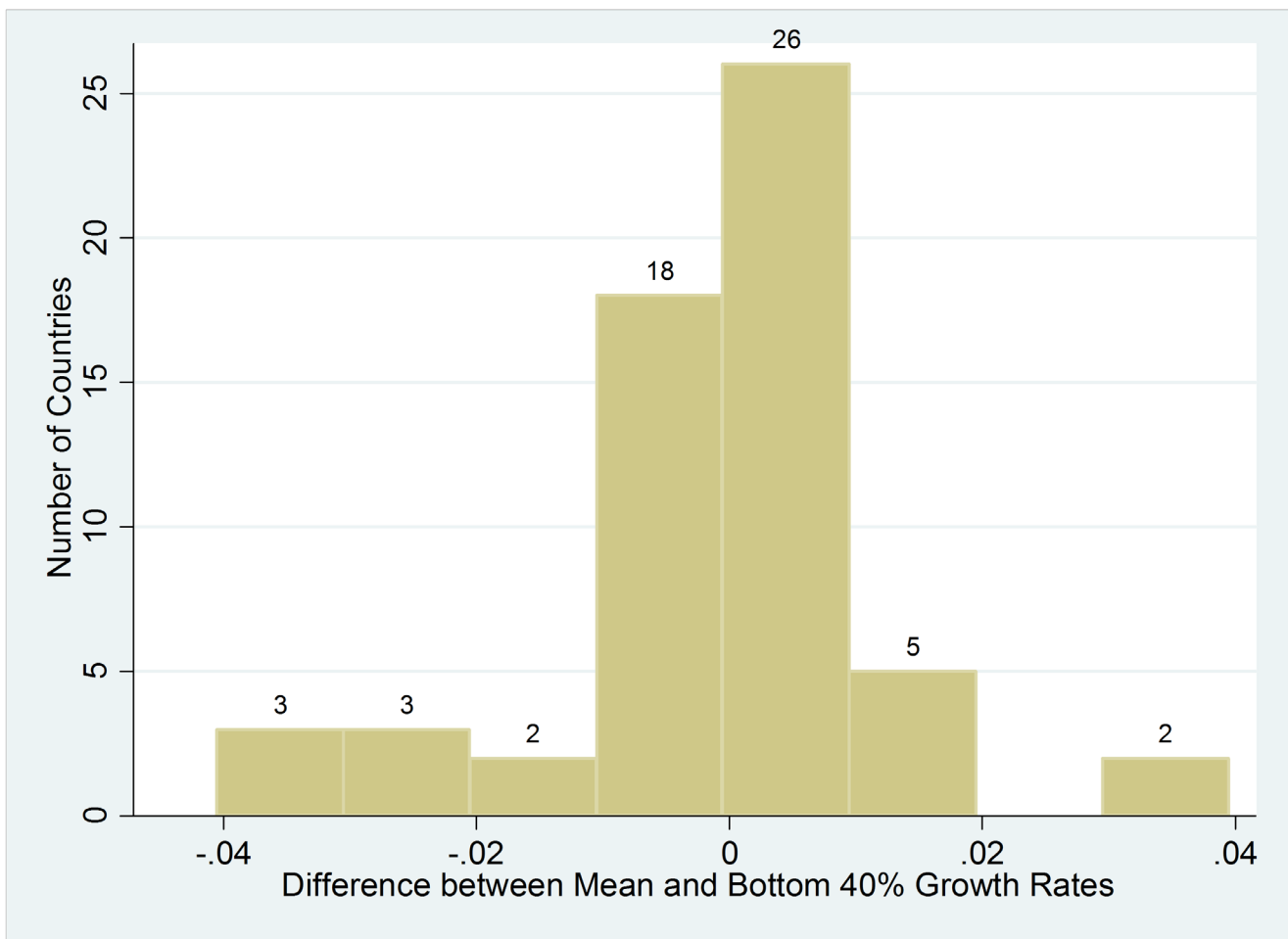
19 <http://data.worldbank.org/data-catalog/world-development-indicators>

20 The most recent year in this time period was selected.

21 These countries are: Brazil, Colombia, Georgia, Paraguay, Tunisia, Turkey, Uganda and Ukraine.



**Figure 5: Difference between mean and bottom 40% growth rates**



The second set of scenarios use ‘rising’ national poverty lines in 2030, assuming national poverty lines will rise consistent with the cross-country average. In other words, they assume that, on average, countries will follow the cross-country pattern, whereby national poverty lines increase at roughly one third the rate of mean consumption (see Figure 4 above). This approximation illustrates how richer countries on average tend to have higher poverty lines, but national poverty lines tend to increase at a much slower rate than mean consumption.

### Long-term, pro-poor and high growth scenarios

The difference between these scenarios depends on an assumption regarding the rate of growth and which parts of the income distribution will gain from growth. Three scenarios are considered. One assumes growth will continue in line with long-term trends and be constant across the distribution (hereafter the ‘long-term trends’ scenario). The second scenario is based on the bottom 40% growing faster than the mean, with the overall growth rate remaining constant (hereafter the ‘pro-poor growth’ scenario). The final scenario assumes growth will be 4%

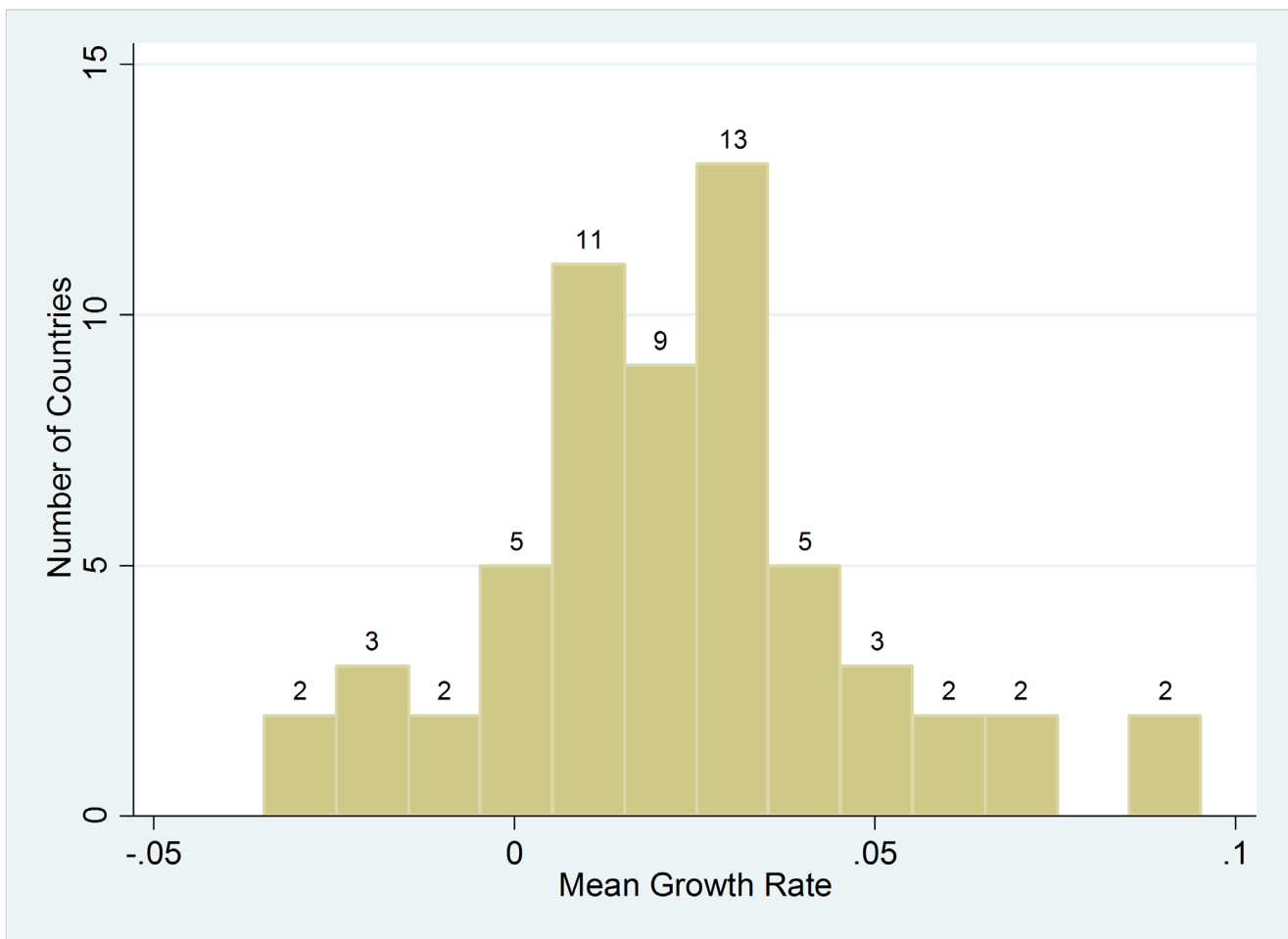
per person per year for all countries to 2030 (hereafter the ‘high growth’ scenario).

The first two scenarios are identical to those in Lakner et al. (2014) and Hoy and Samman (2015), who model the impact of changes in pro-poor growth on extreme poverty using various growth incidence curves. A number of assumptions are made to assist in operationalising their modelling, which their papers discuss in detail. An important assumption is that the total growth rate will stay the same when altering the growth rates in different sections of the distribution (e.g. for the bottom 40%). A point of departure from their approach is that this paper focuses on changes in national poverty as opposed to extreme poverty.

Past trends show that, on average, there is effectively no difference between the growth rate of the bottom 40% relative to the mean (Figure 5). This provides a good rationale for the scenarios that assume growth will be constant across the distribution (both the long-term trends and high growth scenarios).

The vast majority of countries experienced rates of growth of the bottom 40% that were within 2 percentage points of the mean. Only around 10% of countries experienced growth of the bottom 40% of more than

**Figure 6: Average long-term consumption per capita growth rates**



2 percentage points faster than the mean. The pro-poor growth scenario assumes the bottom 40% will grow 2 percentage points faster than the mean. As such, the pro-poor growth scenario presented below represents an upper bound of what is likely to be feasible in the future.

The final scenario is identical to that presented in Ravallion (2013), which projects what extreme poverty will be in 2030 if high growth, around 4% per person per year, occurs in every country. This is also in line with SDG Target 8.1, which aims for LDCs to grow at 7% per year, which is roughly equivalent to 4% in per person terms.

Past trends show this scenario is towards the upper limit of past experience (Figure 6). Almost as many countries experienced negative long-term growth rates as those that grew faster than 4% per person per year.

Growth incidence curves<sup>22</sup> were applied to the most recent survey year to project forward what the

consumption level of each percentile would be in 2030 if it had grown at a certain rate (Figure 7).

The higher growth for the bottom 40% requires the rest of the distribution (top 60%) to experience a lower growth rate as the overall growth rate is assumed to remain constant<sup>23</sup> (Figure 8).

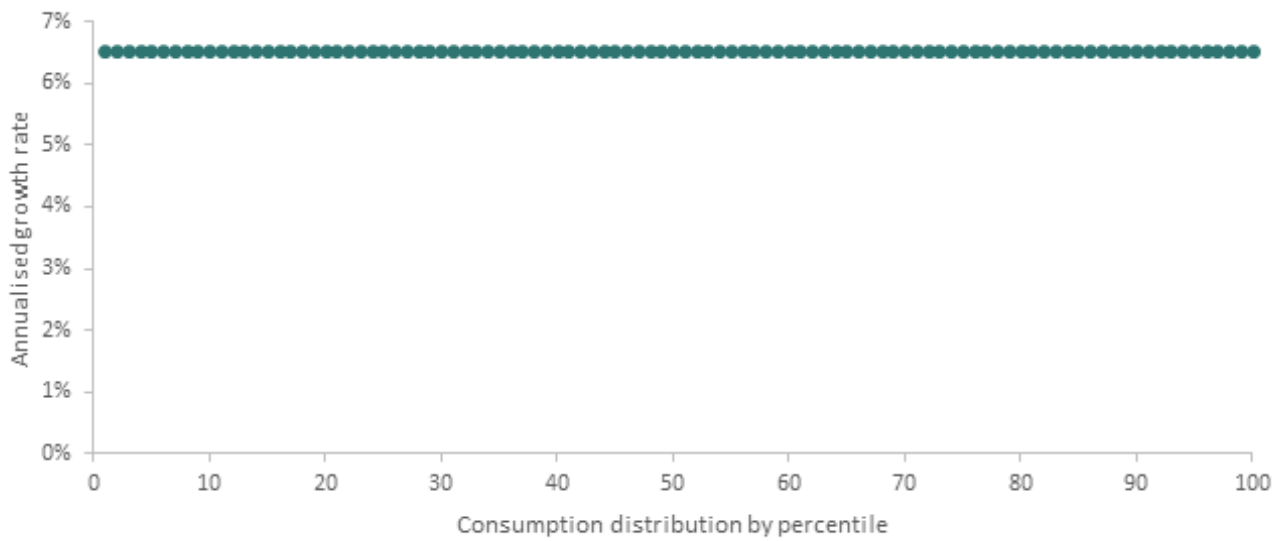
A final adjustment was made in which the percentiles were re-ranked in 2030, as the rapid (slow) growth for the bottom 40% (top 60%) slightly changed the ordering of percentiles. Lakner et al. (2014) made a similar adjustment.

A final scenario was considered but this paper does not present its findings. This very optimistic scenario examined what national poverty would be in 2030 if a high rate of growth prevailed and it was pro-poor. Given that, under the high growth alone scenario, effectively all countries meet the target, there is little value in including the findings under this additional scenario.

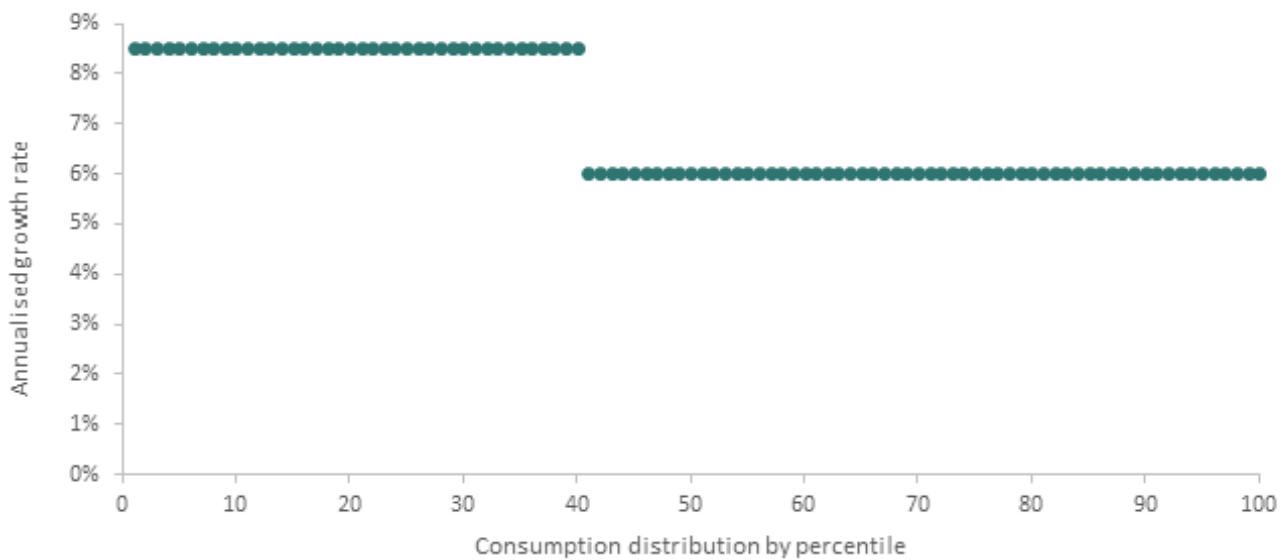
22 Growth incidence curves give 'the rate of growth over the relevant time period at each percentile of the distribution (ranked by income or consumption per person)' (see Ravallion, 2004).

23 If growth were redistributed solely from the top 10% to the bottom 40%, this would result in even faster rates of poverty reduction. This is because the national poverty rate in many countries is above 40% (but below 90%).

**Figure 7: Long-term trends and high growth scenarios**



**Figure 8: Pro-poor growth scenarios**



## Population estimates

Population estimates referred to throughout the paper are sourced from the UN Population Department and the projections refer to the medium variant scenario.<sup>25</sup>

<sup>25</sup> <http://esa.un.org/unpd/wpp/>

# Scenarios for 2030

This section outlines the findings of the scenarios described in detail above. Table 1 above illustrated how the scenarios are combined.

The seven countries that have experienced a reduction in mean consumption are excluded from the discussion below. These countries are Bulgaria, Côte d'Ivoire, Kazakhstan, Kenya, Kyrgyz Republic, Romania and Zambia. In these countries, past trends suggest the share of the population living in national poverty will not improve in the future.

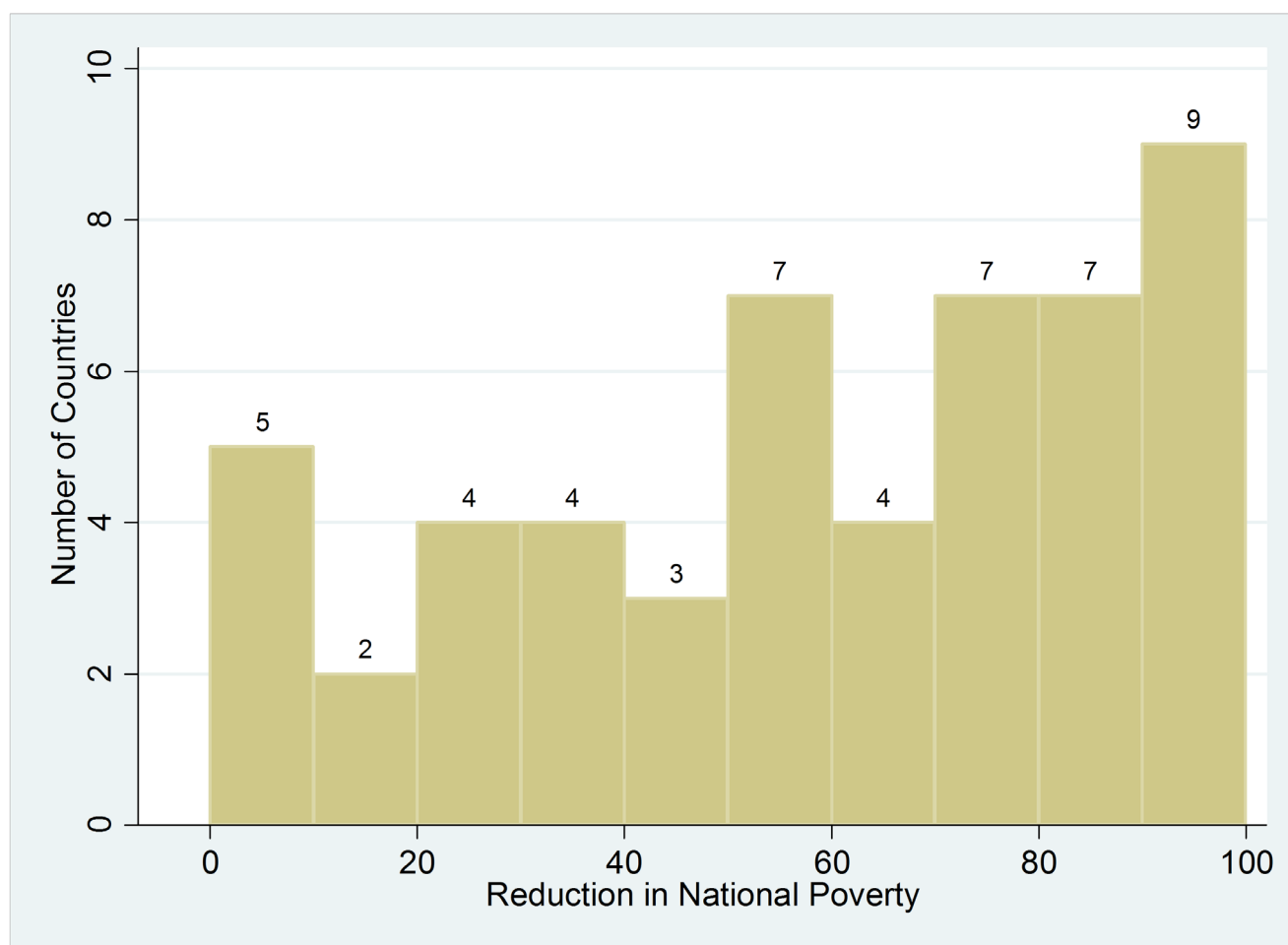
## Long-term trends and constant poverty lines scenario

Almost two thirds of countries will reach the goal to halve national poverty by 2030 if this scenario prevails (Figure 9). The mean reduction in national poverty is 58% (median 61%).

There is a considerable degree of variation between regions. All countries in East Asia and 80% of countries in South Asia will reach the SDG target under this scenario. Just over half of countries in Sub-Saharan Africa will reduce national poverty by more than 50%. However, only 30% of countries in Latin America and the Caribbean will halve national poverty under this scenario.

China and Indonesia would virtually eliminate national poverty under this scenario to less than 1% of their

Figure 9: Long-term trends and constant poverty lines scenario



population. In India, there would be a 60% reduction in national poverty.

### Long-term trends and rising poverty lines scenario

Less than half of countries would reach the target to halve national poverty under this scenario. The mean reduction in the share of the population living in national poverty is 45% (median 42%).

There is significant variation across regions. While almost all countries in East Asia would reach the target of halving national poverty, this is the exception. Only 20% of countries in Latin America and the Caribbean would reach the target and around a third of countries in Sub-Saharan Africa. Three fifths in South Asia would reduce national poverty by more than 50%.

China and Indonesia easily meet the target under this scenario (they both experience an around 85% reduction), but India falls short, with national poverty falling by 40%.

### Pro-poor growth and constant poverty lines scenario

Almost 90% of countries would more than halve national poverty under this scenario. The mean reduction in national poverty is 79% (median 87%).

There is substantial consistency across regions, as most countries are able to halve national poverty under this scenario. However, even under these extremely favourable circumstances, a number of countries in Sub-Saharan Africa and Latin America and the Caribbean will not reach this target. These countries are Bolivia, Burundi, Madagascar, Nigeria, Panama and Rwanda.

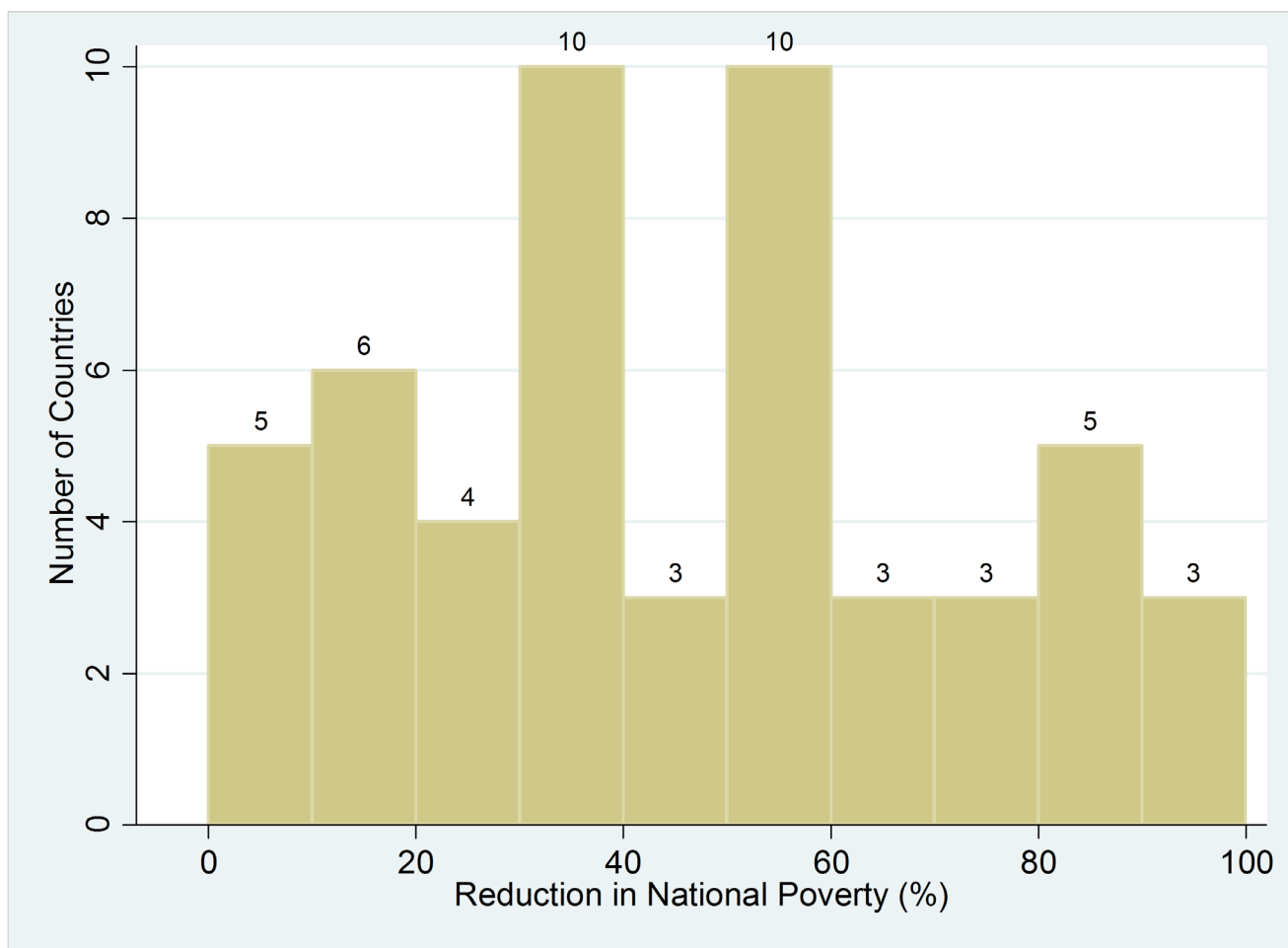
National poverty would virtually be eliminated in China and Indonesia under this scenario to less than 1% of their population and there would be a 90% reduction in India.

### Pro-poor growth and rising poverty lines scenario

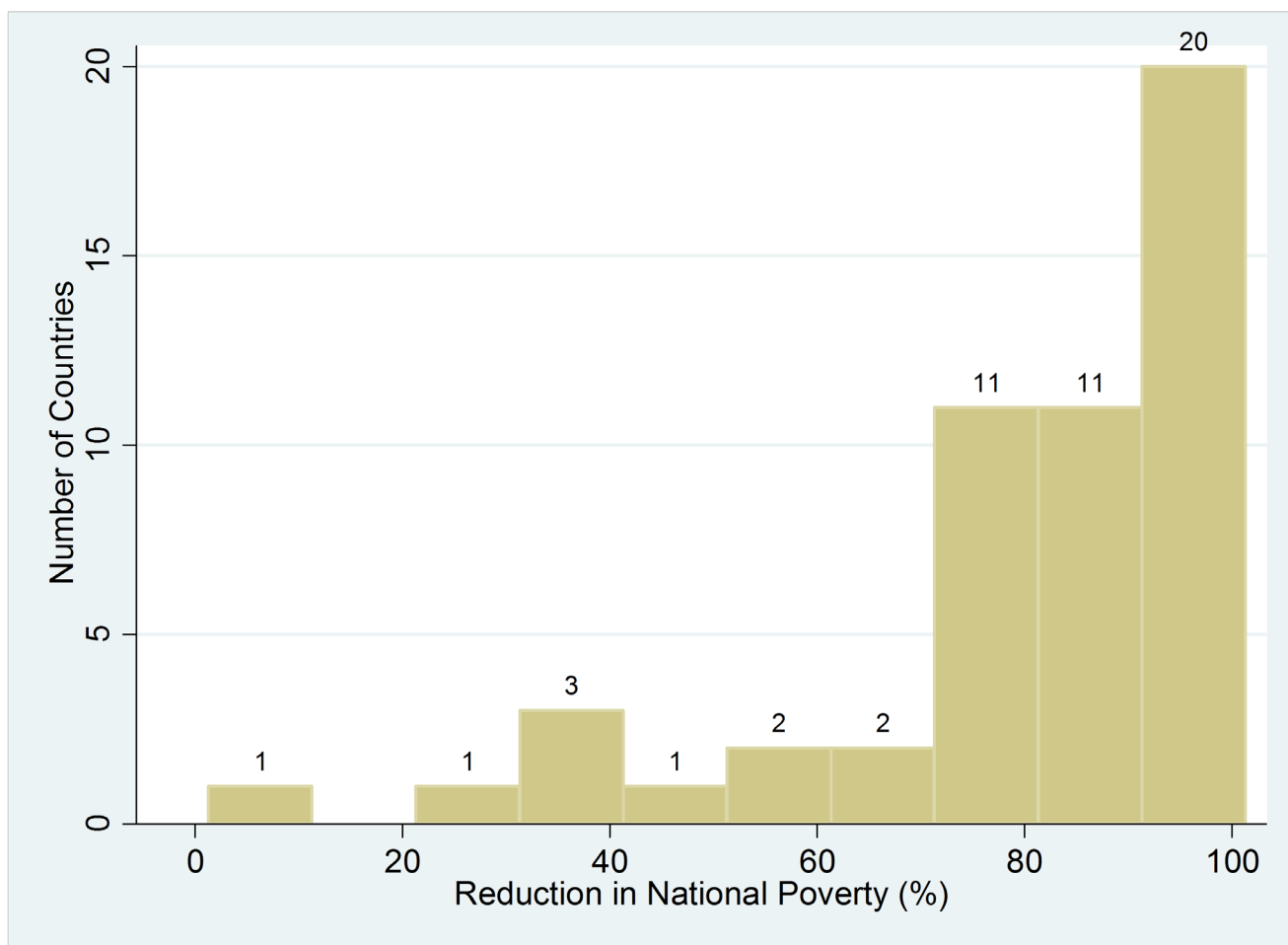
Around 85% of countries would halve national poverty under this scenario. The mean reduction is 73% (median 78%).

There is some variation across regions. All countries in East and South Asia would more than halve national

Figure 10: Long-term trends and rising poverty lines scenario



**Figure 11: Pro-poor growth and constant poverty lines scenario**



poverty. Around 75% and 70% of countries would halve national poverty in Sub-Saharan Africa and Latin America and the Caribbean, respectively.

Indonesia would have virtually eliminated national poverty by reducing it to less than 1% of the population. In China, national poverty would fall by over 90% to a national poverty below 2% of its population. In India, national poverty would fall by almost 90%.

### High growth and constant poverty lines scenario

Effectively all countries would halve national poverty under this scenario. The only country that does not halve national poverty is Honduras. However, even in this case, national poverty is still set to fall by 46%. The mean reduction is 80% (median 85%) (Figure 13, p.24).

Indonesia would virtually eliminate national poverty, reducing it to less than 1% of the population. In China, national poverty would fall by over 90% to a national poverty rate below 2% of its population. China does not make as much progress in this scenario compared with under the long-term and pro-poor growth scenarios because a 4% growth rate is lower than its long-term

trend. In India, national poverty would fall to less than 2% of the population.

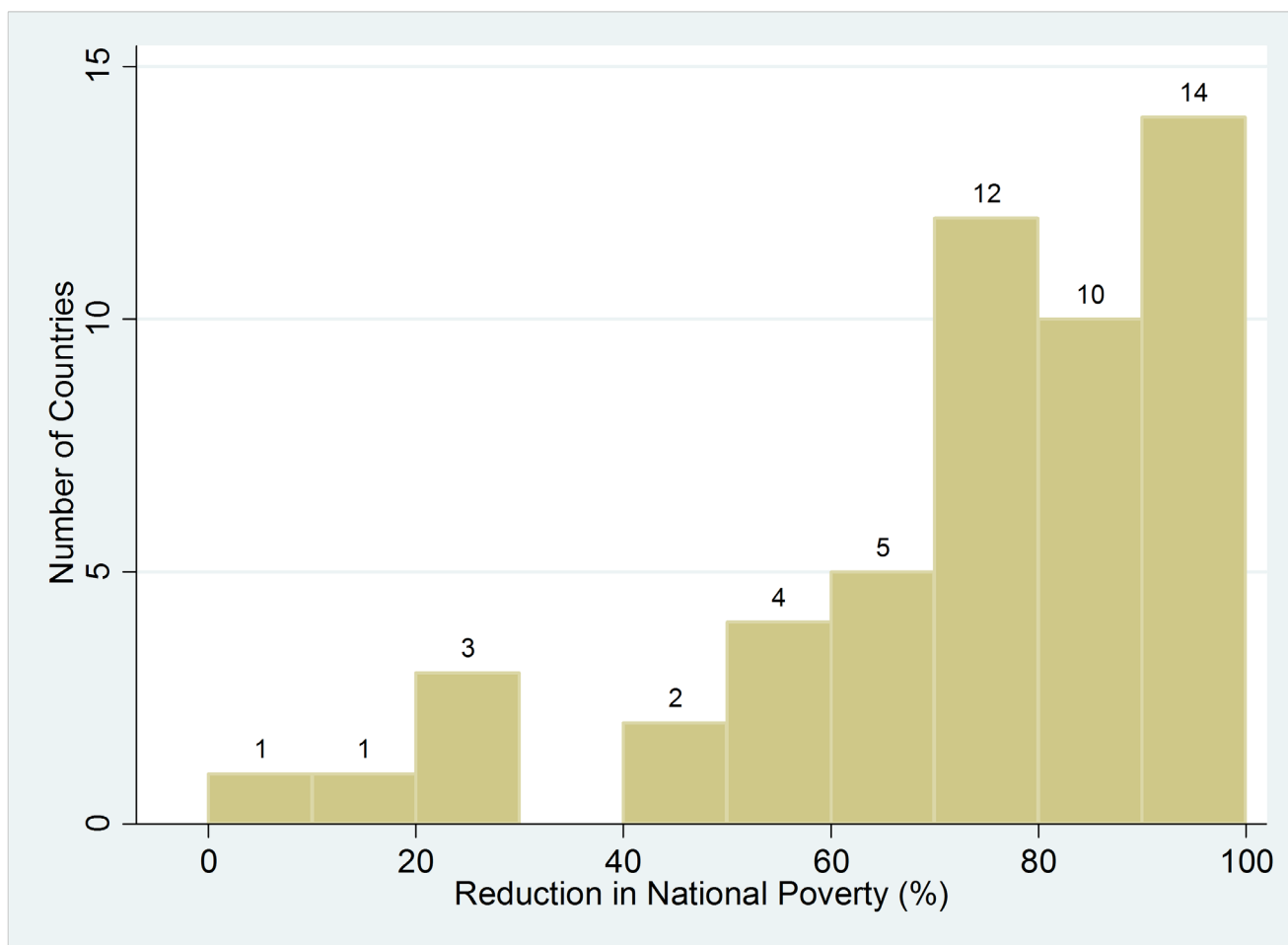
### High growth and rising poverty lines scenario

Around 75% of countries would halve national poverty under this scenario. The mean reduction is 64% (median 65%) (Figure 14, p.25).

There is some variation across regions. All countries in East Asia and South Asia would more than halve national poverty. The results for Sub-Saharan Africa are around three fifths of countries and for Latin America and the Caribbean is around 30%.

Indonesia would virtually eliminate national poverty, reducing it to less than 1% of the population. In China, national poverty would fall by less than 75%. China does not make as much progress in this scenario compared with the others because a 4% growth rate is lower than its long-term trend and the poverty line rises consistent with the cross-country trend. In India, national poverty would fall to less than 2% of the population.

**Figure 12: Pro-poor growth and rising poverty lines scenario**



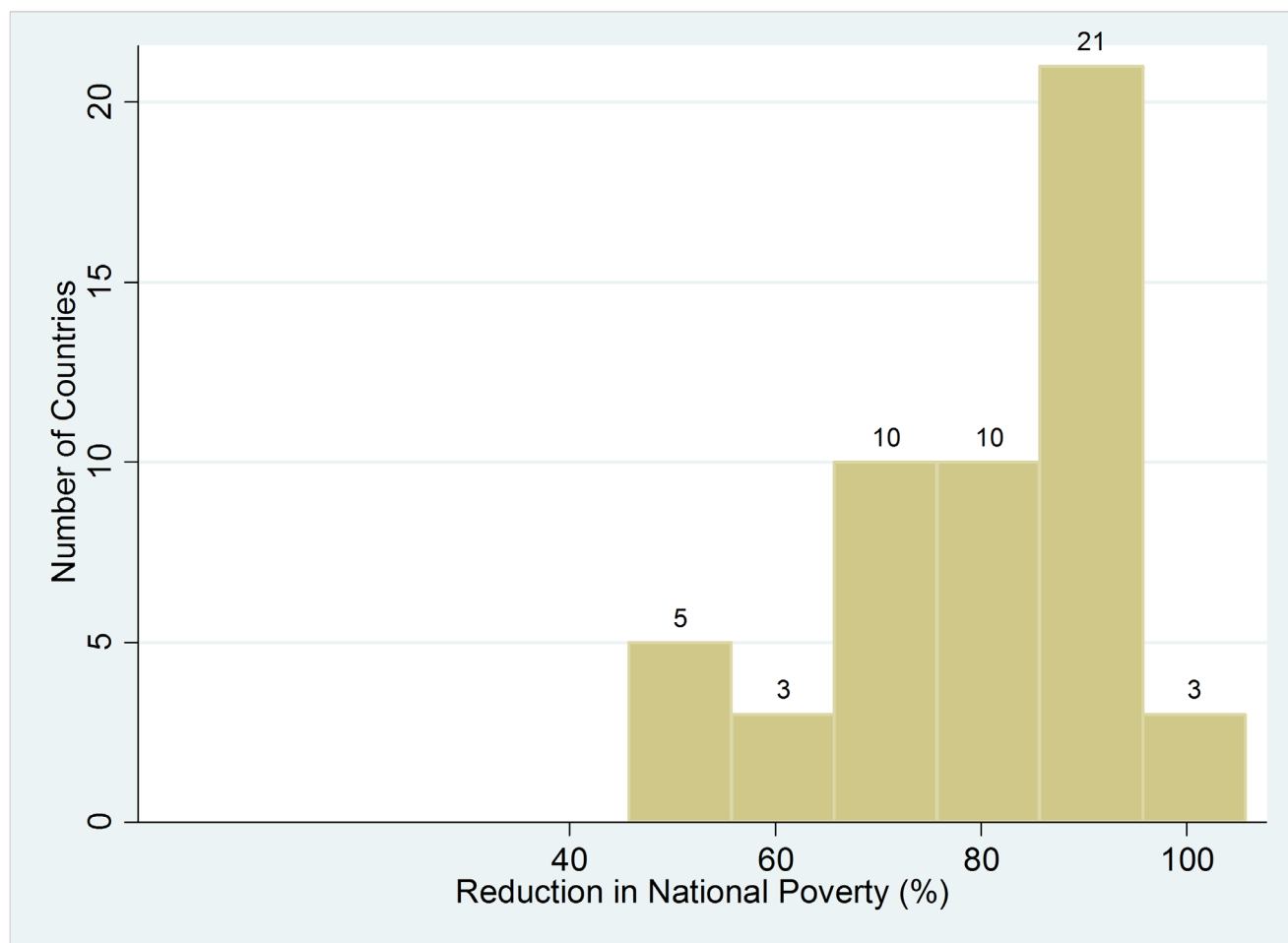
## Summary

Collectively, these scenarios show the only way all countries with recent, reliable data available will effectively meet the SDG target is if high growth prevails and national poverty lines remain constant (Table 6, p24). *However, if national poverty lines rise, pro-poor growth will lead to a higher proportion of people escaping national poverty than in the high growth scenario.* Countries are set to make the least progress if national poverty lines rise consistent with the cross-country trend and long-term growth rates continue. Almost all East Asian and most South Asian countries are set to meet the target regardless of the scenario, whereas much slower progress is projected

in countries in Sub-Saharan Africa and especially in Latin America and the Caribbean.

National poverty is set to reduce dramatically in China, India and Indonesia, which have the three largest populations for developing countries (Table 7, p25). Under most scenarios, national poverty will be eliminated in Indonesia even if the poverty line rises consistent with the cross-country trend. If the poverty line remains constant in China, national poverty is on track to be virtually eliminated if the long-term growth rate continues. However, if the poverty line rises, at least twice as many people will be in national poverty. In India, pro-poor growth will reduce national poverty from 18% to 4% of the population by 2030, even with a rising national poverty line.

**Figure 13: High growth and constant poverty lines scenario**

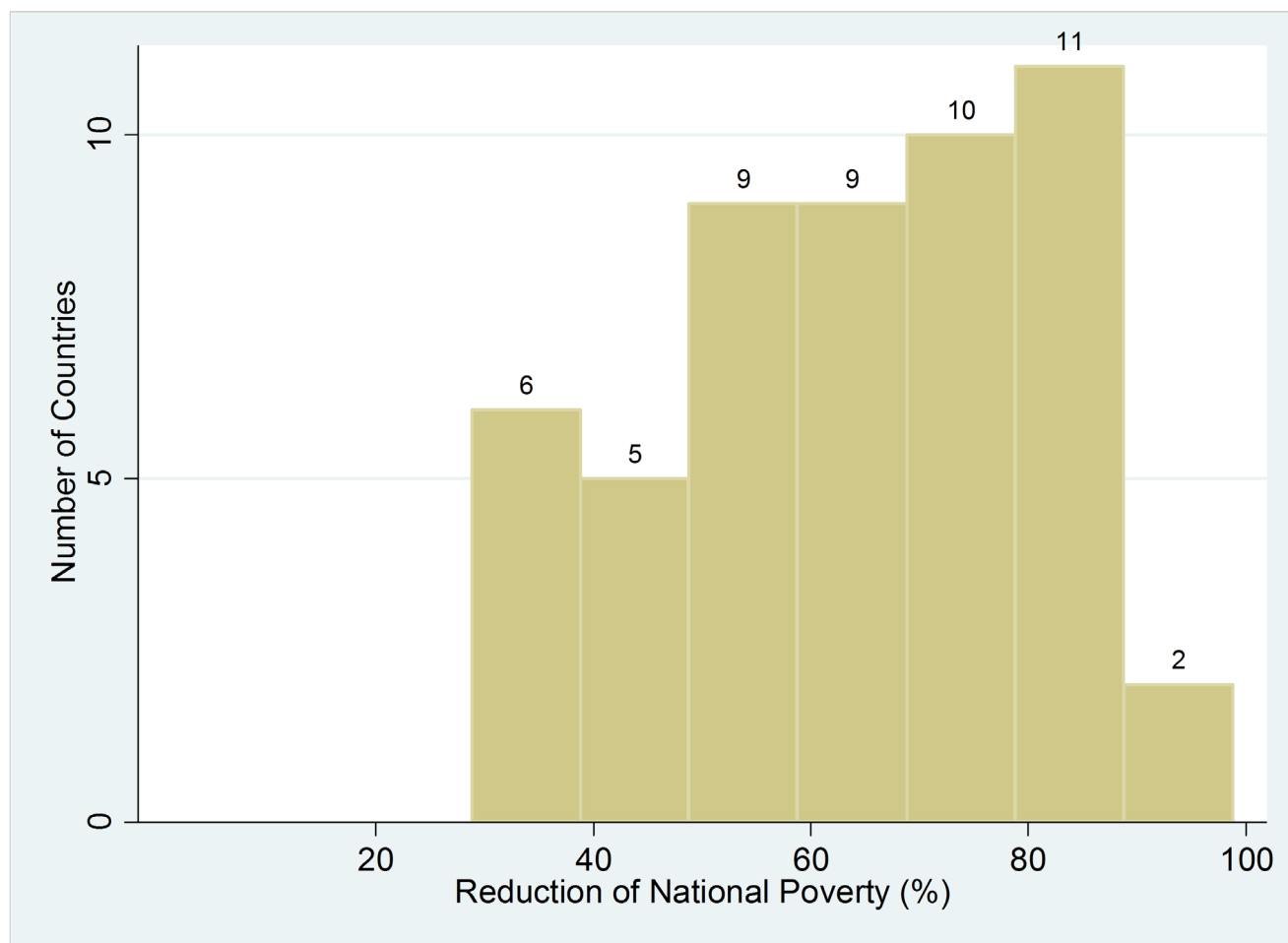


**Table 6: Summary of scenarios for all countries**

National poverty line	Long-term		Pro-poor		High	
	Constant	Rising	Constant	Rising	Constant	Rising
Countries that meet SDG target (%)	63%	46%	88%	85%	98%	73%
Mean reduction in national poverty	58%	45%	79%	73%	80%	64%
Median reduction in national poverty	61%	42%	87%	78%	85%	65%



**Figure 14: High growth and rising poverty lines scenario**



**Table 7: Summary of scenarios for high-population countries**

National poverty line	Long-term		Pro-poor		High	
	Constant	Rising	Constant	Rising	Constant	Rising
China – national poverty (% pop) 2030	<1	2	<1	<1	2	4
India – national poverty (% pop) 2030	12	18	3	4	2	5
Indonesia – national poverty (% pop) 2030	<1	2	<1	<1	<1	<1

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# Implications for policy

## Global policy implications

These scenarios have two main policy implications for setting targets at the global level, relating to starting points and incentives created for governments.

### Starting points matter

*Countries are on a very uneven playing field trying to achieve this target.* The likelihood of a country halving national poverty by 2030 is strongly related to its level and depth of national poverty today. In other words, countries' starting points are very important. Takeuchi and Samman (2015) draw a similar conclusion with regard to the MDGs. It is much easier to make progress reducing national poverty when the poverty line, share of the population in poverty and poverty gap are relatively low. Countries in East and South Asia generally have very low national poverty lines compared with those in Latin America and the Caribbean. Furthermore, the average poverty gap in Asian countries is roughly half that of countries in Sub-Saharan Africa and less than a quarter of that in Latin America and the Caribbean. These differences play a key role in explaining why countries in some regions are set to perform better than those in others. The projections for China and Indonesia (and India to a lesser extent) show national poverty could be eliminated by 2030, which sounds more impressive than it is. These countries have very favourable starting positions, with extremely low poverty gaps and national poverty lines, which makes the continuation of long-term trends adequate to make incredible progress.

### Creating perverse incentives

*Governments have no incentive to raise national poverty lines overtime.* SDG Target 1.2 inadvertently creates a perverse incentive for governments by shining a spotlight on national poverty. The best way for governments to achieve SDG Target 1.2 is by 'locking in' their current national poverty line rather than raising it as mean consumption increases. If countries raise their national poverty line in line with the cross-country trend (i.e. by one third of mean income), almost 20% fewer countries will meet the target in 2030 compared with if national poverty lines are kept at their current levels. As such, there appears to be little incentive for governments to raise the bar in terms of how they define national poverty. This is a big challenge in countries like China, where national poverty will effectively be eliminated by 2030 only if the

government keeps the poverty line constant. If it lets it rise consistent with the cross-country trend, twice as many people will be in national poverty.

This issue is not unique to the SDG target, as governments already have limited incentive to raise national poverty lines, as this 'creates' more poverty. Take Indonesia, for example: the national poverty line is around \$1.10 a day (2005 PPP) (one of the lowest in the world), despite the fact the country will likely gain upper-middle-income status in the next few years. If the national poverty line were consistent with the cross-country trend, it would be almost three times higher. A similar story exists for China, where, if the national poverty line were consistent with the cross-country trend, it would be almost four times higher. In both these countries, this would mean around five times as many people living below the national poverty line today.

## National policy implications

This analysis highlights at least two important national policy implications, which relate to the distribution of growth and the need to ensure all countries experience high growth rates.

### Who gains from growth really matters

*Pro-poor growth provides the most efficient way to meet this target.* An important implication of the scenarios shown above is that, assuming countries raise their national poverty lines as they grow, pro-poor growth is more beneficial than high growth in terms of reducing national poverty. This reaffirms the interrelationship between SDG Target 1.2 on halving national poverty and SDG Target 10.1 that aims for the bottom 40% to grow faster than the average. Pro-poor growth dramatically speeds up the rate of poverty reduction. If national poverty lines rise, twice as many countries will meet the target under the pro-poor growth scenario compared with under the long-term trends scenario. In the case of India, pro-poor growth would reduce national poverty to 4% of its population compared with under long-term trends, which would leave 18% of its population in poverty. Lakner et al. (2014) make a similar point: the global extreme poverty headcount could be around 3 percentage points lower if this degree of pro-poor growth prevailed as opposed to equal growth across the distribution.

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## Ensure all countries experience very high rates of growth

*Prolonged periods of strong growth are essential to be able to reduce national poverty.* The only way the SDG target can be met is if all countries experience very high rates of growth and the poverty line is held constant. The high growth scenario shows that around 30% of countries will meet the target compared with if long-term trends continue under either the constant or the rising poverty line.

This scenario is very unrealistic, even though this it is consistent with Ravallion (2013) and SDG Target 8.1,

especially when considering that past trends for some countries show no promise of any progress being made against this SDG target. In this subset of 59 countries, 7 fall into this category. Collectively, these countries (Bulgaria, Côte d'Ivoire, Kazakhstan, Kenya, Kyrgyz Republic, Romania and Zambia) are set to have almost 70 million people living below their national poverty lines in 2030 if their current national poverty headcounts remain the same (which itself would imply improvement).

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# Conclusion

Unlike other SDG targets, this one is directly influenced by where governments set the poverty line. Our analysis has shown that this is not the only determining factor, but there is a risk that this target will create a perverse incentive for countries to fix their poverty lines at current levels rather than increasing them as incomes rise. It is not this target alone that creates this incentive – national political dynamics would also suggest that revising the poverty line upward is a politically risky thing to do, and evidence on how poverty lines tend to move bears this out.

Whatever the political choices made about poverty lines, this paper has shown that most countries can achieve the

SDG target to halve national poverty if either pro-poor or high growth rates prevail. Conversely, the continuation of long-term trends will lead to more than 50% of countries failing to reach the target. However, as with other SDG targets, these findings owe largely to countries having different starting points. The target is far more ambitious in countries in Sub-Saharan Africa and Latin America and the Caribbean, where the level and depth of national poverty are far greater than they are in East and South Asia.

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# Annex

Country	Recent survey	National poverty 'today' (%)	National poverty in 2030 (%)					
			Long-term		Pro-poor growth		High growth	
			Constant	Rising	Constant	Rising	Constant	Rising
Albania	2008	12	5	7	2	2	2	2
Armenia	2010	36	34	35	10	10	3	8
Azerbaijan	2008	13	1	2	1	1	2	2
Bangladesh	2010	32	17	22	2	4	1	5
Belarus	2011	7	2	3	1	2	1	2
Bolivia	2008	57	44	48	34	44	26	37
Bulgaria	2007	21	81	59	89	55	2	6
Burkina Faso	2009	47	18	27	5	10	8	19
Burundi	2006	67	55	60	43	52	3	24
Cambodia	2009	24	3	7	1	1	1	3
Cameroon	2007	40	7	17	1	2	2	13
CAR	2008	62	30	41	16	27	27	39
China	2009	14	1	2	1	1	2	4
Costa Rica	2009	21	5	9	4	5	6	9
Côte d'Ivoire	2008	43	68	59	72	58	10	19
Ecuador	2010	33	22	26	11	14	10	16
Egypt	2008	22	14	17	3	3	2	3
El Salvador	2009	38	30	33	17	19	13	19
Ethiopia	2011	30	15	20	4	7	3	10
Ghana	2006	32	9	15	3	6	6	12
Guatemala	2006	51	8	18	3	9	18	28
Guinea	2007	53	1	5	1	1	12	24
Honduras	2009	59	30	40	20	29	32	42
India	2010	30	12	18	3	4	2	5
Indonesia	2010	13	1	2	1	1	1	1
Jordan	2010	14	14	14	3	3	1	2
Kazakhstan	2009	8	40	26	22	6	1	2
Kenya	2005	46	63	57	64	51	9	20
Kyrgyz Republic	2011	37	67	56	73	54	6	13
Lao PDR	2008	28	6	12	2	2	2	5
Macedonia	2010	27	12	17	4	8	6	12
Madagascar	2010	75	71	73	74	75	35	51
Malawi	2010	51	10	22	3	9	15	26
Malaysia	2009	4	1	1	1	1	1	1
Mali	2010	44	5	15	1	3	6	16
Mauritania	2008	42	26	31	10	14	8	17
Mexico	2010	51	25	34	12	19	17	28
Moldova	2010	22	2	3	1	1	2	5
Morocco	2007	9	3	4	1	2	1	2

(continued)

Country	Recent survey	National poverty 'today' (%)	National poverty in 2030 (%)					
			Long-term		Pro-poor growth		High growth	
			Constant	Rising	Constant	Rising	Constant	Rising
Mozambique	2008	55	19	30	8	15	16	27
Nepal	2010	25	2	7	1	2	2	4
Nicaragua	2005	48	35	40	13	19	6	18
Niger	2008	49	13	24	2	6	4	15
Nigeria	2011	46	46	46	36	37	14	24
Pakistan	2008	22	2	4	1	1	1	2
Panama	2010	30	25	27	16	17	12	17
Peru	2010	31	16	21	8	12	10	16
Philippines	2009	26	11	16	1	2	1	5
Romania	2011	23	55	43	51	30	3	6
Rwanda	2011	45	42	43	30	32	10	21
Senegal	2011	47	23	31	11	16	14	24
South Africa	2009	54	36	43	21	31	25	36
Sri Lanka	2010	9	2	4	1	1	1	2
Swaziland	2010	63	12	29	3	16	31	43
Tajikistan	2009	47	1	2	1	1	6	16
Tanzania	2007	28	21	23	6	7	3	7
Thailand	2010	17	3	6	1	2	2	4
Vietnam	2008	21	1	2	1	1	2	4
Zambia	2010	61	72	68	73	69	29	41



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