

Executive Summary

Recognizing the centrality of addressing poverty in all its manifestations, Sustainable Development Goal (SDG) 1 of the 2030 Agenda for Sustainable Development sets out to *end poverty in all its forms everywhere*. Its Target 1.2 aims to reduce, at least by half, the proportion of men, women and children of all ages living in poverty in all its dimensions by 2030. Target 1.3 of the same goal calls for nationally appropriate social protection systems and measures for all, including floors, and substantial coverage of the poor and the vulnerable.

This publication argues that to reduce poverty in Asia and the Pacific, countries need to step up their investment in people, in particular on social protection, education and health care. To be effective, existing social development policies need to reach the furthest behind. This requires policymakers to identify the country-specific population groups that are disproportionately poor and deprived as well as the specific barriers that hinder their escape from poverty.

MESSAGE 1

Despite the region's progress, poverty remains a key challenge

Between 1990 and 2015, socioeconomic achievements moved more than 80 per cent of the region's extreme poor out of poverty. China and India drove this trend, with China also significantly reducing the proportion of its population living in extreme poverty. In most Asia-Pacific countries, the poor are also marginally better off, as measured by improvements of the poverty gaps. For example, in Myanmar, the gap decreased from 76 to 11 per cent of the \$3.20 poverty line, whereas in Bhutan, it fell from 49 to 0.5 per cent.

Despite these tremendous improvements, 1.2 billion people in the Asia-Pacific region still live on less than \$3.20 a day. Out of 1.2 billion, 400 million are estimated to live in extreme poverty, below the threshold of \$1.90 a day. Of these, almost two thirds live in South Asia, particularly in India. However, smaller countries, such as Papua New Guinea, the Solomon Islands and Timor-Leste continue to have the highest poverty rates and the highest poverty gaps. Throughout the region, poverty is also much higher in rural than in urban areas.

MESSAGE 2

Lacking access to basic services undermines human development

Limited access to fundamental needs, such as basic drinking water, basic sanitation, electricity, clean cooking fuels, a bank account and education undermine human development. This non-monetary form of poverty cuts across generations by impeding their equal participation in society, their ability to feed a family and to live a long, healthy and happy life with dignity.

One and a half billion people, most of whom live in the region's rural areas, lack improved sanitation and less than four in ten have access to affordable health care. About one billion people also work in hazardous and low-paid jobs with insecure employment contracts and little, if any, social protection, with women holding the greater proportion of such jobs. In Afghanistan, Cambodia, Lao People's Democratic Republic and Myanmar, more than eight out of ten households are deprived of several of these basic opportunities.

MESSAGE 3

Underinvestment in people impedes poverty reduction

No country analysed in this report meets the world averages of social spending on social protection, education and health care. Most countries in the Asia-Pacific region spend, on average, less than one-third of the global average of 11.2 per cent of GDP on social protection. Expenditures on education and health care are closer to, but still below, the global averages. Overall, the region needs additional investments of \$281 billion per year to match the global spending levels as a share of GDP on these three sectors. More than two thirds of this additional spending would need to be directed to social protection programmes alone.

The implication of this significant underinvestment in social protection is that 60 per cent of the region's people are unprotected against risks such as sickness, disability and unemployment, or during pregnancy or old age. Social protection coverage has the greatest potential to reduce poverty and is one of the core ways the region can see an end to poverty.

MESSAGE 4

A lower level of economic development is not a reason for low social investments

Countries that have driven poverty reduction trends, even at the \$3.20 a day rate, have also invested more in education, health and social protection. Oppositely, countries that spend the least often have higher levels of poverty. Levels of investment in the social sector varies significantly between countries with similar income levels. However, social investments can drive development and poverty reduction and countries should not wait to become rich before stepping up this investment.

Governments with higher political commitment to social investments not only spend a higher share of their budget on their people's development, but tend to spend more effectively with better outcomes as a result. Examples of low- and lower-middle income countries that have been successful first movers in this regard include Cambodia, Bhutan, Mongolia, Thailand and Viet Nam.

RECOMMENDATION 1

Accelerate poverty reduction by boosting investment in people

To accelerate progress towards ending poverty, governments need to boost the amount of public spending on social protection, education and health care. The evidence for increasing the level of investment in people in the Asia-Pacific region is overwhelming: around 328 million people would be lifted out of moderate poverty and 52 million people out of extreme poverty with more countries fully eradicating poverty by 2030. Countries would also see an increase in their GDP growth together with reduced income inequalities.

RECOMMENDATION 2

Reap maximum benefits by focusing on social protection investment

The majority of countries in the region need to step up investments in inclusive social protection to meet the global average. The report estimates that such increased investments could be a game changer for poverty reduction by lifting at least 233 million people out of poverty in the Asia-Pacific region. Through increased social protection investments, extreme poverty would also be fully eliminated by 2030 in Bangladesh, India, Nepal and the Philippines, countries that would otherwise miss this target. To leave no one behind, social protection must be inclusive and adequate.

RECOMMENDATION 3

Ensure that social protection investment reaches those left behind

Countries, such as Mongolia, with the highest success rates of reducing poverty through social protection, have designed and implemented inclusive and universal programmes. On the contrary, the region's best performing poverty-targeted programmes record exclusion rates of more than 40 per cent. In these countries, benefits are also often very low, with limited impact for those lucky enough to receive the benefits. Countries that rely on poverty-targeting, with the well-intended aim of directing limited resources to those furthest behind, should therefore consider more inclusive approaches towards reaching the poor.