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TRICKLE UP: HOW PRO-POOR INVESTMENTS DRIVE ECONOMIC DEVELOPMENT

Synthesis Study

Frank van Kesteren, Anika Altaf & Remmelt de Weerd

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The Spindle
connecting innovators for development

Foreword

Breaking the cycle of poverty, exclusion and inequality: this is what Partos and its innovation platform The Spindle are promoting through 'trickle up' approaches. It is also one of the actions stemming from our 'future exploration', contained in our report *Act, Counteract or Transform: The Future of (Dutch) Development Cooperation*. Our mission is to contribute to impactful development cooperation, working together for an inclusive, peaceful, just and sustainable society, with a focus on the poorest and most vulnerable people and regions.

In many countries, we see positive developments. But we also observe a growing gap between rich and poor and discrimination on all levels against women, people with disabilities, and many other marginalized groups. 'Trickle up' counters the dominant and questionable economic approach 'trickle down'. Trickle down policies favour (large) companies and rich people through tax facilities and investments, assuming that the positive effects will also 'seep down' to the poor at the bottom of the pyramid. However, there is limited evidence that this approach works. Therefore, we propose a strong shift towards direct investment in the economic self-reliance and resilience of poor and vulnerable people. This entails a clear emphasis on the 'informal sector', which in many countries is significant for employment, production and development. In addition to direct interventions, fiscal and trade arrangements, both on a national and global level, should also be realigned to reduce poverty and exclusion.

Ample meta-evaluations and findings by the Dutch knowledge platform INCLUDE and other sources, provide a growing body of evidence on the shortcomings of trickle down approaches, as well as the importance and benefits of trickle up approaches. However, this emerging evidence appears to be too fragmented to form the basis of a solid discourse on the pros and cons of these approaches. For this reason, Partos/The Spindle, commissioned The Broker to conduct an evidence-based synthesis of the merits and shortcomings of trickle down and trickle up approaches. As part of this study, The Broker also conducted an initial first assessment of the performance of the Netherlands. It must be acknowledged that various important aspects are not dealt with in this study, such as (ecological) sustainability. This was not part of the assignment. Yet, within the remits of this study, we commend the authors for this clear, convincing and concise overview. We also thank the advisory group for the valuable guidance and resources they provided for this study. Finally, we consider this synthesis to be an important building block for Partos' further elaboration of the trickle up approach with its members.

Bart Romijn
Director Partos

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1. Introduction

> **Trickle up**: investments geared towards lower socio-economic classes, to reduce inequality and poverty and, consequently, enhance wider economic development.

Investments in the poor, rather than the upper or middle classes, benefit wide economic development. This view of poverty alleviation from the bottom-up is known as **'trickle up'**. It counters the dominant discourse of **'trickle down'** that has prevailed for the past 50 years among policy stakeholders. The principles of trickle down are straightforward: when a top layer of society becomes wealthy, this wealth will automatically seep through to the lower and less wealthy segments of society and eventually help create a 'bigger pie': high economic growth for the whole society to benefit. Despite the gravitational logic of this idea, the theory has encountered increasing criticism. Not just by traditional opponents, but also by those who used to take the idea of trickle down for granted. There is evidence that investments in the rich do not lead to a larger pie at all, let alone the equitable sharing of it.

The assumptions underlying both types of arguments (i.e. trickle up and trickle down) are explored in this paper, with a specific focus on their application to development cooperation. An overview of the evidence base for each of the assumptions, and recommendations for a trickle up agenda, are provided below.

Evidence base for assumptions and recommendations for a trickle up agenda

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Trickle down theory *(chapter 2)*

Growth assumption
Investments in higher economic classes (including tax cuts) create more GDP growth and will generate more tax revenue.

→ **Little to no evidence**
Tax cuts may lead to growth, but only in situations of high initial tax rates. A high rate of inequality hinders economic development.

Trickle down assumption
Higher income growth will 'trickle down' to society, including lower economic classes, creating jobs, income and other types of wellbeing.

→ **Mixed, but limited, evidence**
Some wealth trickles down, but with little equity. Government interventions determine to what extent wealth actually trickles down.

Trickle up theory *(chapter 3)*

The costs of poverty and inequality assumption
The societal costs of poverty and inequality are high. Investing in lower economic classes reduces the need for public spending.

→ **Convincing evidence**
Poverty and inequality come with high costs for the whole society, including limits to growth. Pro-poor investments reduce these.

Trickle up assumption
Investments in lower economic classes not only benefit them, but create spill-over effects that cost-effectively benefit broader economies as well.

→ **Mixed, but substantial, evidence**
Pro-poor policies can have spill-overs for broader economies, but not always.

Recommendations *(chapter 4)*

Inequality reduction through taxation

1. *Shift toward progressive taxation*
2. *Invest in capacity building to generate tax revenue*
3. *Eliminate illicit financial flows and tax avoidance*
4. *Mainstream income and wealth inequality reduction*

Pro-poor investments

5. *Implement comprehensive, multifaceted programmes*
6. *Empower civil society organizations*
7. *Invest in smallholder businesses with economic spill-overs*
8. *Mainstream the principle of 'leaving no one behind'*

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2. Trickle down

The idea that wealth 'trickles down' from groups with high incomes and wealth towards other segments of society has been supported by many politicians and policy stakeholders in the previous 50 years. A fundamental part of this belief is that tax cuts are required for those with businesses and/or high incomes for this trickle down effect to take place. Only then can they be economically free to make investments that lead to direct and indirect benefits for others in society. Direct benefits may mean jobs for the middle class, while indirect benefits may mean higher income growth, allowing for social spending on healthcare or education, for example. An important notion thus is that investments in higher segments of society create 'a larger pie', which can then be sliced up to be consumed by lower segments as well. Hence, trickle down theory builds on two assumptions:

Assumption 1 – *Growth Assumption*

Investments in higher economic classes (including tax cuts) create more GDP growth and will generate more tax revenue.

Assumption 2 – *Trickle Down Assumption*

Higher income growth will 'trickle down' to society, including lower economic classes, creating jobs, income and other types of wellbeing.

2.1 The 'growth' assumption

The first assumption is that investments in higher economic classes create more income growth. Comparing the post-World War II era (1950–1980s) of a welfare state with high progressive taxation to the subsequent neoliberal era (1980s–now) marked by tax cuts for higher economic classes and declined social spending, various scholars point out that income growth was higher in the former, rather than the latter, period (Stiglitz, 2012; 2016; Dabla-Norris et al., 2015; Chang, 2011). Proponents of trickle down policies argue for tax cuts for the rich, particularly through deductions, tax rulings and less progressive taxation of wealth and income.

One such argument is that lower taxes lead to a higher propensity to pay taxes and, hence, more tax revenue (i.e. the *Laffer*-curve[1], see Laffer, 2004). However, history shows that these policies have not led to higher growth in, for instance, the USA. Although lowering tax rates in the 1920s led to increased total tax revenue (Sowell, 2012), tax increases by President Clinton were associated with higher tax revenue, while subsequent tax cuts by President Bush Junior heralded a return to lower tax revenue (Kimel, 2012; Kenneth, 2012). Various recent studies of the United Kingdom (Cloyne, 2013), Germany (Hayo & Uhl, 2013) and Spain (Gil et al., 2018), among other places, conclude that GDP responds negatively to tax increases; in other words, it has a negative 'tax multiplier'. However, a recent World Bank study comparing the initial tax rates of countries shows that initial tax rates determine the extent to which increased taxes

[1] An example of a hypothetical Laffer-curve can be found in Annex 1, Figure A1.

decrease GDP (Gunter et al., 2018). As shown in Figure A3, many countries with low initial tax rates would experience close to no impact on GDP at all. Hence, the idea that tax increases lead to lower income growth does not hold true, nor does the idea that tax cuts increase income growth. Policymakers are advised to assess initial tax rates before deciding if tax cuts or increases can stimulate the economy.

Numerous scholars have developed theories of how inequality can either contribute to or hinder growth. Inequality can stimulate growth because of i) the higher propensity of those with high incomes to save, and ii) the incentives created by inequality to work harder and to invest in human capital (Lewis, 1954; Kaldor, 1957; Mirrlees, 1971; Bourguignon, 1981; Lazear & Rosen, 1981). Arguments for the negative impact of inequality on growth include the consequences of economic and political elitism for economic stability, such as rent-seeking, self-enrichment and distrust in political institutions, which in turn can curb investment (Hibbs, 1973; Alesina & Rodrik, 1994; Benabou, 1996). Other factors include reduced consumption, underinvestment as a result of lagging demand, less government revenue, and less investment in skills and education by low-income households (ILO & KIEP, 2015; World Bank, 2006).

This report acknowledges both the positive and negative impacts of inequality on economic development and, therefore, endorses a more recent, non-linear view: the impact of inequality on economic development differs according to the level of inequality and stage of development of an economy (see, e.g. Barro, 2000; Banerjee & Duflo, 2003; Pagano, 2004; Henderson et al., 2015) and the quality and orientation of political institutions (see section 2.2.3). Some studies have, therefore, focused on thresholds of inequality: i.e. at what levels of inequality the relationship with economic growth changes from positive to negative. Using the Gini coefficient[2] for income inequality, 'tipping points' have been found at coefficients of 24.5 (ILO & KIEP, 2015), 27 (Grigoli & Robles, 2017; see Figure A10), and 36 (Balcilar et al., 2019). One explanation for the different thresholds found is the difference in scenarios for government policies, which is further discussed in section 2.2.3. Table A1 outlines the Gini coefficients for 144 countries after taxes and transfers. Using the 24.5, 27 and 36 thresholds, we find that 0, 6 and 84 countries, respectively, are at a stage where increased inequality could contribute to economic development. Under all threshold levels, there are more countries where increased inequality would hinder economic development.

This explains why, recently, several studies conclude that levels of wealth and income inequality are a cause of stagnated economic growth (Dabla-Norris et al., 2015; Stiglitz, 2016; ILO et al., 2015; ILO, 2015; Ostry, Berge, & Tsangarides, 2014). Van der Weide and Milanovic (2014) further argue that this relationship is inequitable: inequality limits the income growth of those with low incomes, while not the hindering growth of high incomes. A major factor curbing investments and consumption is that wages lag behind productivity growth and the share of wages in income decreases (ILO, 2015; ILO et al., 2015; see Figure A4). Despite clarity about the optimal level of inequality for economic development, historical evidence on taxation, inequality and growth shows that there is little to no evidence for the *growth assumption*.

[2] The Gini coefficient indicates the distribution of income within society, ranging from 0 to 100, with 0 describing a country with equal incomes, and 100 describing a country with complete concentration of income. Critics often argue to use the Palma ratio, which compares the top 10% versus bottom 40% of incomes, as it is more sensitive to what happens at the extreme ends of the income distribution (Van Bergeijk & Van der Hoeven, 2017; Stiglitz, 2016).

2.2 The 'trickle down' assumption

Income growth can be associated with improvements in wellbeing for lower economic classes in society. Two trends between 1990 and 2015 support this argument: first, the share of the total world population living below USD 1.90 per day has decreased from 35.9 to 10% (see Figure A5) and extreme poverty has decreased (Ravallion, 2017). Second, with the exception of 2008 (the year of the global financial crisis), the world has experienced economic growth in this period. Figure A6 also shows that, on average, least developed countries have experienced higher growth rates than Organisation for Economic Co-operation and Development (OECD) countries. These parallel trends indicate that developing countries have seen poverty decline in times of GDP growth. Some also argue that inequality has also dropped in this period. Yet, this is the case only for relative income inequality, not for absolute income inequality nor wealth inequality (Niño-Zarazúa, Roope & Tarp, 2017; Addison, Pirttilä & Tarp, 2019). Nevertheless, the trends in growth and poverty could indicate a certain amount of wealth created by higher economic classes trickling down. However, three things indicate otherwise: the ongoing (and in some places increasing) inequity and inequality, and the role played by political institutions in countries that have experienced growth. The following sub-sections look at each of these in detail.

2.2.1 Inequity

First, the aggregate data on income growth and poverty reduction show improvements on average. However, the figures strongly lean on progress made by India and China (IOB, 2018a; Milanovic, 2016; Stiglitz, 2016); they do not show that poverty has become increasingly concentrated in areas 'left behind'. These areas include countries, such as the '30 countries left behind', as outlined by Coppard & Christensen (2018). Out of these 30 countries, 22 are concentrated in Sub-Saharan Africa. Figure A7 shows how the decline in world poverty, particularly in East and South Asia, disguise that this region still faces severe poverty. Sub-Saharan Africa has experienced high growth rates in the past decades (see Figure A6) and average improvements have been made in Human Development Index indicators such as literacy rates, maternal mortality, undernourishment and life expectancy (African Development Bank, 2018; UNDP, 2016b). However, both the African Development Bank and United Nations Development Programme (UNDP) outline that many people remain excluded from such progress. The absolute number of poor people in Africa has not decreased, and income and wealth inequality remains high.

Apart from between country differences, poverty has become more concentrated within countries in rural areas and among minority groups (see Table A2). For instance, in Benin and Nigeria, ethnicity, living in an urban or rural region, and the geographical location of that region are strong determinants of poverty (Lynch, Berliner, & Mariotti, 2016). People from minority groups are significantly overrepresented in figures on malnourishment, lack of schooling and extreme poverty. For example, more than two-thirds of education and health poverty is found among households where the head is a member of a minority ethnic group. Moreover, across 16 countries, the poorest women from disadvantaged ethnic groups were the most likely to have been left behind by progress in education and health (Bhatkal, Sanman, & Stuart, 2015).

These developments show that, even if wealth trickles down through society, it does so without spatial and socio-demographic equity. They also show that poverty is *intersectional*, mixing factors of space, class, ethnicity, sexual orientation, disability, religion and gender into interwoven constraints (Crenshaw, 1989; Jones, 2003; McCall, 2005). For instance, 80% of people with disabilities live in low- and middle-income countries, of which 80% live below the poverty line (DCDD, 2018). Hence, accessing opportunities is not only limited by a lack of income, but by other factors as well, leaving some groups behind. For instance, while the Millennium Development Goal of reducing poverty by half has been achieved, most of this progress stems from alleviating the poverty of those who were not so heavily constrained. This development has, thus, not been equitable (Van Kesteren, 2014).

2.2.2 Inequality

Second, even in areas where poverty has declined, income and wealth inequality has increased. While the post-World War II era marked a decline in inequality, these trends have been reversed since 1980, a period marked by many as the 'neoliberal era' of regressive economic policies (Stiglitz, 2015; 2016; Milanovic, 2016). Figures A8 and A9, adopted from the latest World Inequality Report, show how in this period, with the exception of the Middle East, Brazil and Sub-Saharan Africa, the share of the top 10% of total income has increased, while that of the bottom 50% has declined. In terms of within country inequality, since 1980, the richest 1% in the world have captured twice as much income growth as the bottom 50% (Alvaredo et al., 2018).

Some argue that inequality may increase at first, while decreasing in later stages of economic development (i.e. the Kuznets curve, see Figure A2). Simon Kuznets argued that investments by the rich increase income (return on investment) and inequality at first, but lead to a decline in inequality as the increased income results in higher incomes and, accompanied by a process of democratization, with the setup of a welfare state (Kuznets, 1955). Although historically there is some evidence for this theory, analysis of economic development since the 1980s shows differently: inequality rises have not been followed by higher wages. In fact, the average wage of male high-school leavers has declined by 12% over the past 25 years, while CEOs' salaries have swelled from 30 times the average worker's wage to 300 times (Stiglitz, 2015). While private capital has increased, the share of public spending in GDP is declining (see Figure A10).

Moreover, inequalities are not declining, but persist (see figures A8 and A9). The main explanation provided by Piketty (2014) is that the return to capital is larger than the growth of GDP itself. In nearly all OECD countries and in two-thirds of low and middle income countries, the share of income going to labour has decreased, while the share going to capital has increased (Hardoon, Fuentes-Nieva, & Ayele, 2015). Inequality is, thus, not succeeded by increasing wages, but by increasing rents of investors, which often does not contribute to domestic economics, but often flows offshore (Stewart, 2012).

2.2.3 Institutions

Third, as the impact of pro-rich investment on income growth differs, it is evident that institutions matter in shaping this process. By assessing what countries have experienced higher growth rates, prominent economists Chang (2011) and Stiglitz (2016) outline that government intervention has been a contributing factor. In analysing the rise of East Asian economies, Stiglitz (1996) argues that six factors have contributed to their successful economic development:

- Equitable income distributions that led to political stability and a favourable business climate
- Flexible government policies, able to adapt to changing economic circumstances
- Governments playing an active role in market institutions through control and subsidies
- Promoting financial and human capital with, and through, regulation of the financial sector
- Altering the distribution of resources to favour industries with long-term growth potential
- Government policies supporting investment through equitable risk-sharing

Thus, government interventions have largely contributed to East Asia's economic development, and particularly the trickling down of wealth to other segments of society. This is illustrated by the different findings of Alesina and Rodrik (1994) and Li and Zou (1998); the former found a negative relationship between inequality and income growth when government spending is fully devoted to production services, while the latter found a positive relationship when government spending is devoted to redistribution and consumption. It is important to view the relative successes of these government interventions within the country context and as examples rather than a guaranteed method for success.

On the other hand, countries with high inequality generally have a history of poor income growth, a weak private sector, significant political or environmental challenges, and an inability to attract foreign investment (Coppard & Christensen, 2018). Out of the 30 countries identified by Coppard & Christensen as left behind, only 4 are listed in the top 100 countries in the Commitment to Reducing Inequality Index (DFI & Oxfam, 2018; see Table A3). Countries ranked high on the list, such as Argentina (34), Costa Rica (36) and Brazil (39), have made a lot of progress in reducing inequality recently. Rossignolo (2016) argues that 40% of the inequality reduction and 90% of the poverty reduction are the result of redistributive policies.

In conclusion, we consider the *trickle down assumption* to be largely debunked. Although increased wealth has been associated with increased wellbeing of lower economic classes in society, these benefits are highly inequitable and accompanied by increases in inequality. Moreover, wealth does not trickle down automatically: the extent to which trickle down takes place largely depends on the quality of political institutions and the commitment to redistributive policies.

3. Trickle up

While the previous section concludes that inequality constraints economic development, the IMF concludes that an increase in the income share of the bottom 20% is associated with significant GDP growth (Dabla-Norris et al., 2015). Hence, poverty and inequality reduction and income growth can go hand-in-hand (Lakner, Negre & Prydz, 2014). This section explores the mechanisms behind this association by assessing two hypotheses (see box below): the costs of exclusion (assumption #3) and the benefits of inclusion (assumption #4) in economic development.

Assumption 3 – *Costs of Poverty and Inequality Assumption*

The societal costs of poverty and inequality are high. Investing in lower economic classes reduces the need for public spending.

Assumption 4 – *Trickle Up Assumption*

Investments in lower economic classes not only benefit them, but create spill-over effects that cost-effectively benefit the broader economy as well.

3.1 The 'costs of poverty and inequality' assumption

Poverty has significant costs for society, particularly through the safety nets provided by governments, but also in terms of loss of productivity, the need for healthcare and the incidence of crime. A study of childhood poverty in the US estimated its cost at USD 1.03 trillion in 2015, about 5.4% of the GDP of the United States (McLaughlin & Rank, 2018).

The societal costs of inequality are more diverse and ambiguous. A major cause for concern is the adverse impact of rising inequality on GDP growth, as outlined in section 2.1. For instance, estimates show that in Mexico and New Zealand, inequality reduced growth by 10% of its potential (Cingano, 2014). An important explanation is the lagging development of human capital: "income disparities depress skills development among individuals with poorer parental education background, both in terms of the quantity of education attained (e.g. years of schooling), and in terms of its quality (i.e. skill proficiency)" (*Ibid.*, p. 6).

Social, intersectional inequalities also come with high costs. For instance, the United Nations Population Fund (UNFPA) further concludes that countries in South Asia, the Middle East and Africa could have experienced up to 0.9% higher annual growth if they were more successful in addressing gender inequalities (UNFPA, 2010). Miller and Parker (2018) argue that countries acknowledging the rights of lesbian, gay, bisexual and transgender (LGB&T) people can yield USD 1,400 more per capita income and rank higher on the Human Development Index. Finally, ILO estimates the losses from the economic exclusion of disabled people to be between 3 and 7% of GDP (ILO, 2009; DCDD, 2018).

Inequality is not only related to low GDP growth, but also to undesirable social outcomes (World Bank, 2006). In the book 'The Spirit Level', Wilkinson and Pickett (2010) outline several examples: according to them, inequality causes stress and status fear, which are intermediate variables that can be considered responsible for certain social consequences of inequality, such as obesity. Inequality also increases the rate of teenage pregnancy, violence, imprisonment and addiction; it destroys relationships between individuals born in the same society, but into different classes; and its function as a driver of consumption depletes the planet's resources. Consumerism, isolation, alienation, social estrangement and anxiety all follow from inequality, they argue. Although not all of these relationships with inequality are backed by sufficient evidence, a synthesis study on inequality and health shows strong evidence of the deteriorating impact of income inequality on objective measures of health (Pickett & Wilkinson, 2015).

Inequality is also, to some extent, related to crime. The historical analysis of crime and inequality in Latin America shows that increases in poverty and inequality are often accompanied by increases in crime rates (Bourguignon, 2009; Becker, 1968). With the costs of crime estimated to be at least 7% of GDP in Latin America, this relationship gives cause for concern. It must be noted, however, that changes in crime rates are also determined largely by cultural and political alienation, ethnic conflicts, media violence, inappropriate role models and other related phenomena (Bourguignon, 2009). Nevertheless, a comparative study of 68 countries shows a significant, positive relationship between the level of inequality and homicide and robbery (Fajnzylber, Lederman & Loayza, 1998). The authors argue that in the short run, a 1 percentage point increase in the Gini coefficient could produce an on average increase in homicide and robbery of 3.6% and 1.1%, respectively.

The impact of inequality on violent conflict is less clear. In Gurr’s *Relative Deprivation Theory*, a large difference between a group’s expected and actual income and living conditions can fuel conflict (Gurr, 1970). Collier and Hoeffler (2004), however, found no significant relationship between income inequality and conflict. Instead, inequality between (ethnic) groups appears to be a better driver for conflict: ethnic groups with far higher or lower incomes than a country’s per capita income are more likely to engage in civil war (Cederman, Weidmann, & Gledditsch, 2010). Østby also found that conflict is three times more likely to arise when there is economic inequality between ethnic, religious or regional groups (Østby, 2008). The World Bank argues that exclusion from access to power, opportunity, services and security is a major source of violence, particularly in areas with weak state capacity or legitimacy or in the context of human right abuses (World Bank, 2018b, p. iv).

Although the costs of violence and war can hardly be fully expressed in monetary terms, the Institute for Economics and Peace (IEP) estimated the total cost of containing violent conflicts (including missed economic opportunities) to be USD 13.6 trillion a year, equivalent to 13.3% of global GDP (IEP, 2016; see also Mueller and Tobias, 2016; IEP, 2015). Furthermore, conflict fuels inequality, between and within countries, creating a vicious circle. Without the violent conflicts taking place in low and middle-income countries, income inequality would be significantly lower (De Groot, Bozzoli & Brück, 2012).

While no systematic review of the costs of poverty and inequality was performed in this study, the evidence provided above indicates that these costs are high. However, not all costs can be estimated in monetary terms. Reducing inequality and making additional investments in lower economic classes may bring along high costs at first, but can reduce the total costs associated with poverty and inequality. The *costs of poverty and inequality assumption* is thereby confirmed.

3.2 The 'trickle up' assumption

While the trickle down assumption is built on the notion that economic development is mainly driven by investments in high economic classes of society, trickle up argues that investments in lower economic classes can drive economic development. Trickle up focuses on the demand side of the economy, building on the idea that poverty constrains demand of lower economic classes, which can be increased by pro-poor investments, which in turn lead to more production and economic growth.

There is ample evidence of the benefits of development programmes on the development of recipients. Impact evaluations of e.g. entrepreneurship, public works, cash transfers, infrastructure or education policies show merits within the scope of the interventions. Yet, the question is to what extent these benefits create additional demand in markets and thereby stimulate economic development. The additional question is if these investments are *worth* the investment, implying that they have a certain rate of return that makes them sustainable and a favourable alternative to universal economic and social policies not specifically targeted at lower economic classes. Hence, this section asks if these interventions have spill-over effects that outweigh their costs.

There are many limitations to such a cost-effectiveness assessment. Both the true costs and benefits of cash transfer programmes are difficult to identify (Van Kesteren et al., 2018). Nevertheless, its overview of the costs and benefits from various impact evaluations shows that benefits can exceed the costs of social protection programmes if the full range of benefits are taken into account (see Table A4). For instance, Thome et al. (2016) assessed nine cash transfer programmes in Africa and found positive multiplier effects in local economies: i.e. each dollar invested yielded returns of more than one dollar. These multiplier effects were positive even when accounting for inflation (see Figure A11), and are confirmed by other studies as well (Handa et al., 2017; Filipski et al., 2016; Taylor et al., 2015).

Escaping poverty is essentially a long-term process. It is, thus, important to take a long-term view and allow the indirect effects of programmes to materialize. Taylor et al. (2015) project the long-term benefits of an unconditional cash transfer targeted at households with children in Lesotho to be 42.1 million Lesotho Loti, compared to a cost of 22.4 million. Out of this 42.1 million Lesotho Loti in benefits, 14.6 million are indirect local spill-over effects, such as increased income through access to quality education and health services. The limited number of long-term evaluations show mixed results: some find that economic impacts dissipate over time (Haushofer & Shapiro, 2018; Baird, McIntosh & Ozler, 2016), while others find returns on investment to increase over time (Dietrich et al., 2017; Taylor et al., 2015; Mideros, Gassmann & Mohnen, 2016). In any case, providing long-term, predictable and substantial cash transfers appears to be a cost-effective pro-poor policy.

Apart from cash transfers, other pro-poor interventions aimed at increasing employment and productivity have high potential for economic development. Public works programmes, for instance, have many advantages: they are both protective and productive, they are flexible and can be adapted to various contexts (such as drought or conflict), and they often reach the target population, if designed and implemented correctly (Zimmermann, 2014). Public works programmes such as in Sierra Leone (Rosas & Saberwal, 2016), India (Nayyar, 2002) and Ethiopia (Berhane et al., 2011; 2014), particularly when integrated with interventions such as cash transfers, are associated with higher productivity for food production, more employment, increased food security and increased access to education.

Similarly, creating employment through training programmes, entrepreneurship promotion and employment services such as job matching services can be favourable for lower economic classes. Yet, the main question is: who benefits from employment opportunities and why? While Kluve et al. (2016) show that entrepreneurship promotion has best returns to investment in generating income and jobs, this is not a job option for all youth. Training programmes and employment services are also considered effective to increase jobs and income, but most effective when integrated with other interventions such as financial training, mentoring or internships. But a main challenge remains in providing access to basic education, which is still missing for many youth in developing countries (Fox & Filmer, 2014).

As argued earlier, poor and marginalized people often face multiple constraints, such as a lack of cash, climate risks, lack of education, gender inequality and a lack of psychological wellbeing. Various programme evaluations show that focusing on single constraints or small subsets is less effective in lifting these people out of poverty and allows persisting constraints to remain and people to fall back into poverty (Van Kesteren et al., 2018; Kluve et al., 2016). One of the main recommendations of the INCLUDE platform to make inclusive development policies more effective is to integrate interventions into coherent programmes (Reinders et al., 2019). 'Graduation programmes' or cash+ programmes (which combine cash transfers with interventions such as asset transfers, mentoring, and the provision of health information and financial service training) are increasingly gaining attention. Banerjee et al.'s (2015) evaluation of six graduation programmes show various positive results: increased household consumption, asset possession and food security, for instance. Moreover, these authors show that the benefits of these programmes outweigh the costs (*Ibid*.; also see Table A4).

More specifically, programmes focussing specifically on the empowerment of women or children have high returns to investment, promote GDP growth and have high opportunity costs if women and youth are left behind (UNICEF, 2015; Patrinos & Psacharopoulos, 2013; Thomas & Burnett, 2013; Heckmann & Klenow, 1997; Hanushek & Woessmann, 2008; Cohen & Soto, 2007, Krueger and Lindahl, 2001; Chaaban and Cunningham, 2011; Klasen, 2002; Dollar & Gatti, 1999). Promoting self-help groups of women has proven to effectively improve social and economic empowerment (Brody et al., 2015)

Besides design and implementation errors, a major explanation for the ineffectiveness of various development programmes is that they only alleviate some of the constraints of poor households, while others persist (Altaf, 2019). Hence, integrated pro-poor programmes are proposed. Such programmes have higher costs than single interventions, but can be cost-effective when spill-over effects for the broader economy are taken into account. It is not clear yet how and to what extent they are necessarily *better* programmes than universal programmes. Such an analysis would require a systematic meta-review of the two types of policies, including covering the full range of benefits and costs. In the absence of such a review, and building on the various positive evaluations of pro-poor investments outlined in this section, the *trickle up assumption* is partly confirmed.

4. A Dutch policy agenda for trickle up

The following key conclusions can be drawn from the testing of the four assumptions in this synthesis:

- Tax cuts for higher economic classes have not necessarily contributed to economic development.
- While the relationship between inequality and growth is unclear and non-linear, it is evident that most countries have inequality levels hindering economic development.
- Government institutions and policies have a large effect on reducing inequality and increasing economic development through redistribution, providing access to markets and supporting investments.
- Poverty and inequality come with high economic and social costs.
- Poverty comes with interwoven constraints, requiring integrated, long-term programmes to leave no one behind.
- These integrated programmes can be cost-effective, having spill-overs effects on the broader economy.

These conclusions pave the way for a shift in policy theory: from trickle down to trickle up. However, trickle up in practice is more than simply shifting investments from higher to lower classes. Based on the recommendations of studies outlined earlier and below, a trickle up agenda has been formulated, containing eight policy options under two key domains: 1) reducing income and wealth inequality through taxation and; 2) making pro-poor investments. These do not necessarily add up to a complete agenda for poverty and equality reduction, as many issues such as trade and investment, environmental sustainability and access to social services are not explicitly mentioned. Nevertheless, this agenda can be seen as a guideline for the shift from policies based on trickle down to trickle up theory.

Both domains are economic domains, although with key linkages to policies aimed at social and political development, such as providing access to education and political empowerment. This integrated focus is in line with findings of the INLCUDE platform, which, based on six synthesis studies on inclusive development, argues that an inclusive development lens requires a focus on economic, social and political inclusion (Reinders et al., 2019; Van Kesteren et al., 2018; Hollander et al., 2018; Dekker et al., 2018; Hollander, 2018; Miroro, 2018). For instance, the inclusion of marginalized groups in economic activities requires effective representation in social and policy dialogues, including trade unions, informal workers associations and political parties.

The trickle up agenda is in line with various international commitments of the Netherlands, particularly the 2030 Agenda for Sustainable Development and its integrated approach towards economic, social and environmental development (United Nations, 2015). Because poverty and inequality have many interlinkages with other domains, trickle up policies not only help to achieve Sustainable Development Goal (SDG) 1 (poverty) and SDG 10 (inequality), but other, seemingly less related, SDGS as well. These include SDG 8 (decent work and economic growth), SDG 9 (industry, innovation and infrastructure) and SDG 16 (peace, justice and institutions). These policies build on various recommendations to achieve the SDGs, such as from the World Bank, which argues that investing in inclusive and sustainable development, including addressing inequality, is “the best way to prevent societies from descending into crisis, including but not limited to conflict” (World Bank, 2018b, p. iv). A joint focus on inequality reduction and pro-poor development is also in line with Target 10.1: "progressively achieve and sustain income growth of the bottom 40% at a higher rate than the national average" (United Nations, 2015).

Drawing on a number of policy frameworks from the Dutch Ministry of Foreign Affairs (MFA, 2014; 2015a; 2015b; 2018a; 2018b; 2018c), evaluations of its policies (IOB, 2018a; 2018b; Bitzer, Van Balen & De Steenhuijsen Piters, 2017; MFA, 2016) and various other studies, this section further assesses the performance of the Netherlands according to each option. Performing policy assessments based on limited information on ongoing activities is a very challenging task. Therefore, we would like to argue that this assessment mainly serves to identify opportunities for (further) enacting the trickle up agenda.

Eight 'trickle up' policies for sustainable economic development	
Reduce inequality through taxation	**Make pro-poor investments**
1. Promote the shift towards progressive taxation	5. Implement comprehensive, multifaceted programmes to sustainably lift the poor(est) out of poverty
2. Invest in the capacity building of national and subnational governments to generate tax revenue for redistributive, pro-poor policies	6. Empower civil society organizations representing marginalized groups
3. Eliminate illicit financial flows and tax avoidance in developing and developed countries	7. Invest in (informal) smallholder businesses with spill-over effects for the broader economy
4. Mainstream the objective of reducing income and wealth inequality in all policies	8. Mainstream the principle of 'leaving no one behind'

4.1 Promote the shift towards progressive taxation

Progressive income and wealth taxes are widely considered to be the most effective instrument to reduce inequality (IMF, 2015; Alvaredo et al., 2018; DFI & Oxfam, 2018). Many countries have acknowledged this, by making their income taxation progressive, using different tax bands for different levels of income. The main question, therefore, is not if countries need to implement progressive taxation systems (as they do!), but if their taxation systems are progressive enough.

Looking at income tax, a 2008 OECD study showed that for 24 OECD countries, the average income tax concentration-coefficient[3] is close to the Gini coefficient: 0.43 and 0.45 respectively (OECD, 2008). This may indicate that income tax distributions are not progressive enough to substantially reduce inequality. This trend has persisted; even though the economic crisis of 2008 has led some countries to implement reforms containing lower (and in some cases higher) income taxes, there has not been significant changes in progressiveness (OECD, 2015). Moreover, taking a longer-term view, since the 1970s tax progressivity has already been sharply reduced in developed and emerging countries (Alvaredo et al., 2018). Our first recommendation is, therefore, to reverse this shift, and install tax bands with more progressive tax rates.

[3] This coefficient measures the distribution of income taxes in a similar way to the Gini-coefficient: a value of zero indicates perfectly equal amounts of income taxes paid by the full population, while a value of 100 is a perfectly unequal distribution.

While income taxes have been progressive in many countries for a long time, progressive wealth taxes are less common. This is remarkable, given that wealth inequality is growing faster than income inequality (Piketty, 2014; Niño-Zarazúa, Roope & Tarp, 2017; Addison, Pirttilä & Tarp, 2019). There are various types of wealth taxes, such as property tax, corporate income tax, capital gains tax and inheritance tax, which can be progressive. In a series of policy briefings, ActionAid has provided insights into how these can be implemented progressively (ActionAid, 2018a; 2018c; 2018d; 2018e).

It is important to assess what types of taxes can contribute to progressive taxation in various contexts. For instance, indirect taxes such as VAT are considered to be regressive, as populations with lower incomes spend a larger share of their income on these taxes (DFI & Oxfam, 2018). They can also exacerbate inequalities, as women are generally affected more by regressive taxation systems (ActionAid, 2018b). Yet, given the large size of informal employment in developing economies, taxing incomes may be challenging. When doing so, careful attention needs to be paid to the threshold above which income can be taxed, and a careful gender analysis needs to prevent gender inequality from increasing (ActionAid, 2018c).

How is the Netherlands performing?

The Netherlands has a relatively equal distribution of income (Gini-coefficient of 28.6) through its system of progressive income taxation. In 2021, the Netherlands will use two tax bands instead of four, and will use lower tax rates for what used to be the second, third and fourth tax band. This means that income tax will become less progressive. On the other hand, in 2017 the Netherlands switched from one rate for wealth tax, to three, making this tax more progressive. In the international context, the position of the Netherlands is less clear. There is no reference to progressive taxation or taxation in general in the policy document *Investing in Global Prospects* or the policy letter 'Investeren in perspectief', with the exception of a note about the coherence of different policies, in which tax evasion/avoidance is mentioned (MFA, 2018a; 2018b, p. 53).

4.2 Invest in capacity building to generate tax revenue

Even if progressive taxation systems are in place, compliance is a major issue. The Tax Justice Network estimates the total value of international tax evasion and tax avoidance to be more than USD 500 billion dollars annually (TJN, 2017). The same study estimates the loss for developing countries to be approximately USD 200 billion dollars annually. Zucman (2015) argues that, respectively, 30% and 20% of the wealth in Africa and Latin America is held offshore. Tax is mostly avoided by higher economic classes. For instance, research in Uganda (Moore & Prichard, 2017) and Nigeria (Kazeem, 2017) shows that those with high incomes hardly pay any income tax.

Governments in developing countries often lack the capacity to gain sufficient tax revenue, let alone to implement a progressive taxation system. The IMF estimates that by optimizing tax collection, governments in Sub-Saharan Africa can generate 5% more revenue (IMF, 2018). Strengthening the capacity of governments to generate tax revenue was, therefore, acknowledged as a target (17.1) in the SDGs (United Nations, 2015). However, progress on this target lags behind (United Nations, 2018).

How is the Netherlands performing?

Under the previous government coalition, the issue of taxation was put forward several times by the Minister for International Trade and Development Cooperation (Ploumen, 2015). Under this Minister, the Netherlands started giving technical assistance to 10 countries and cooperated with various countries to prevent anti-abusive provisions in tax treaties (MFA, 2015b). Furthermore, the IOB (2018a) recommends continuing to increase and effectively collect taxes, combined with specific social expenditure. However, although the policy document *Investing in Global Prospects* mentions the capacity building of national tax authorities as important, there are no concrete elaborations on how this will be done, nor is it taken up in the indicators and target values of the policy note (MFA, 2018a).

4.3 Eliminate illicit financial flows and tax avoidance

As the previous section shows, tax avoidance and illicit financial flows such as tax evasion are a huge drain on the public funds of developing countries. Apart from strengthening the capacity of developing countries, developed and emerging countries are also recommended to promote the transparency of financial flows and tax rulings, and eliminate laws and regulations sustaining illicit practices. This is also acknowledged in target 16.4 of the SDGs (United Nations, 2015), which involves the reduction of tax avoidance by companies operating in developing countries, but legally based in tax havens. Reversing this trend can simultaneously contribute to inequality reduction and more pro-poor investment.

How is the Netherlands performing?

Although the current and former state secretary of finance refused to acknowledge the Netherlands as a tax haven, since 2019, seven European Union countries including the Netherlands have been formally acknowledged as tax havens by the European Parliament (Bowers, 2019).

The Netherlands has increased its efforts to fight tax avoidance and evasion, particularly through the Directive Against Tax Avoidance (ATAD) (PWC, 2018). However, this eliminates only a small number of harmful tax practices. According to Oxfam Novib (2016), the Netherlands has a high score on 17 out of 33 harmful practices, including low tax rates for companies, little information exchange and a lack of transparency in relation to tax rulings.

4.4 Mainstream income and wealth inequality reduction

Inequality cannot be eradicated by focusing on taxation systems only. In fact, inequality reduction has linkages with various other development goals, including in the SDGs (Van Bergeijk & Van der Hoeven, 2017; PBL, 2016). Because of its many linkages, aligning inequality with other goals, and mainstreaming the objective of reducing income and wealth equality is important for policy coherence and effectiveness. Mainstreaming the principle of inequality reduction can have various implications, such as investing only in poverty eradication programmes that also contribute to reducing inequality. This is very challenging, and requires a thorough analysis before programme design and implementation.

How is the Netherlands performing?

While the policy document *Investing in Global Prospects* does widely address wealth and income inequalities, it is not visible in all policies, especially those concerning trade. Suggestions for more equitable development are not made. The policy document says that it aims for a win-win situation ("For the world, for the Netherlands"), where the ambition of keeping the Netherlands in the top-five most competitive economies in the world is expressed (MFA, 2018a). However, the question is to what extent these win-win situations actually exist. The IOB evaluations (2018a; 2018b) conclude that the successful projects that have received support have not been inclusive, either in reducing inequality or leaving no one behind. Domestically, inequality is far from being mainstreamed into policies, as the current coalition has not recognized income or wealth inequality as an issue in its coalition agreement (Regeerakkoord, 2017). This is despite the conclusion that Netherlands shows deterioration instead of progress on two-thirds of the indicators of SDG 10 on inequality reduction (CBS, 2018).

4.5 Implement comprehensive, multifaceted programmes

As outlined earlier, being poor is often associated with a large set of constraints, which require integrated programmes to alleviate. Evidence shows that development programmes may be successful in poverty reduction to some extent, but often fail to include the most vulnerable (Nauta, 2019; Altaf, 2019; Van Kesteren et al., 2018). Given that poverty comes with high costs (see section 3.1.), comprehensive programmes are needed to deal with the full range of constraints that poor people face. These require large investments, but are cost-effective in the long term (see section 3.2).

How is the Netherlands performing?

Looking at the total budget devoted to international trade and development cooperation (Regeerakkoord, 2017), the Netherlands appears to have aligned with the SDG commitment to devote 0.7% of its GDP to official development assistance, after years of low contributions (Target 17.2 of the SDGs; United Nations, 2015). However, the real budget devoted to official development assistance had declined to 0.54% of GDP by 2019 (HGIS, 2019; see also Algemene Rekenkamer, 2016). In terms of how the budget is spent, the policy document *Investing in Global Prospects* places a strong emphasis on economic diplomacy and trade, assuming that this will contribute to the (selected) SDGs. While substantial attention is paid to realising access to basic services, such as education and water, sanitation and hygiene (WASH), multifaceted programmes to lift the poor, particularly the extreme poor, out of poverty, seem to be lacking (MFA, 2018a).

4.6 Empower civil society organizations

So far, we have focused mostly on integrated social and economic development for poverty and inequality reduction. However, this development is strongly linked to political empowerment for marginalized groups and the civil society organizations (CSOs) representing them (United Nations, 2015; Van Bergeijk & Van der Hoeven, 2017; Hollander, 2018; Reinders et al., 2019). However, the space for CSOs to operate freely is at stake. In many countries, CSOs are being repressed, either through physical force or by hindering their work including legislative measures to control financing (CIVICUS, 2018; Hollander, 2018). Donor countries need to acknowledge this pressure and adjust support to CSOs to match these circumstances. In providing support, they must also ensure that marginalized groups are not only represented in person, but also in terms of power (Hollander, 2018).

How is the Netherlands performing?

The Netherlands has recognized the importance of strengthening CSOs through its *Dialogue & Dissent* programme (MFA, 2014). It has also acknowledged this need in times of declining civic space for CSOs. The policy document *Investing in Global Prospects* states that it seeks collaboration with several types of actors, i.e. EU, EU-countries, multilateral development banks, UN institutions, companies, knowledge institutes and civil society. Collaboration with local institutions is seen as a guiding principle (MFA, 2018a: p. 40). Moreover, women and vulnerable groups are encouraged to participate (assisted by local CSOs) in the design, implementation and management of WASH interventions (*Ibid*., p. 41).

4.7 Invest in smallholder businesses with economic spill-over effects

While all types of entrepreneurship can generate income, a key question is to what extent local economies, and particularly poor and marginalized groups, benefit from these economic activities. Recent evidence shows that investment in multinational corporations does not necessarily lead to improvements in wellbeing for local populations and can induce conflict (Shete Bekele, 2016; Van Beemen, 2016; 2019). Investing in smallholder businesses that not only engage in productive employment and provide decent jobs, but also have positive spill-over effects for the local and broader economy, is a viable option to contribute to poverty reduction in poor areas. Examples are provided in section 3.2. These businesses have to be found in promising sectors, focussing on new opportunities such as ICT and industrialization (Naudé, 2017; Dekker et al., 2018)

How is the Netherlands performing?

The Netherlands devotes much attention and budget to promoting Dutch and local entrepreneurs, for instance, through its Dutch Good Growth Fund (MFA, 2018a; 2018c). It aims to promote the creation of businesses, employment and the economic empowerment of women, among other things (MFA, 2018c). In 2016, it supported approximately 5,000 businesses and contributed to 217,000 jobs (MFA, 2016). However, the promotion of jobs and businesses alone may be a limited approach to achieve economic development. As outlined by INCLUDE, the quality and decency of jobs is an important driver for economic development (Dekker et al., 2018). Moreover, when job promotion increases inequality, this can hinder economic development (see section 3.1).

4.8 Mainstream the principle of 'leaving no one behind'

As outlined in sections 4.5 and 4.7, various development programmes aimed at poverty reduction can inadvertently increase inequality and leave poor and marginalized groups behind. Many evaluations (such as IOB, 2018a; 2018b) show that programmes with positive impacts are not necessarily inclusive. To achieve the overall objective of the Sustainable Development Goals – to 'leave no one behind' – policy stakeholders need to adopt an 'inclusiveness lens' giving additional weight to the wellbeing of vulnerable groups (Reinders et al., 2019). This lens also entails not only focusing on absolute outcomes, but on their contribution to inequality reduction as well (see section 4.4).

How is the Netherlands performing?

The previous Minister of International Trade and Development Cooperation outlined inclusive development as a specific objective of the Ministry (MFA, 2015a). The Ministry called for 20 specific measures to ensure that development was inclusive, including a focus on women and youth. This focus on inclusive development has largely disappeared; the policy document *Investing in Global Prospects* aims to strengthen CSOs that are capable of reaching the most marginalized. However, in the formulated indicators and target values, support to CSOs focusing on women's rights and gender equality is mentioned as the only indicator and target value. Moreover, there is no reference as to how the Dutch government wishes to include the poorest and most marginalized people. Much weight is placed on entrepreneurs, which means that those who cannot be reached by aid and trade will still be missed (MFA, 2018a; Bitzer, Van Balen & De Steenhuijsen Piters, 2017, p. 26).

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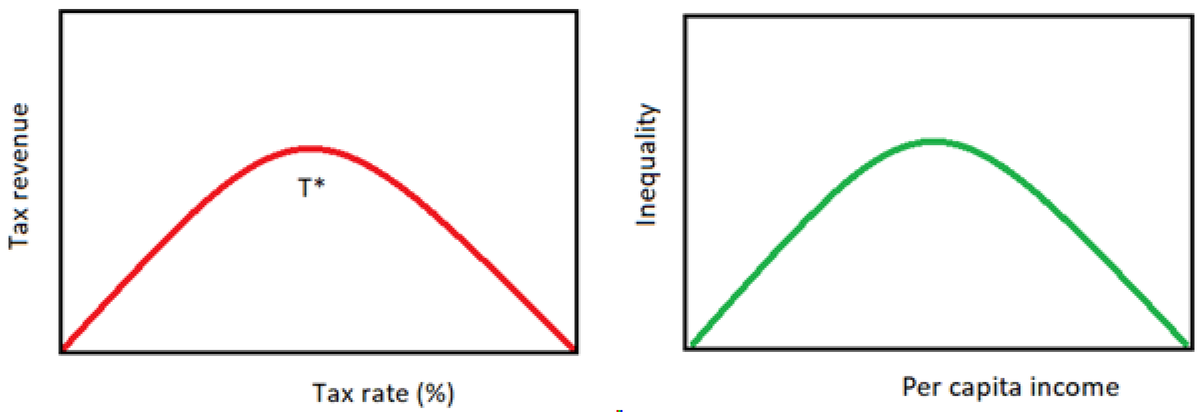
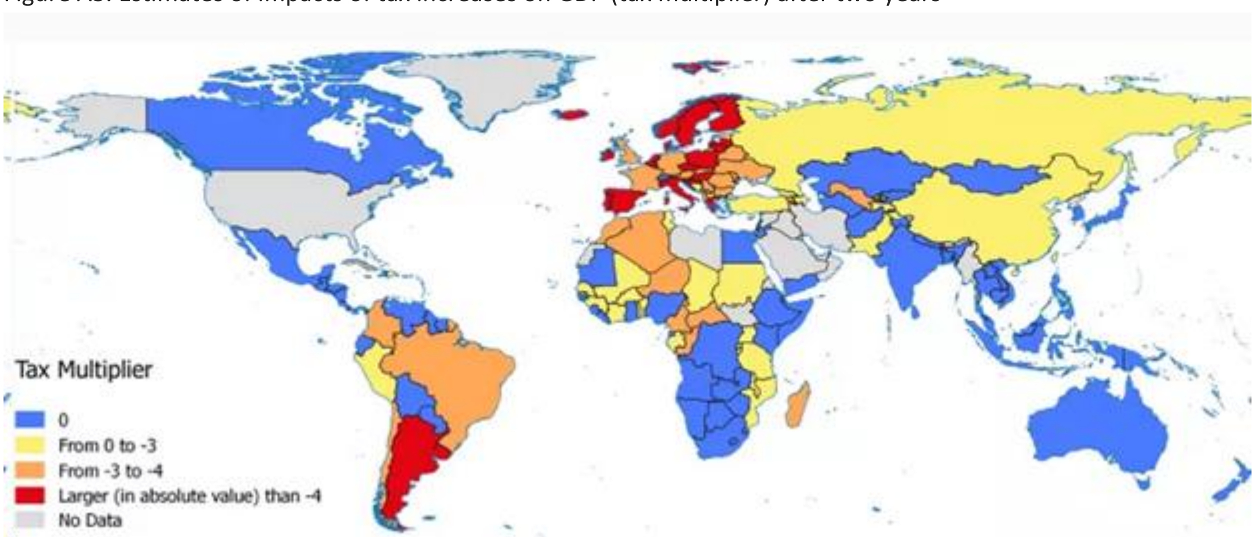
Annex 1. Figures and tables

Figures A1 & A2. Hypothetical Laffer curve (T* indicates the tax rate for highest total tax revenue) and Kuznets curve



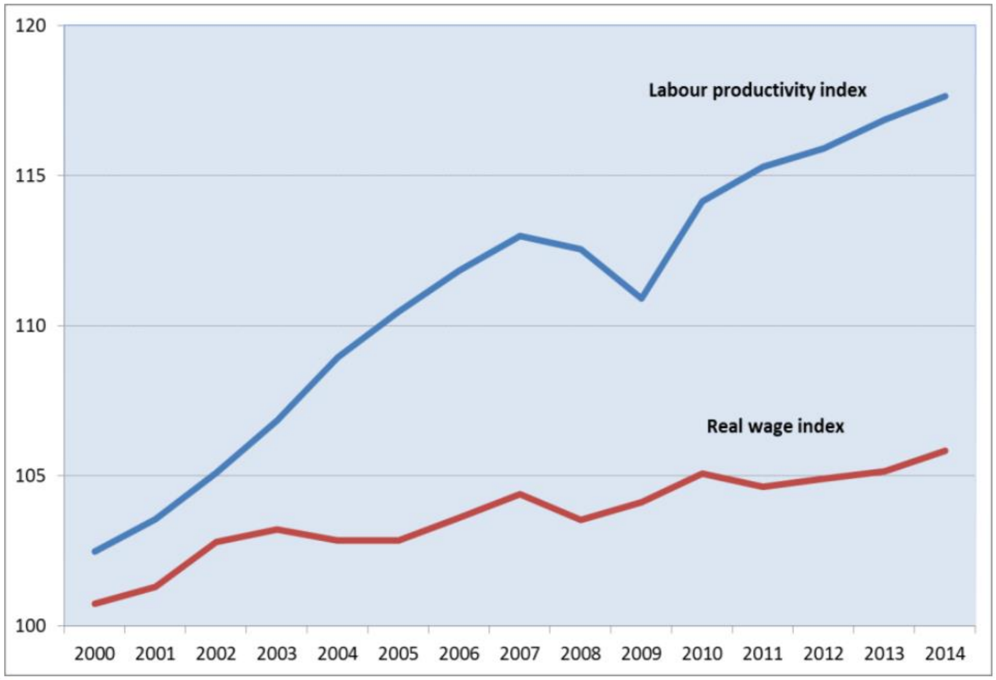
Source: Original illustrations

Figure A3. Estimates of impacts of tax increases on GDP (tax multiplier) after two years



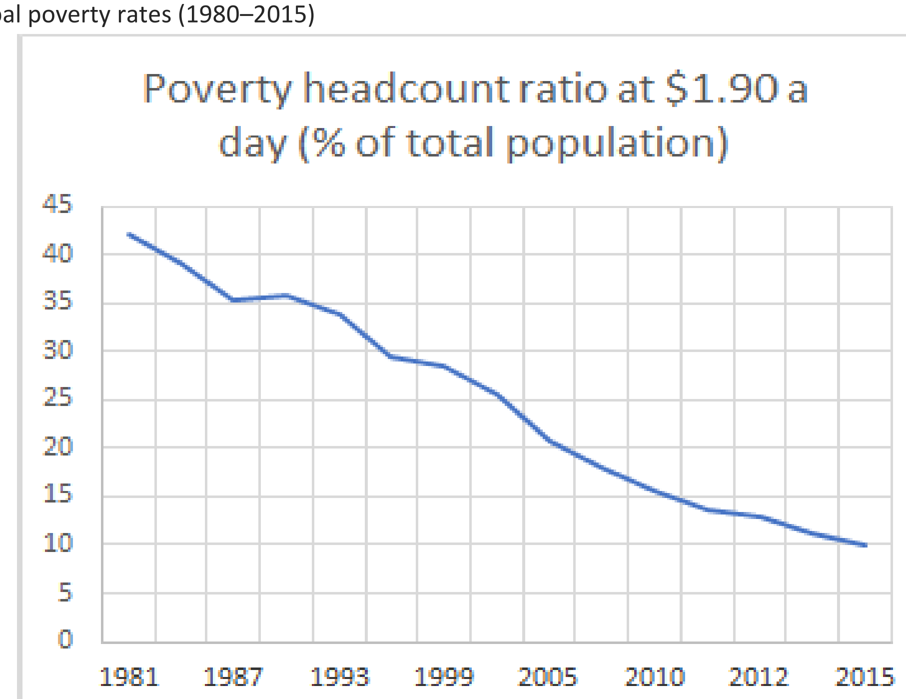
Source: [Gunter et al., 2018]

Figure A4. Trends in real wages vs. labour productivity



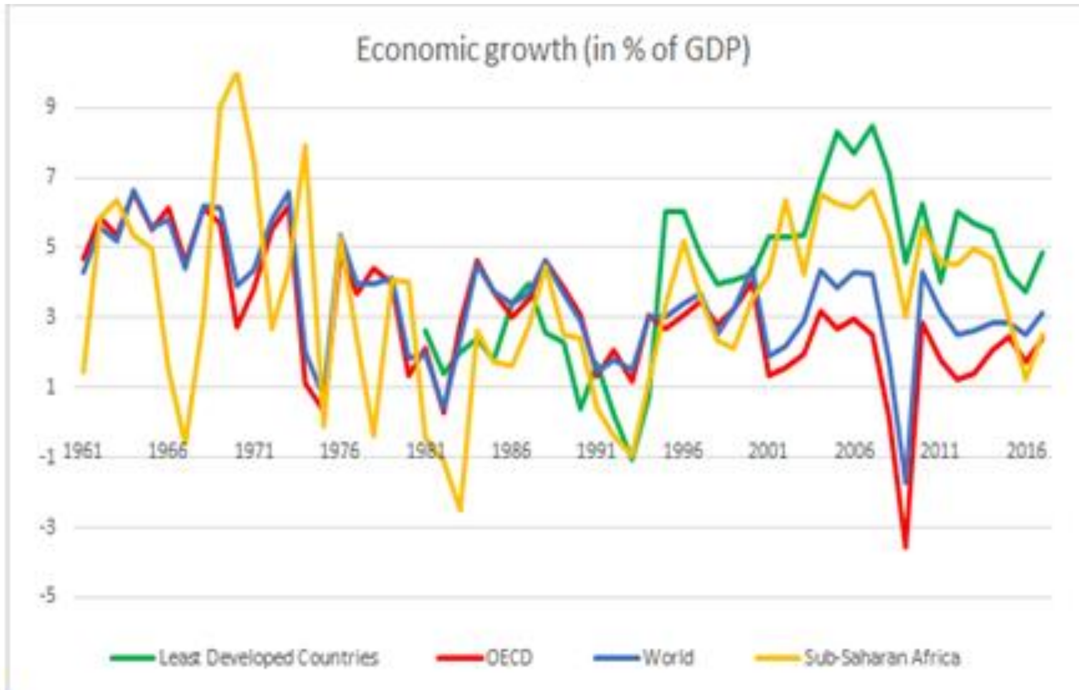
Source: ILO & KIEP, 2015

Figure A5. Global poverty rates (1980–2015)



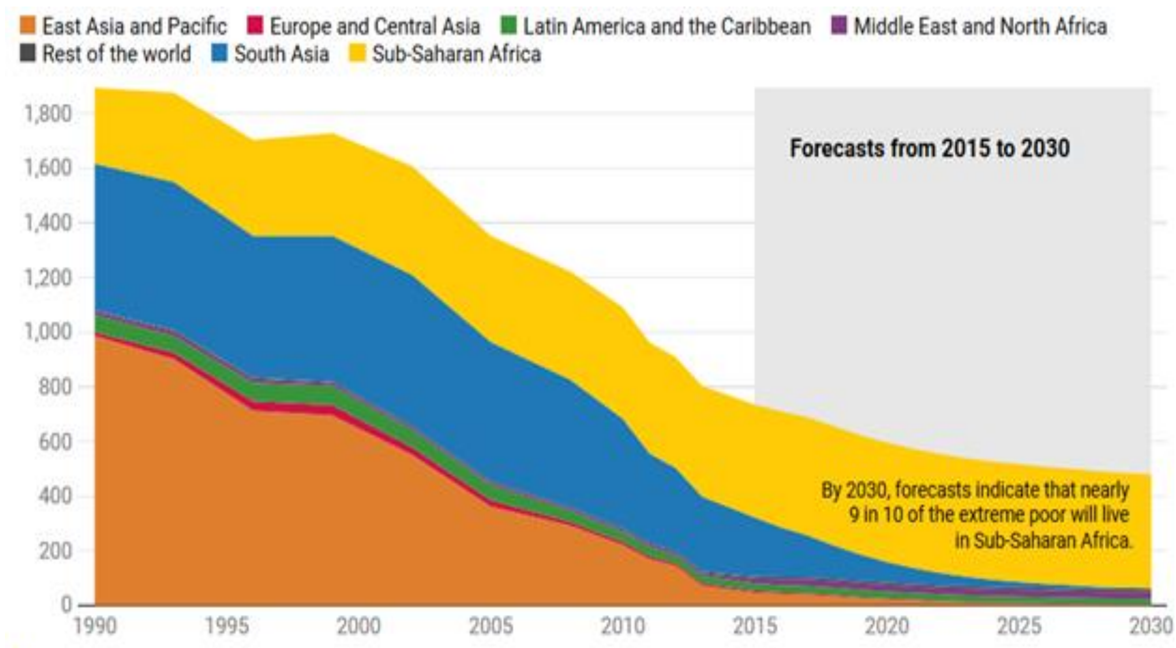
Source: World Bank, 2018

Figure A6. Economic growth (1960–2018, in % of GDP)



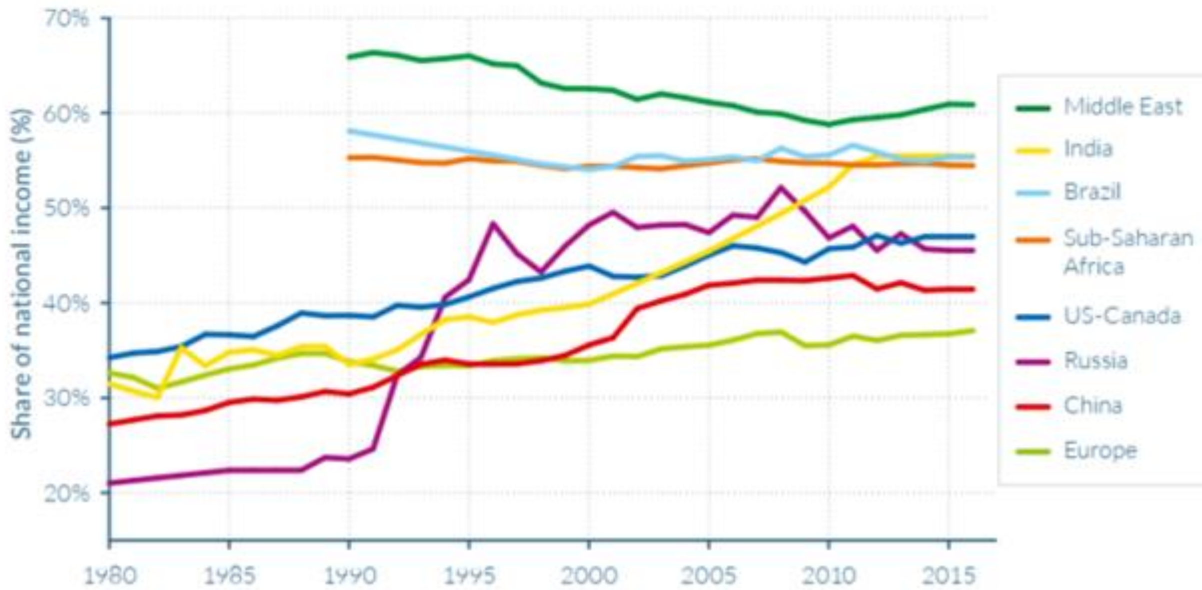
Source: World Bank, 2018a

Figure A7. People in extreme poverty (millions)



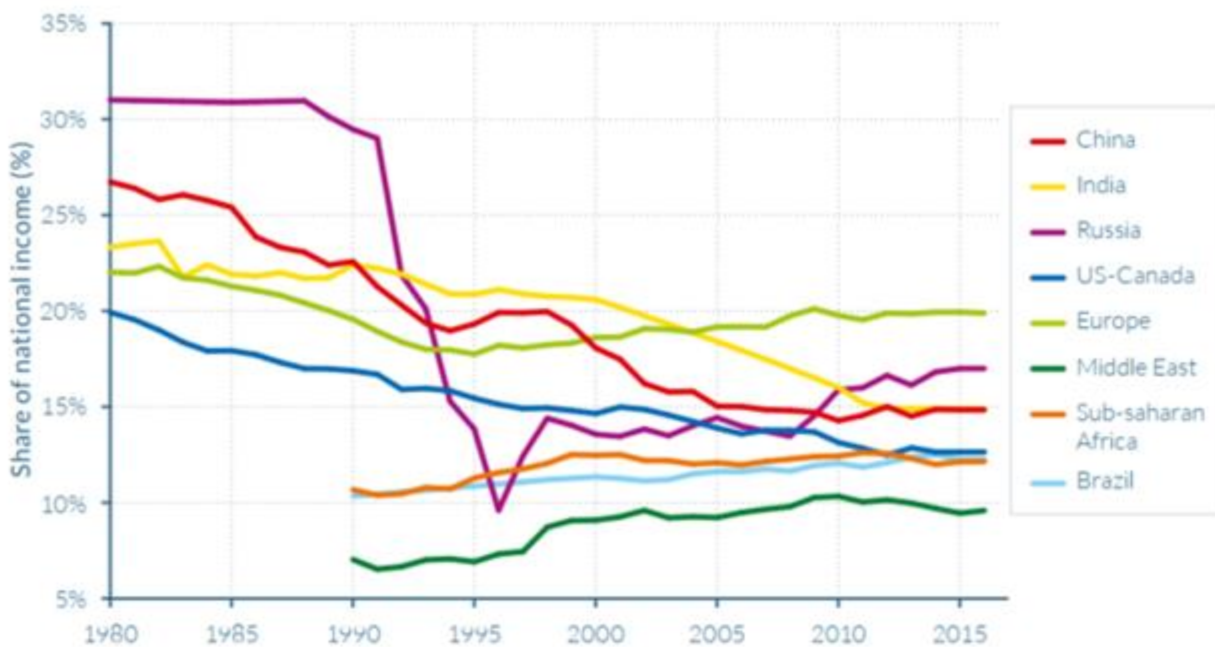
Source: World Bank, 2019

Figure A8. Share of top 10% incomes of total income



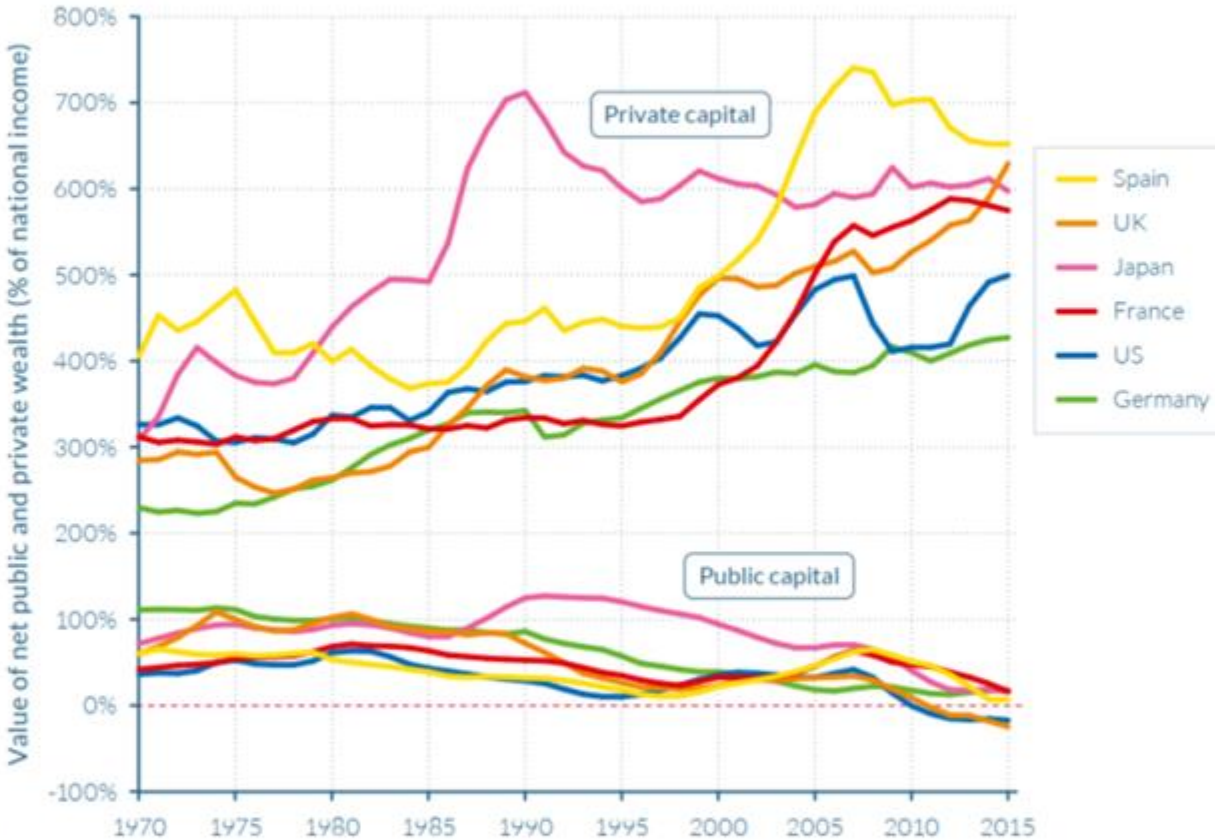
Source: Alvaredo et al., 2018

Figure A9. Share of bottom 50% incomes of total income



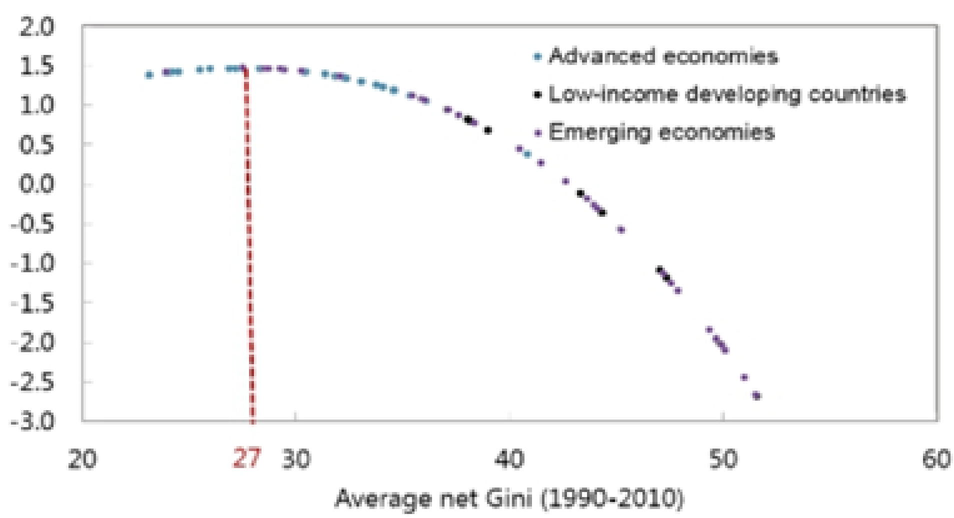
Source: Alvaredo et al., 2018

Figure A10. Private and public capital as share of GDP



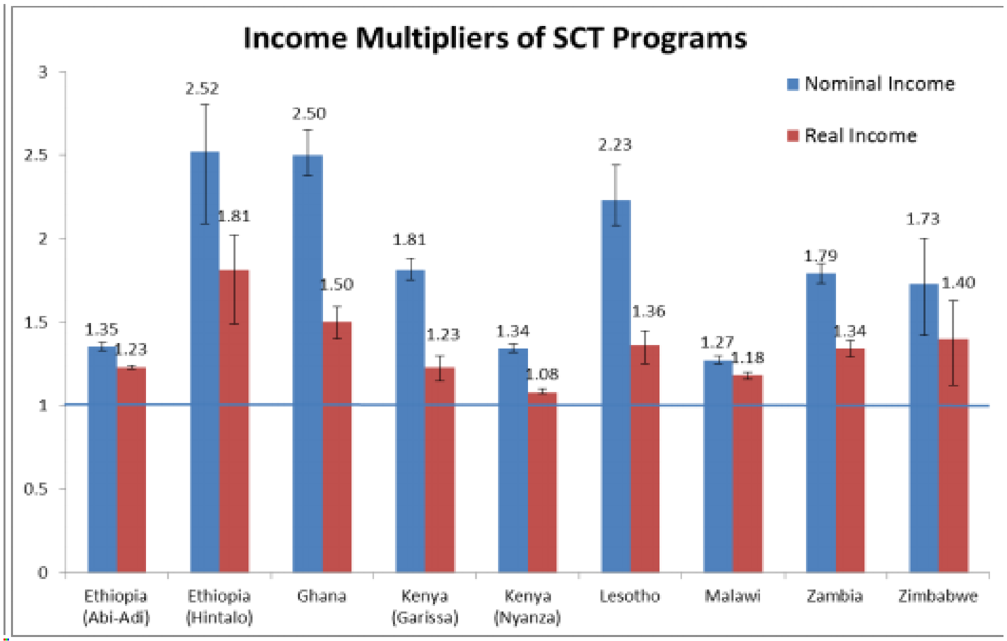
Source: [Alvaredo et al., 2018]()

Figure A11. Per capita GDP growth (in %) and inequality



Source: [Grigoli & Robles, 2017]()

Figure A12. Nominal and real multipliers of cash transfer programmes in Africa



Source: Thome et al., 2016

Table A1. Gini coefficients of 144 countries (2006–2019)

Country	Gini	Country	Gini	Country	Gini	Country	Gini
Ukraine*	25	Bangladesh**	32.4	Fiji	36.7	Uganda	42.8
Belarus*	25.4	Mauritania**	32.6	Yemen, Rep.	36.7	Togo	43.1
Slovenia*	25.4	Estonia**	32.7	Kiribati	37	Zimbabwe	43.2
Czech Republic*	25.9	France**	32.7	Solomon Islands	37.1	Peru	43.3
Moldova*	25.9	Nepal**	32.8	Bulgaria	37.4	Chad	43.3
Slovak Republic*	26	Tunisia**	32.8	Bhutan	37.4	Mexico	43.4
Finland**	27.1	Bosnia and Herzegovina**	33	Lithuania	37.4	Ghana	43.5
Kyrgyz Republic**	27.3	United Kingdom**	33.2	Tonga	37.6	Rwanda	43.7
Kazakhstan**	27.5	Pakistan**	33.5	Russian Federation	37.7	Bolivia	44
Norway**	27.5	Armenia**	33.6	Georgia	37.9	Ecuador	44.7
Algeria**	27.6	Guinea**	33.7	Gabon	38	Malawi	44.7
Belgium**	27.7	Jordan**	33.7	El Salvador	38	Comoros	45.3

Country	Gini	Country	Gini	Country	Gini	Country	Gini
Iceland**	27.8	West Bank and Gaza**	33.7	Indonesia	38.1	Dominican Republic	45.7
Denmark**	28.2	Luxembourg**	33.8	Myanmar	38.1	Nicaragua	46.2
Netherlands**	28.2	Canada**	34	China	38.6	South Sudan	46.3
Serbia**	28.5	Cyprus**	34	Samoa	38.7	Chile	46.6
Timor-Leste**	28.7	Sierra Leone**	34	Israel	38.9	Cameroon	46.6
Albania**	29	Tajikistan**	34	Ethiopia	39.1	Seychelles	46.8
Kosovo**	29	Latvia**	34.2	Morocco	39.5	Benin	47.8
Sweden**	29.2	Niger**	34.3	Uruguay	39.5	Costa Rica	48.3
Malta**	29.4	Burkina Faso**	35.3	Sri Lanka	39.8	Guatemala	48.3
Iraq**	29.5	Liberia**	35.3	Iran, Islamic Rep.	40	Paraguay	48.8
Hungary**	30.4	Vietnam**	35.3	Micronesia, Fed.	40.1	Congo, Rep.	48.9
Austria**	30.5	Italy**	35.4	Philippines	40.1	Colombia	49.7
Poland**	30.8	Sudan**	35.4	Senegal	40.3	Panama	49.9
Sao Tome and Principe**	30.8	Portugal**	35.5	Argentina	40.6	Honduras	50.5
Croatia**	31.1	Macedonia, FYR**	35.6	Kenya	40.8	Guinea-Bissau	50.7
Korea, Rep.**	31.6	India**	35.7	Malaysia	41	St. Lucia	51.2
Germany**	31.7	Australia**	35.8	Haiti	41.1	Eswatini	51.5
Egypt, Arab Rep.**	31.8	Mauritius**	35.8	Cote d'Ivoire	41.5	Brazil	53.3
Ireland**	31.8	Gambia, The**	35.9	United States	41.5	Botswana	53.3
Lebanon**	31.8	Romania**	35.9	Djibouti	41.6	Mozambique	54
Montenegro**	31.9	Greece	36	Turkey	41.9	Lesotho	54.2
Japan**	32.1	Spain	36.2	Congo, Dem. Rep.	42.1	Zambia	57.1
Switzerland**	32.3	Lao PDR	36.4	Madagascar	42.6	Namibia	59.1
Mongolia**	32.3	Thailand	36.5	Angola	42.7	South Africa	63
*below <27 threshold **below <36 threshold							

Source: World Bank, 2018a

Table A2. Multidimensional poverty (MDP) in rural and urban areas

Area	Developing countries	Sub-Saharan Africa	South Asia	Arab States	Latin America & the Caribbean	East Asia & the Pacific	Europe & Central Asia
MDP rate in rural areas	29%	74%	64%	29%	19%	8%	3%
MDP rate in urban areas	11%	31%	28%	5%	3%	2%	1%

Source: UNDP, 2016a

Table A3. Rankings of 30 'countries left behind' on commitment to reducing inequality (CRI) index

Country	Overall CRI ranking	CRI ranking on public spending	CRI ranking on taxation policies	CRI ranking on labour rights and wages
Lesotho	55	71	65	52
Malawi	87	108	7	121
Yemen, Rep.	93	118	116	68
Central African Republic	97	137	147	40
Papua New Guinea	105	122	55	111
Zambia	106	86	40	136
Mozambique	119	115	21	142
The Gambia	122	120	93	125
Liberia	124	113	120	127
Togo	125	121	59	134
Afghanistan	127	152	107	87
Mali	128	105	101	145
Guinea	129	110	150	106

Country	Overall CRI ranking	CRI ranking on public spending	CRI ranking on taxation policies	CRI ranking on labour rights and wages
Uganda	130	131	47	140
Congo, Republic of	135	148	80	128
Benin	140	132	73	149
Guinea- Bissau	141	139	151	114
Niger	142	107	134	151
Burundi	143	106	122	157
DRC	144	155	58	131
Madagascar	151	135	142	143
Chad	154	145	138	154
Haiti	155	133	145	156
Nigeria	157	157	104	133
No data available:				
Eritrea	--	--	--	--
Micronesia	--	--	--	--
Somalia	--	--	--	--
South Sudan	--	--	--	--
Sudan	--	--	--	--
Syria	--	--	--	--

Source: DFI & Oxfam, 2018

Table A4. Costs and benefits of cash transfer programmes in Africa

Intervention	Costs	Benefits	Source
Child Grants Programme (CGP) in Lesotho (in million Lesotho loti)	22.4	42.1	Taylor et al., 2015
Graduation programmes (in USD PPP per household)			
- Ethiopia	4,157	10,805	Banerjee et al., 2015
- Ghana	5,408	7,175	Banerjee et al., 2015
- Honduras	3,090	-6,118	Banerjee et al., 2015
- India	1,107	6,298	Banerjee et al., 2015
- Pakistan	5,962	10,678	Banerjee et al., 2015
- Peru	5,742	8,380	Banerjee et al., 2015
Productive Safety Net Programme (PSNP) in Ethiopia (as % of GDP in 2006)	1.37%	2.36%	Filipski et al., 2016
Cash Transfer for Orphans and Vulnerable Children (CT-OVC) in Kenya (in million Kenyan shillings)			
- Western region	34.92	46.79	Taylor et al., 2013
- Eastern region	10.64	19.26	Taylor et al., 2013

Source: Van Kesteren et al., 2018