

THE BROOKINGS INSTITUTION

FALK AUDITORIUM

BOOK LAUNCH:
THE LAST MILE IN ENDING EXTREME POVERTY

Washington, D.C.

Thursday, July 23, 2015

PARTICIPANTS:

Moderator:

HOMI KHARAS
Senior Fellow and Deputy Director, Global Economy and Development
The Brookings Institution

Panelists:

LAURENCE CHANDY
Fellow, Global Economy and Development
The Brookings Institution

RAJ DESAI
Associate Professor of International Development, Georgetown University
Nonresident Senior Fellow, The Brookings Institution

HIROSHI KATO
Vice President
Japan International Cooperation Agency

ANA REVENGA
Senior Director, Poverty Global Practice
World Bank

* * * * *

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

P R O C E E D I N G S

MR. KHARAS: Good afternoon, everybody. Thank you all so much for coming out. My name is Homi Kharas. I'm a senior fellow at the Global Economy and Development program here at Brookings and we're delighted that you have come to join us for the launch of a new book that we've produced.

The book is called, *The Last Mile in Ending Extreme Poverty*. It is available for sale outside should you think at the end of this that there's actually something interesting in this book. We're going to talk about the themes of this book, not specifically all of the papers and everything, so you will actually will have to go off and read the book if you really want to know what's inside it. And as a reward for your actually coming and attending this event, you will get 40 percent off if you buy it today.

So we've got a very distinguished panel and let me quickly introduce them. On my right is Hiroshi Kato. Mr. Kato is a vice president in JICA, the Japanese aid agency, and he's here wearing two hats. His most important hat for this afternoon is that of co-editor of this volume. His other hat is the hat as a senior official of one of the largest aid agencies in the world, with 60 years of experience in development assistance.

On his right is Laurence Chandy. Laurence is a fellow in our program at Brookings. He is also a co-editor of this volume.

To his right is Ana Revenga. Ana is the senior director of poverty reduction in the Global Practice of the World Bank Group. Sorry for mangling that, Ana, but these reforms happen a little bit too rapidly for me to keep track of. (Laughter) But, basically, she's the person at the World Bank who does all of their poverty programs and is also responsible for the various speeches that the president of the Bank, Jim Kim, gives on how to --

MS. REVENGA: That's actually not true. (Laughter)

MR. KHARAS: That is absolutely true. I have it on real authority.

(Laughter) So we're very grateful that she's come to help us.

And then last but not least, at the end, Professor Raj Desai from Georgetown University is also a nonresident fellow of Brookings. Nonresident because he chooses to sit at Georgetown rather than here. I'm not quite sure why, but he is also the author of one of the chapters in this volume.

I think we also have in the audience a couple of other authors. Basically, this is an edited volume. What we've tried to do is get lots of different perspectives together because I think, at the end of the day, there is a great deal that we don't know about how to actually end poverty. And so we thought that rather than try to pretend that we knew, we would try to gather people with different perspectives, sometimes with radically opposing ideas, and juxtapose them in the volume.

So, rather than having a presentation of what's in the book, et cetera, we thought we would have a discussion of the big issues and so what we're going to do is first have a discussion amongst the panel members that I will moderate, and then we'll open it up to Q&A. We have until 3:30 for this event, so there should be plenty of time available for Q&A, so I hope that we will be saying things that inspire you to question us and to prod us to expand beyond the generalities of what needs to be done.

So, Hiroshi, I wanted to start with you. And the book is called *The Last Mile in Ending Extreme Poverty* and, in some sense, this is taken from the idea that in the Sustainable Development Goals that are going to replace the Millennium Development Goals, the global community is essentially moving from an objective of trying to reduce or half poverty to really saying, we're going to end it.

Now, that's something that's both old and new. I mean, it's old in the sense that lots of people -- we've got examples in the book -- have been saying, let's end

poverty. But they never really believed it. They never really thought it was possible, it was just a rhetorical flourish. This time around it seems to be a bit different. There do seem to be people who literally think we can end poverty. So let me start by asking you - - and, in fact, all of the panel members -- let's start by thinking about what difference does it make if we start by asking the question how do we end poverty, rather than just asking the question how do we continue to make progress as we have been doing in reducing poverty?

MR. KATO: Okay, thank you, Homi, and thank you for having me. Maybe before directly answering your question, I'd like to, first of all, do some sort of promotion activity of the book.

MR. KHARAS: That's a very good idea.

MR. KATO: Ultimately, this event is to promote the sales of the book and if we're to incite the active debate -- but anyway. There are several premises that we started with when we started the book. The first premise is that given the past trajectory of global poverty reduction, it is reasonable -- it is not totally unrealistic to think that it's possible to end poverty by 2030 if we remain on the current trajectory. Of course, there are many economists who have more pessimistic views on that possibility, but there are possibilities of ending poverty by 2030.

But the second premise we relied upon is that by simply extrapolating the past trend is problematic for several reasons. One is that, as we all know, the global relatively good performance in poverty reduction has been driven by some big country's good performers, like China and India, which has masked the slow or even negative progress in some countries, most of which are found in Africa.

And maybe the second reason for extrapolating the past trend as dangerous is that as the poverty level declines, it will be more difficult. Countries will find

it harder to find ways to reduce poverty. In other words, the marginal cost of reducing poverty will increase as the absolute level of poverty declines over time.

So our premises are something like this: It is an achievable goal to think of eradicating poverty by 2030, but simply extrapolating the past trends is very dangerous. This is the premises and based on these premises we argued in the book that three ingredients are very important in helping the international community and its member states to achieve eradication of poverty. One is peace, the second is jobs, and the third is resilience.

And I think the other premise we'll talk about these areas more in detail, but just to start we have chosen these three areas for some obvious reasons. One is peace, it is obviously the foundation of any progress and development in poverty reduction. And a society's stability or instability has a large impact on a society's ability to grow and reduce poverty.

And the centrality of job creation -- having productive jobs -- is increasingly recognized in the international community. And we share that view that to have inclusive growth and to leave no one behind, it is imperative to have an exceptional number of jobs, which includes not only wage-paying jobs, but also jobs in agriculture and in other areas.

And thirdly, resilience, resilience as defined as a society's ability to mitigate and deal with unexpected shocks and risks. And we tend to assume that the movement across the poverty line is one-way traffic, but, in reality, households can easily slip back from above the poverty line first showed, down to the poverty area. And we all have realized that the past progress the MDGs have been very often, and critically, hindered by the shocks and risks, including natural disasters, manmade disasters and conflicts, and infectious diseases, and many other things. So these three areas that we

believed are very important in completing *The Last Mile*.

So, finally, about the book, it is a collaboration between The Brookings Institution and JICA Research Institute. And it's the collaboration of both scholars and development practitioners, researchers from The Brookings Institution and many other prestigious international think tanks and research institutes, like ODI and Stockholm International Peace Research Institute. And from the practitioner's side, JICA and Australian colleagues joined in the exercise.

This is about the book. Maybe let me finish up at this moment and join the discussion later.

MR. KHARAS: Thanks, Hiroshi. So peace, jobs, and resilience are three of the big challenges that you see coming out where maybe don't exactly know how to proceed, but where we have to find some answers if we're really going to be successful in ending poverty.

Ana, I'm going to turn to you because the World Bank has also adopted as one of its goals, its twin goals, ending poverty. And let me start by asking you, was that controversial in the Bank? Were there people who said, no, let's not talk about ending because that's clearly much too difficult and let's be realistic, keep it at some safe bureaucratic threshold or was it taken as something that can be done? And if it can be done, where do you see, from the Bank's point of view, the most pressing challenges?

MS. REVENGA: So, you know, we have kept a slight bureaucratic threshold.

MR. KHARAS: Yeah, I do know that.

MS. REVENGA: We didn't say we'll be able to get it to zero. We said we'd get it to 3 percent. And you could argue, why 3 percent? Well, there's a sense that there's always people falling in and out of poverty. So if you wanted to be technically

accurate, you'd say 3 percent, but the spirit's the same. The spirit is, you want to eliminate extreme poverty as defined by what is a pretty low bar. Let's keep it in mind. \$1.25 PPP a day is a very low bar for extreme poverty, but I don't think it was controversial in and of itself.

I think it's interesting that it's paired with another goal, and I'll say a few words about that. But I think ending extreme poverty will soon be synonymous with ending poverty in Africa and in the most difficult and fragile settings because that's what it will take to reach the goal. And it's obviously a much harder thing to do than to say we're going to heavily reduce poverty because it means doing it in the places where we know some of the most basic conditions for achieving poverty reduction aren't really there.

I think it's very clear and my colleagues have done a lot of simulations, as have others, to show that growth alone isn't going to get you there and even if the world were to keep its pretty impressive growth performance of the last decade and a half, it still wouldn't get us there. Beyond growth, you need some very fundamental changes in how growth impacts poverty and how the benefits of growth are shared, so you actually need some big distributional changes. And that is much more controversial at the World Bank.

It's much harder to talk about inequality in policies to shift inequality than it is to talk about reducing poverty. And yet, without that element, I don't think the goal is achievable. So, hence, that second goal which is called -- in a good example of bureaucracy at work -- "Boosting Shared Prosperity," but what it really means is that the Bank is actually making a statement, which is not such a bland statement if you interpret it properly. It's saying we care more about what happens to the incomes and welfare of the bottom 40 percent of the distribution in any country than we care about the top 60 percent.

And you may have heard about Lance saying, why 40 percent? The important thing and the message is we're saying we're putting more weight in the well-being of those at the bottom because that's the only way that we can ensure -- and the bottom means, whoever's at the bottom at any point in time. If someone moves up, somebody else is going to take their place, so it's creating a dynamic of mobility and welfare improvement that is, I think, a very important statement for an institution like the World Bank to make.

And then it is trying to realign its own internal strategy process with the idea that you really have to look at how that institution does impact these twin goals, interpret it in the appropriate way for the country. So, if you're a wealthy country or a wealthier country, you want to up the standards. But what will it take to actually achieve this? I think a lot of commitment from countries themselves, but also from the global development community.

I like the focus on peace, jobs, resilience. I think peace is a prerequisite to achieve poverty reduction and the places where we have to achieve it if we're going to meet the goal. I think it's also a result of making greater progress in poverty reduction, so it's both a requisite and -- but you need that foundational level of peace to be able to make progress.

And then jobs and resilience, I might have called them something else. I think one of the few speeches of Jim Kim's which I did have an influence is one that he made in the spring where we talked about the importance of three pillars for poverty reduction: grow, invest, ensure. And not just any kind of growth, but growth that really translates into higher labor earnings for the poor. So that's really about jobs and the earnings associated with jobs.

Invest, which is really about investing in the assets of the poor, which is

another way of saying about investing in their skills and their health and their access to land -- again, the thing that's going to feed into their income-generating opportunity.

And the third pillar was ensure, which was meant very much in the sense of resilience. That is, protect people as they make progress from falling back into poverty, both through country-level programs and mechanisms, but also worrying about shocks that are not country-specific, that are cross-border. They may be regional or global in nature, like pandemics or disasters. And so I think it echoes very much what the book is identifying.

And I think we can talk a little bit more about that as the discussion goes on. What do we mean by jobs? I think the real challenge is -- I'm pretty convinced that in very low-income settings what you need to do is focus on agricultural growth and agricultural productivity. That will get you very far, but it won't get you all the way. You also need to think about how do you create opportunities in other sectors and service? And the places where that's hardest to do are precisely the fragile settings where we actually have to do it, where we have to figure out how to deliver services, how to build the foundations for private sector led growth.

So it's not an easy challenge and I think we do need to think very hard about the answers and the policy responses. I'm very optimistic when I think of countries like Ethiopia or Rwanda or Uganda, where we've seen a lot of poverty reduction. But when you're trying to think about how do you achieve the same kind of results in Sierra Leone or in DRC or in Afghanistan, I think we're going to have to question some of our standard thinking a little bit more.

MR. KHARAS: So we'll get to the policies in perhaps more detail later, but specifically has the idea of ending poverty actually changed the way in which you do your job? I mean, you've been at this business now for quite some time, has it given you

a different focus in terms of countries? Has it given you a different focus in terms of themes and approaches? What difference does it make to say we want to end it rather than we want to reduce it?

MR. TREMULIS: I think there are two buckets. One is how is it changing what I'm doing in my job? And more fundamentally, how has it changed what my colleagues are doing in their jobs? Because I've always worked on poverty and equity, so I've always been worried about these things and I think what is changing in my job is clearly very much -- we work in all countries, but in terms of priorities, it's very clear. For me the priorities are Africa and South Asia, and within those it's actually the fragile countries.

In terms of themes, I think we're trying to bring this ending poverty, boosting the incomes of the bottom 40, to everything we do. It also means that in richer settings, in middle-income countries, we're getting into the issue of how do you reach that 10 or 20 percent that is hard to reach? That may be chronically poor that are in hard-to-reach areas? They may be indigenous populations and for those I think what's very clear is that just labor-intensive growth, answer and invest in service and delivery is not enough. There's even an emotional component to being chronically poor that needs to be tackled. So I think it changes what countries we focus on, but it also changes how we engage even in better off countries.

The biggest change I see -- will it last, I don't know -- is in my colleagues because for the first time -- and I've been at the Bank for 25 years -- I do have my transport colleagues, my energy colleagues coming to me and saying, how do we think about our investment portfolio in a way that brings this focus on the bottom 40 into the design of the program? Is this the right -- should we be using poverty maps to target our investment? Should we be looking at the way the projects are designed?

It's the long way to go, but I do find that I have a bit more traction in trying to get others in the World Bank to think with an equity lens and I think that comes, actually, from the goal to end poverty and from the goal to focus on the bottom 40. So I do see a bit more openness to thinking about a transport intervention, not just from the point of view increasing efficiency in the transport sector, but also how does this actually impact the welfare of the bottom 40? And that's a really positive step.

MR. KHARAS: Great. Laurence, Ana has really on a couple of occasions focused on fragile states, conflict affected states as being the big barrier, and you've written a lot about this in the past. Do you see these three things, peace, jobs, and resilience, as being -- do you think of them as separate? Do you think of them as being all interrelated? Is there one to which you establish more primacy and weight? And do you really think, is ending poverty conditional on achieving peace everywhere in the world? If so, is that realistic?

MR. CHANDY: I think the last part of your question is the really interesting part. I'm not saying the other stuff is boring. (Laughter)

MR. KHARAS: It would put out of business an entire group at Brookings, which is the Foreign Policy event and it focuses on how to achieve peace.

MR. CHANDY: I'm sure (inaudible) the Foreign Policy event. But if I was to take a poll of the audience here or any group of people who are interested in development and asked the question do you think we can end extreme poverty, or at least get very close to ending extreme poverty, we could do this, it would be a bit too cute, but I imagine half of you might say yes and half say no. If I was to ask the question how many of you think we can pretty much end war in the next 15 years, I'd be surprised if any of you would put up your hand.

And so if you believe that we can end poverty despite ongoing wars,

either you understand peace in a different way to me maybe -- anyway, you see the world very differently to me, that's generally the case. I think this is a real big problem that we've made one goal seem realistic, achievable, and attainable in our minds, and the other one we know seems fundamentally elusive.

And it's particularly a problem because when we look at poverty numbers over time, the reducing number of people in the world who live in this very impoverished condition and below \$1.25, an increasing share of those are found in at least very unstable environments, if not in conflict zones.

And I know a lot of you will already be familiar with the numbers, but just to remind you of them, if you go back to the beginning of the MDG period, or at least the one we account for MDG progress, back in 1990, one in five of the extreme poor lived in what we call fragile states. We've now put two in five. Now, another way of looking at those numbers is to say that a number of people who live in extreme poverty is reduced from 2 billion to 1 billion, but the number of those who live in fragile states has remained the same at 400 million throughout that period.

So at least part of the solution seems to be let's try and do this really difficult thing of ending conflicts. And there has been a sort of secular decline in the number of conflicts going around the world since the end of the Cold War, which is a great thing. It's reduced from something like 50 countries who are concurrently in conflict in the 1990s to sort of 30-something today. But this 30-something figure has been around the same for a decade or so, and we know it's not continually falling.

And the nature of conflicts does seem to be changing in ways which makes it harder to solve or at least it means that the kind of solutions may have to evolve, too. So today's conflicts on the whole are more protracted. They are sub-national rather than between countries. They often involve actors who don't necessarily want to govern,

they want to see the kind of chaos so they can operate freely. It's becoming very hard to protect citizens in the conflict zones. David Miliband, the president of IRC, complained last year that Geneva Conventions around protection of civilians during conflicts is becoming almost impossible to uphold. There are also new conflicts which arise. It's not just a matter of ending the ones which are ongoing, and Syria is obviously a great example of that.

For those of you who don't know, before Syria's conflict started, Syria was at a level of development where essentially extreme poverty no longer existed. It was down to 1 or 2 percent. Now, no one has tried to go into Syria and conduct any surveys to see how many people live in extreme poverty today, but we have some data from satellite imagery, we have a few data points here and there, and I've done some back-of-the-envelope calculations and my best estimate is that extreme poverty last year in Syria was up over 30 percent. So it's gone from 1 percent to over 30 percent in 3 years.

Now, urban poverty in China reduced from 31 percent to 1 percent over 20 years. So Syria managed to undo what urban China did in 20 years in just 3 years. So this is a real challenge and we can focus our efforts on ending conflict, which is obviously a very laudable goal, but one which we don't have obvious answers.

We can also try and reduce poverty despite conflict, or at least despite fragility, and there is some progress there. I think there is some good news there -- some good news on both fronts. But whether you're trying to end conflict or you're trying to reduce poverty in fragile states, both of those are really, really ambitious -- laudable, but ambitious objectives.

MR. KHARAS: So I think one of the contributors to our book, Bruce Jones, talks about how we need to have quite different mechanisms of co-opted elites, if

you will, to give them a stake in a peace process. And I think perhaps the implication of that is that taking an economic development approach to poverty may not be enough, that we need to do much more from the political economy side, as well.

And so I'd like to turn to Raj Desai because Raj is a political scientist and kind of see if you want to take that a little bit further. Raj, do you think that we actually do have the ability to carve out political alliances that will really support this drive to ending poverty? And is it, at the end of the day, going to just be about the politics, stupid?

MR. DESAI: Thank you.

MR. KHARAS: Sorry, stupid does not end with you. (Laughter)

MR. DESAI: So rude. (Laughter) It absolutely is about the politics. One of the things that change when thinking about eliminating poverty, at least below 3 percent -- are we on? -- versus cutting it in half makes us think about is the extent to which we move from thinking of social protection as a series of fragmented programs to a much more comprehensive set of interrelated components of a, for lack of a better term, welfare system. And once you think about that in comparative perspective, it becomes very clear that the welfare state as it was created in Western Europe, in other places, has a fundamentally political base for its creation and its expansion. And that has to do with an alliance between the middle class and the working poor.

Now, one of the things that I try to do is look at a series of middle-income, low-income countries and compare them in terms of their progress against poverty to where the U.S., U.K., Germany, and France were. So, for example, China -- or India, take India. India's extreme poverty rate today is about 32 percent. The U.S. reached India's current per capita income in the 1890s. The U.K. did it in the 1870s, Germany in the early 1900s, and France in the early 1900s.

If I were to ask you what was the extreme poverty rate -- keeping in mind

that for India it's 32 percent, 30 percent, what was the American extreme poverty rate in 1894? Any guesses? Ten percent. In the U.K. it was 12 percent when it reached China's per capita income. In France and Germany it was 5 percent, 7 percent. So these are countries that had reduced extreme poverty much faster, at comparable levels of income, than current middle-income and low-income countries.

And it seems to me that the explanation for that is that the nature -- it's not the amount of social spending, which is actually quite comparable. It is the way in which the social protection systems were designed. And the way they were designed in Germany, U.K., et cetera -- in Western Europe -- is different than the way they've been designed in the developing world. And it has to do with things that we can get into in the discussion in terms of the nature of coverage, the depth and targeting versus universalism, but fundamentally it has to do with the fact that the welfare system was created during a period of industrialization in Western Europe in which leaders were essentially trying to co-opt potential opponents to their industrial policies, whether it was Bismarck in Germany or the Labor government in the U.K., and so on.

That type of coalition does not really exist in many of the countries that we're talking about today. The strength of organized labor -- the relative bargaining strength of organized labor is weaker. The informal sector is larger. Instead of middle class buy-in, we have a phenomenon that has been, I think, observed in many countries of middle class exit, middle class retreating into a world of private social protection.

And those factors are very, very different and explain very, very different trajectories, comparatively speaking.

MR. KHARAS: You're sort of depressing me because you're saying that -- (Laughter)

MR. DESAI: That's the job of most political scientists in a room filled with

economists. (Laughter)

MR. KHARAS: I thought economics was the dismal science. (Laughter)

MR. DESAI: That's true.

MR. KHARAS: But I suppose you put a lot of weight on inequality and you've put a lot of weight on the class formation through industrialization and things like that, but people like Danny Roderick, who've been saying we now have significantly less prospects for industrialization, in fact, he's talked about premature de-industrialization, so I'll give you a chance to redeem yourself. Is there anything positive or optimistic in terms of policies you think would have broad-based political support that could be put in place to actually end poverty in lots of these countries? Or is this --

MR. DESAI: I think most policy designers would ideally like to achieve three things, some form of impact -- obviously impact on reducing poverty, cost effectiveness and something about social cohesion or group solidarity or something like that, peace, if you want to -- for lack of a term that we've used.

Now, it seems to me that the emphasis in much of the developing world has been on the first two, on cost effectiveness and on impact, which has led to a very strong preference for targeting, for completely understandable reasons. But targeting has its costs and it has its costs in the form of reducing what I would call this kind of intra-group solidarity. And when it comes to eliminating extreme poverty -- thinking about what the other speakers have said, in terms of where the extreme poor are going to be in the next 15 years, particularly fragile states -- much more attention needs to be placed on rebuilding or at least creating the basis for some form of social cohesion while social protection systems are being developed, reformed, et cetera.

And that means that as hard as it is, there may be an imperative to, shall we say, reduce a little bit of the targeting preference so that the median voter in these

countries sees some benefit from the spending of their tax dollars, thinking of more contributory forms of social protection rather than the non-contributory type, so that there is more buy-in to the stakes, there's more skin in the game. Many analysts of the Indian system have noted that there hasn't been a lot of -- one of the problems has been the lack of middle class buy-in to the Indian social protection system and that what is needed is, in fact, to find ways to bring the middle class into the social protection system by creating more contributory mechanisms, more universal mechanisms. That would be, broadly speaking, the type of thing that I think might compensate.

MR. KHARAS: Okay, so Ana, I'm going to come back to you on this question of do we want more targeting or less targeting in a second, but I just wanted to bring Hiroshi back into this conversation because Japan has been a country which has always been associated with very low levels of inequality. It's a fairly homogeneous society. You've always had social stability, if you will, and not had to worry too much about programs to foster it and support it.

MR. KATO: Uh-huh.

MR. KHARAS: So with that kind of background, do you think that now, putting on your hat as vice president of JICA, do you have the kind of experience to operate in this very politically charged arena of building coalitions and achieving stability?

MR. KATO: Well, Japan's development experience started in late 19th century, so maybe it's hard to compare Japan's experience with today's challenges faced by many developing countries, but there are certain things that we can share with a little bit of pride with developing countries today.

There is the heavy investment in rural and agriculture area and that fostered the balanced growth between the urban and rural areas, which improved the agriculture productivity, which resulted in pushing the labor force from the rural area to

the urban manufacturing sector, which, again, ended in the industrialization of the country. So maybe a heavy -- and that actually resulted in an equal society where the people in rural area and urban area don't have very big disparity in their income and social status.

So this kind of lesson can be applied to today's developing countries, especially in Africa. Maybe we see a huge underinvestment in agriculture in Africa, and especially in rural areas, which is resulting in the massive extreme poverty in the rural areas, and also pushing the food prices in those countries up, which, again, resulting in the diminished wage competitiveness controversy in those countries.

So maybe in order for the countries to have an equality and equalized society, maybe balanced investment in rural and urban areas. That has helped Japan and many Asian countries to develop without a huge disparity of income.

MR. KHARAS: Okay, so you're agreeing with Ana's previous point --

MR. KATO: Yeah.

MR. KHARAS: -- that agricultural development is really important here. And actually on that there is some good news globally because, if you go back 20 years, you would see in many developing countries a fairly systematic bias against agriculture. Estimates vary, but 20, 25 percent wouldn't be unusual. And today, pretty much across the world, the anti-agriculture bias has basically disappeared. It's within plus or minus 5 percentage points, so conditions today are probably much more conducive to rapid agricultural growth than they were before.

Ana, I wanted to come back to you on targeting because the World Bank has always been a very strong advocate for quite specific targeting. And I also was actually reading a paper this morning saying that targeting of welfare policies is actually the favorite tool of quite a few dictators around the world and that it was used by Barahn,

it was used by Franco in Spain.

MS. REVENGA: You could say, having grown up in a dictatorship, I could tell you the secret.

MR. KHARAS: Well, are you still going to be advocating for these kinds of programs?

MS. REVENGA: So, first let me say that I found interesting that Raj referred to France and Germany. He carefully picked the northern part of Europe because if he had talked about Spain, Portugal, Italy, their rates of extreme poverty in the 1800s were probably significantly higher. And I think the explanation has to do with something that does not have to do with the social welfare state, it has to do with the fact that the agricultural technology that allowed agriculture productivity in Northern Europe to take off, and undoubtedly industrialization, was not well suited to the climates of the south.

The land ownership was extremely skewed. Very few landowners and a lot of landless peasants, and they did not invest in education at all. So you look at Spain at the end of the 19th century as basically an illiterate population and that, actually, I think fundamentally explains it. So I'm not sure it's the part of the social welfare state that I would highlight of Northern Europe and the U.S. It's much more the investment in services, in education, and health, to some extent, than the social protection, per se.

But I think it's an interesting -- my problem with the targeting versus non-targeting debate is I, personally, think excessive targeting basically undermines popular support for these programs. So I think you need the right balance. But I do think that it's very difficult to imagine a social welfare system that's universal in a poor country, with a very small elite and a lot of poor people. And that is actually the Spanish experience. I mean, the Spanish Civil War is very much rooted in a few people having assets and

power and a lot of people not having it.

And what's different when we get to the '60s is that people have a stake in the system and the dictator created that by giving out goodies, which were protected employment and access to housing in exchange for political stability. But I do think that in a very low-income setting, I find it hard to not argue for some form of targeting because I don't think there are a lot of resources. But I do think that if you're Ethiopia, I do think it's right to have a rural safety net that does target the poor.

Now they're experimenting with an urban safety net because they realized that the urban poor, who were not necessarily as poor as the rural poor, need some kind. And I think as countries grow -- and I think this is very much the story in Latin America -- you need a social welfare system that is much more inclusive. And you need to move away from targeting, particularly if you want to maintain the progress that you've made because what we saw in the financial crisis of Mexico, for example, is the people that were hurt were not the very poor that were targeted through Oportunidades. They were the lower middle class who did not have access to that and the Mexicans didn't have good tools to respond to that.

So I think countries do need to build social welfare systems that are wider, more universal, that will require some contributory mechanisms. The problem there is I would not finance those welfare systems through labor taxes because that creates all sorts of other problems, right?

So I do think there's a natural progression, but I think in a very low-income setting, I would still come in with a recommendation for targeting.

MR. KHARAS: But do you think that --

MS. REVENGA: Which doesn't mean that we should close the door to more universalist approaches to health --

MR. KHARAS: Right.

MS. REVENGA: -- where, actually, I think taking a very clear stance that what we want is universal healthcare coverage or education.

MR. KHARAS: Because I was going to ask, do you think there's a risk that, with all this discussion of social safety nets, that we're actually taking our eyes off basic service delivery and health and education? In other events here people have talked -- we have a Center for Universal Education, they've talked about the learning crisis in developing countries. And, yes, more kids are going to school, but they're not actually learning much.

So is social protection, in some sense, are we losing focus on the things that are absolutely critical?

MS. REVENGA: The thing that worries me in this, in access to education and health, is the fact that, particularly in education, we see access. We get the kids into school --

MR. KHARAS: Yeah?

MS. REVENGA: -- but the learning gaps between rich kids and poor kids are enormous.

MR. KHARAS: It's huge.

MS. REVENGA: Many countries -- in Latin America the average outcomes are poor, but if you look at the bottom quintile they're abysmally worse. And what's worse is they're very dependent. There's a lot of intergenerational dependence. Your learning outcomes are very dependent on the education of your parents. So you have these hard to break cycles.

So I do think that if I was -- I think social protection spending is very important, but I do think that it's fundamental to make sure that the spending on health

and education is doing what it's supposed to be doing. And I don't know if we're taking the eyes off the ball -- but I think, personally, when I talk about the work that we do at the World Bank, I think the World Bank as an institution is better at social protection than it is at health and education. And we need to up our game on health and education.

Now, my colleagues may not like to hear me say that, but I do think that we've built a lot of knowledge around social protection -- not just the design, but how to implement it -- and I think there's still some very big questions in health and education that we aren't quite getting right. And so I think that that would be a high priority.

MR. KHARAS: Okay, so back to inequality, inequality of outcomes and inequality of opportunities. Laurence, what do you think about whether we've got mechanisms and tools today that really get to some of these inequality measures? They seem to be very stubbornly ingrained in societies.

MR. CHANDY: Well, I think some of the reason there's such enthusiasm for social assistance and, more broadly, social welfare is that we now have very high quality of evidence of impact. So we have this scientific standard of rigorous evaluation, which we've applied to many of these programs. And for those of you who have casually followed the few times development gets picked up by, say, *The New York Times* or *The Washington Post*, they're excited about things like cash programs, especially given directly to the charity that allows me to Ping some money to a poor farmer in Kenya with virtually no transaction costs or middleman.

And then, more recently, this BRAC-inspired ultra-poor graduation program, which takes a very different approach and says rather than just giving someone cash, give them everything you've got. Give them cash, give them a productive asset, which means some chickens or a goat. Give them some mentoring, give them some healthcare, some health insurance, give them a bank account. Just throw the kitchen

sink at them and then take it all away after a year or so and, hopefully, there will be a permanent effect.

And in all of these evaluations, what matters is obviously the cost-benefits calculus, and the benefit comes from if the impact is permanent. So if you give someone some cash and they spend it all, then the benefit's going to be short-lived. But if it enables them to permanently raise their level of income, then the cost-benefit calculus quickly shifts to saying, hey, this thing looks fantastic.

And a lot of the debates about the value of these different programs has been about trying to understand what is the long-term legacy effect of intervening in a fairly heavy way in the short term. And that's a really interesting discussion. Of course, we don't fully know the evidence because most of these evaluations are only a few years old and we need to wait 10 years or longer to really know what the long-term impact might be, especially in fragile states where everything might change in 10 or 20 years time. I think that debate's a really fascinating one.

There's another debate which I think gets ignored, which is about the scale of these programs. And I don't mean scale the way we normally talk about it in terms of how many people you're reaching. I'm talking about the scale of the intervention in terms of how much does it cost per person? So if you think of the kind of give directly, cash-only intervention, we know that if you give someone a little bit of cash, they'll probably spend it on their next meal, but if you give them a big slug of cash, that will change their time horizon and it might buy some productive asset, like a motorbike which enables them to drive people around, which they can make some money off of for -- back to the goats or the chickens, right?

And similarly, when we do these cost-benefit analysis things can look like all we're interested in is this ratio. But as a development community or as a government,

you've got to decide whether you can really afford these big investments in the first place.

On this BRAC program, which has received a lot of attention in the last few weeks, the intervention is very expensive. Per household it costs a lot of money because you've got to send in the trainers and the mentors to the household. Now, the advocates of the program insist it's worth it. Don't worry, the benefit's going to be big. But the actual absolute increases of income that you see of the households per day, a couple of years later, maybe about 10 cents a day.

Now, any improvement is a good improvement, but for extreme poor in Africa who are typically living on 74 cents a day, that's the average income of someone in Africa living below \$1.25, that's not bringing them up to \$1.25. So then the question is, do we have to give them five times as many goats? Do we have to give them five times the cash intervention? Then it starts to become prohibitively expensive.

So this is one of the challenges of this goal as it forces us to think very much about the depth of poverty that exists, especially in Africa and not just about cost benefit. But we need to actually get these people up above this minimum level and that is really hard.

MR. KHARAS: So you're advocating for a big push type of policies and a fairly broad agenda that can really lift people up?

MR. CHANDY: I'm saying that interventions which are getting a lot of good press demand an extremely big push, much more than perhaps is conveyed in the articles, which say, hey, it comes out -- it's a net positive, so just invest in it.

MR. KHARAS: Right, so there's a cost side to the benefit cost of ratio. Okay, well, you've all been very patient, so let me open the floor to questions now. I'll try to take three or four at a time. There's a roving microphone, and if you can please just introduce yourself and ask a question with one of these curly things at the end.

MS. CHEROW: Hi, Evelyn Cherow, Global Partners United. Last month at the U.N. Conference of State Parties Meeting on the Convention on the Rights of People With Disabilities the main topic for four days was the SDGs did not really specify the 1 billion people with disabilities in the goals as explicitly as one would expect, based on the U.N. policy, the World Bank policy, the U.S. aid policy, and every other aid organization's policies.

Ninety percent of children lack access to the education that you just discussed. Children with disabilities are not in school, 90 percent, and lack access to healthcare and habilitation and prosthetic devices. So we're talking about an underestimate in 1 billion, with the aging of the world's population, as well as the life-saving at birth, knowing that results in increased disability.

So I haven't heard you be specific about it. You've mentioned the 40 percent at the bottom, but the 1 billion are considered the poorest of the poor, so I'd be interested to know, without those goals and targets really being as specific as they wanted them to be.

MR. KHARAS: Thank you. So, disabilities, and I think, Ana, that's probably going to come to you as there was a mention of the 40 percent. There's a lady back there, if you can --

MS. HANDANI: Hello, I'm Insha Handani. I just wanted to ask all the panelists, or anyone who chooses to respond, I haven't heard any mention of population in relation to ending extreme poverty and I'm wondering why.

MR. KHARAS: Okay. Down here?

SPEAKER: Hi, I'm Steven. I'm in the Air Force and I was just wondering, in relation to your discussion about peace, what are the mechanisms that either the World Bank or just you in general have for -- yeah, we're not going to end

conflict, but are you, like, support regional actors, support local military, use the U.N. Peacekeeping missions? Just what kind of mechanisms can actually make a positive impact on peace in general?

MR. KHARAS: Okay, thank you. And the lady next door, if you can just approach the mike there?

MS. SCHROEDER: Hello, my name is Karen Schroeder. I was wondering, given the fact that agricultural productivity seems to be a very large part of what would improve the lives of the poorest, how the disastrous situation that we're facing in terms of climate change and the impact that will have on agricultural productivity figures into this?

MR. KHARAS: Thank you. So we've got four actually very different questions. Ana, would you like to tackle the first one on disabilities? And I'll come to you, Hiroshi, on climate change.

MS. REVENGA: I think the first step towards putting focus on a problem and deriving policies to address it is measurement and I think one of the challenges that we face in thinking about extreme poverty in general is the challenge of properly measuring it. A lot of the countries we've been talking about, the fragile states, the poorest countries actually have very poor data. There are something like 77 countries in which we have no more than one data point that's useful in the last 10 years to measure poverty. And the issue of disability is even a bigger challenge because many of the surveys we use to measure poverty aren't capturing it.

So one of the things that we do on my team is actually work with countries and statistical agencies to try to -- and we work with a number of groups that are specialized in thinking about how to capture disability in the questionnaire. So we're trying to identify the disabled and where they are and what's their welfare and what are

their conditions. And that's a fundamental step to putting the spotlight on them.

As you mentioned, when you talk about the children who are not in school, there's a very important correlation with disability. So it is something that is very much a part of our program. It doesn't have an explicit target. The Bank has two targets: ending extreme poverty and focusing on the bottom 40 in every country. And our programs are supposed to be designed with those two goals in mind and that means everybody in the bottom 40 should be at the center of the interventions.

But I do think that measuring it and identifying where the disabled are -- What are their conditions? What kind of access do they have or do they not have? -- is fundamental to understand the depths of the problem and to be able to design the program. And that's one of the areas in which my group in particular is very much focusing on.

I'll come back on the other questions, if you want me to.

MR. KHARAS: No, I think that's a really good answer because one of the differences, I think, between ending poverty and reducing poverty is precisely that, as the various U.N. reports are saying, that no one gets left behind. And if you take that literally, "no one" means no one, and that includes people with disabilities. And there's a call in several U.N. reports for trying to get data disaggregated so that one can identify exactly in which areas there are deficiencies for reaching disabled people.

Hiroshi, I wanted to come and see if you wanted to pick up the question on climate change, partly because Japan has been such a big leader in -- you've had both the Kyoto Agreement and more recently Japan has been taking a leadership role on building resilience into development. Do we actually know how to do this, build resilience into development? Or is it just a nice phrase?

MR. KATO: Well, that's a very difficult question, but you know that

although Japan is a strong advocate for the concept of resilience, and this is a highly personal view, but you need to take caution in applying the concept of resilience because the concept of resilience is not always consistent with the pro-poor poverty reduction or development, because the country's institutions and communities and people who are better off can comfortably invest in improving their resilience. And the vulnerable people, the poorer people, will be left behind and remaining in a very vulnerable situation to external shocks. So building resilience should be carefully implemented in such a way that resilience of the poor and vulnerable people will be increased.

And secondly -- may I come up to the question on agriculture and climate change?

MR. KHARAS: Please.

MR. KATO: I think there is a wide range of literature that discusses the impact of climate change on agriculture, especially in Africa where the agricultural system is very susceptible to climate change. And many donors and international actors, including the World Bank and many others, are trying to improve the resilience of the African agriculture by providing new technology, new drought-resistant seeds, and many other things. And improving irrigation systems is one of the efforts. And so we need more to make the agriculture, especially in Africa, more resilient to climate change.

And yesterday, having a talk with a colleague of mine based in Washington and he says that there's a need to study the impact of agriculture on climate change. Excuse me for my ignorance, but I wasn't aware of this issue. A few people are starting to realize that agriculture can be a major cause of climate change or can produce a negative impact on climate change. So the relationship between climate change and agriculture should be studied in both ways. Climate change on agriculture and agriculture on climate change. And more needs to be done in this area, I think. Thank

you.

MR. KHARAS: Thank you. Now, I think that at the Financing for Development Conference in Addis Ababa last week this issue of the impact of agriculture on climate change was very prevalent and lots of people were talking about soils in particular, and the management of soils as being essential in halting the carbon emissions from the agricultural sector.

I think agriculture is now the second largest sector in the world in terms of carbon emissions. Laurence, I think the question on the links between defense and development and how we put these two together, this has been such a controversial topic in development for such a long time.

MR. CHANDY: Yep.

MR. KHARAS: That's really a question for you.

MR. CHANDY: I'd start by going back to your earlier point where you were talking about Bruce Jones' essay in the book, which talks about when a peace is agreed, who is sitting at the table? And there is now beginning to be a bit of a science around what makes for a good settlement. So there, there is a bit of learning. It's far from exact. There's a lot more, too, but we know a little bit more than we did in the past about how many parties you need to bring into these agreements to get something that sticks.

Anyways, there's some sort of a sweet spot where you don't want to bring all the crazies in, but you don't want to have a little minority of people who are agreed to lay down their arms. Immediately, what usually comes next is the Blue Helmets, right? The guys from the U.N. who have a terrible rap because we all read articles about the scandals involving what they get up to and yet, remarkably, those guys do a pretty good job in terms of sustaining peace. I think simply that presence seems to

have quite a positive impact. I think it signifies to people -- it reminds them that an agreement's been signed, so I think right now demand far exceeds supply of U.N. peacekeeping troops.

But then you have to think about not just agreeing to a peace and putting in those guys to uphold it, but you've got to think about the longer term. Ultimately, countries who are prone to conflict are not going to stop conflict because of a good agreement and because of some observers. You need to invest in these institutions which can help mediate tensions, and that is a really long-term endeavor.

And so, trying to get the balance right between your immediate-term challenge, your short-term to your longer-term challenges is extremely difficult things to do, having to invest in them all at once. And I would say that there has been a lot of rhetoric around trying to make development and defense work together. I think that's a great example of something where everyone nods their heads and no one really knows what we're talking about.

I don't have any great examples of the two working together, I have some British colleagues that insist that it works very well, but I'm not inclined to believe them. And I think that the last point I'll make on this is that we really are at a very early stage of understanding any of this. And, again, that poses a real challenge when we have this goal coming up quite soon.

There is a lot of learning, which we should celebrate. I also don't think we're necessarily applying the learning we have. That said, if you do best practice, I'm not sure we're guaranteed a good outcome, but if you look at a country like South Sudan, which the U.S. was really invested in a good outcome for South Sudan and we all know that it's worked out poorly, so there's a lot of work to do still there.

MR. KHARAS: One of the things that I'm always shocked at is that

despite everybody saying that peace is so essential to development, we still systematically under-invest in U.N. peacekeeping, and the length of time that peacekeepers stay in a country is often dictated by budgetary pressures rather than by the realities on the ground. And that just seems to me to be completely nuts. And the World Bank did an excellent world development report on documenting this recurrent cycle of violence and conflict. And one of the authors of that report is here, sitting in the audience.

But it does seem to me that we have to try to move those discussions, as well as the development discussions, forward at the same time because if we can't make progress on peacekeeping, then surely we're not going to be able to actually end poverty.

So, Raj, I'm going to come to you for the last question, which was on population and I actually wanted to give it a bit of a twist and make it about demographics, as well as just population. So it's not just that we've got more people and, particularly, a fairly rapid population growth now in Africa, which is where most of the poverty is, but there are also real concerns now. Countries talk about, well, what do we do when we grow old before we get rich, I think is the phrase which one hears quite a lot, even in some places like India. Is there a real demographic problem that we have right now?

MR. DESAI: There's obviously a big debate on this, on demographic dividend, demographic tsunami, demographic youth bulge, and all of those sorts of things. Obviously, it fundamentally depends on jobs and the nature of job creation. You mentioned India. Obviously, the Middle East, North Africa is a place where a lot of this is of concern because of the wave of youth that are expected to enter job markets in the next decades and the inability of many of these economies to provide employment for these youth.

Obviously the issue -- you could look at it from the other perspective, which is that demographic changes can actually reduce poverty, as well, in addition to creating the problems of an aging population. So you have demographic changes that can increase the availability of resources that could be used for social protection. There are other demographic changes that can actually reduce extreme poverty, so a lot of that will ultimately depend on the parallel economic reforms, job creation, private sector growth, and that kind of thing.

MR. KHARAS: Okay, let's come back to the floor and I'm going to try to get some questions from this side of the table. So there's a lady right behind you?

SPEAKER: Hi, I'm Zephyr. I'm a grad student at American University, so I have a few comments. I'll try to put it as succinctly as possible before I ask the question.

So I missed the beginning, but from what I heard there wasn't any mention of resource or wealth redistribution. And I'm sure that the panelists and most people in this room have a more evolved thinking than simply us versus them mentality, like let's just give these poor people whatever and see what happens.

I was really glad to hear the term "solidarity" being used. I think that's really essential. It ties into so many things: greed, corruption, social responsibility, conflict. As we've seen in Syria, people, even university educated people who have opportunities from other parts of the world, are -- sorry, ISIS, in general -- are joining ISIS, so that's really puzzling to most of us who think it all comes down to economic inequality. So solidarity and social exclusion is really huge and so I'm glad that that was mentioned. And as we know --

MR. KHARAS: Question?

SPEAKER: So the question is, there are, of course, countries like Japan

and countries in Scandinavia that are known for their homogenous populations, and, of course, I'm sure there's that correlation with solidarity there and equal distribution of wealth, et cetera. So my question is, how much research has been done on questions of solidarity in societies? And do you think that there could be a way to foster more solidarity in heterogeneous societies? Thank you.

MR. KHARAS: Just as a clarification, are you talking about within a country or are you talking about across countries?

SPEAKER: I was thinking about within, but maybe both. Why not?

MR. KHARAS: Okay, great. Thank you. The gentleman here?

MR. ARAY: Hello, yes. I'm Masil Aray, from Revsa Inc. Education Consortium. I'm from Africa and we've watched trends in Africa with the support of trying to improve conditions in Africa. And most of the countries are just dancing in place with all the help they're getting. And one thing we're trying to do that I think is important is that the science and technology education of youths in Africa is greatly neglected. And if you take history, all the wealthy countries and great countries, it has come from innovations in science and technology. And I think that that is a big problem in Africa where everything that is done in Africa is like getting the Africans to be consumers. And until we get some part of the population to be innovative and producers, Africa will continue to dance in place in poverty.

MR. KHARAS: Okay, thank you. And right here in the front, please?

MR. MICHAEL: Thank you. Jim Michael, I'm a consultant. We have heard about the imponderable of conflict and I wanted to ask if the panelists have thought about the other imponderables that are really outside the realm of what we normally think about when we think about development. What about a financial crisis? What about a debt crisis? What about other economic imbalances?

The people who are thinking about development don't have a lot of control over it. They don't think necessarily when they're racking up these imbalances about what's the impact on the bottom 40 percent? And I wondered what thoughts you have about those imponderables that are outside our normal thinking.

MR. KHARAS: Great, thank you. Okay, so we've got three questions and I'm going to ask you to just address whichever of these questions, and also any closing thoughts or remarks that you have. I think, if I can paraphrase Jim Michael's question, it was, well, we talked about conflict battering Syria from 1 percent to 30 percent poverty, but we might also have economic crises battering Greece, and maybe in roughly the same proportions, actually.

The question on wealth distribution and a question on science and technology in the role of innovation in driving growth forwards.

So maybe we can just come down the panel, and, Raj, I'll start with you. Do you want to take it?

MR. DESAI: Sure. So this comes back to what we were discussing earlier, for example, in the context of low-income countries, where Ana's point was that where you have an extreme scarcity of resources, the preference should be for targeting simply because of the constraints. And I don't necessarily disagree. However, if you think about low-income countries, issues of ethnic fragmentation, linguistic differences, religious conflicts, all of that is essentially part of the package.

And if you compare that -- there are many examples, by the way, Southern Europe, as well. You can think about Italy as being a very heterogeneous place; Germany, as well. These were not countries until the 1870s, different languages, different religions, different history of conflicts. The point that I was trying to make was that by creating the basis for a system of social protection that ultimately all citizens could

take part in, the growth of those social protection systems had a consequence on extreme poverty decades later, and that's essentially the point I was trying to make.

Reducing poverty from 30 percent to 15 percent is one thing, but then going below 15 percent towards 3 percent requires a very different set of institutions, policies, procedures, mechanisms, and, in particular, in the issue of solidarity, it's just something that I think needs to be part of the consideration, particularly given that much of the work in *The Last Mile* is going to take place in countries where these things are challenges.

MR. KHARAS: Thank you. Just if I could add one additional point on this issue of wealth distribution. I think it is interesting to look at cases like Botswana where, in that instance, the ruling party elite actually used their wealth to redistribute to others as a specific device to maintain stability. So, in some sense, it comes back to the question of, is there real forward-looking leadership that is sometimes required of some elite groups? And if you just think about different factions always looking out for themselves in a very narrow point of view, I think sometimes we lose that sense of what needs to be done in the long run.

Ana, some closing remarks?

MS. REVENGA: I have a slightly different take on the wealth distribution question because yesterday I was chairing this meeting on a report that's called, "Inequality of Opportunity in the Middle East and North Africa." And we were trying to explain the puzzle that Middle East and North Africa poses because they have very low extreme poverty, pretty low moderate poverty, and it's been coming down. Actually not that high inequality when you measure it.

And I can talk Syria, going backwards, I agree with, and we're actually in the refugee camps, but there's still this incredible discontent. And when you dig into it I

think the origin of the discontent does come from inequality of opportunity that manifests itself very clearly in terms of access to jobs and quality jobs.

And it's very conditional on where you come from, where you're born. There's a sense that there's very little mobility and that the process is very unfair. And it's that -- so there, really, the discontent mainly has less to do with redistribution of income, but redistribution of opportunity in the sense of having a society that is fair and where effort is rewarded. And I think understanding that, if you're working in those countries, is very, very fundamental.

And we just did a very nice poverty assessment on Iraq, which is public, and there is not a huge correlation between poverty and violence. And so it's something that's deeper and I think it requires understanding institutions.

I think the point made on the devastating effects, not just of conflict, but of disasters, of financial crises, is very well made. In fact, disasters, we know it takes 10 or 15 years for people to recover their living standards. And I think that's why, whether you want to call it resilience or you want to call it insurance, that's why putting in place these mechanisms that can protect people against shocks are so fundamental.

So, I think Raj was talking about them as a vehicle for building social cohesion, I think it's also a fundamental way to protect the gains that you've made. I think we have made very good progress in reducing poverty worldwide, but you could see that progress go backwards very easily if you don't have these mechanisms in place.

But let me just end up with a remark that doesn't quite address the question on Africa and investment in science and technology education. Africa does have some of the lowest levels of schooling of all the regions, but I think the very fundamental worry for me is this issue of equality of opportunity. What we also know is that the outcomes are so different for children, depending on where they're born, who

their parents are, are they a boy or a girl, are they a member of an ethnic minority. And that's a very fundamental principle around which it is actually possible to bring different groups together because you may disagree on inequality of outcomes, redistribution of wealth, but it's very, very hard to disagree with the principal that children should have at least a common set of opportunities. And I think that is a way in which you can build a dialogue around service delivery and some very basic things that need to be in place.

MR. KHARAS: Thank you. Laurence?

MR. CHANDY: So when I started, in my first remarks I said how we believe in the achievability of this poverty goal, and yet, at the same time -- because it was fanciful that we could end conflicts. And I think conflict's one of those issues which we've usually kept off the table when we talk about poverty. And there are other ones. I mean, I'm less worried about financial crises because there's this emoticon of good micromanagement across the developing world that didn't exist 15 or 20 years ago.

Hyperinflation these days is sort of novel when it occurs, right? And it seems that most countries have mastered the basics. But there are other things that really matter, too, and one of them is just global growth, right? Ana said at the beginning that we're not going to get that through growth alone, but there's no way we're going to get there if the global economy just slows down and splats to a halt, which I understand there's a new World Bank report that's going to say exactly that in next week or two.

So that's something which, as a poverty analyst, you just sort of say, well, let's not worry about that, but it's completely fundamental to this agenda.

Another one is leadership. We want there to be enlightened leadership everywhere. Enlightened leadership comes along very rarely and it's a very, very scarce thing and we don't know how to bring it about, but it's pivotal to this. So we can sit there and look at the poverty data and we can try and tease patterns out of it, but there are

these big issues which are very meta and matter a lot more.

And let me say one final comment, just so I'll have a final dig because Ana isn't allowed to respond, which is that -- (Laughter)

MS. REVENGA: Who says? (Laughter)

MR. CHANDY: You know, Ana said the Bank has shied away from a literal interpretation of ending extreme poverty by saying 3 percent will do. And that's partly because, well, people -- you're always going to have somebody who are going to fall into poverty. And I just don't like that. I don't buy that at all. That's why we had this big discussion about safety nets. The whole idea of safety nets is that you stop people inevitably falling back into poverty. I think the real reason we have bankers insisting on 3 percent is because of this: it's because of the difficulty of making real progress in fragile states. And I think that's the sad reality behind that 3 percent goal.

I'm sorry you don't have a chance to respond to that, so we'll just have to assume my interpretation is correct. (Laughter)

MS. REVENGA: I think your timing was very tricky.

MR. CHANDY: I saved it until the last second. (Laughter)

MR. KHARAS: Hiroshi, the last word is yours.

MR. KATO: Okay, thank you. I'd like to address the question of how to increase social cohesion in a heterogeneous society. The JICA Research Institute did some research on this issue using the framework of horizontal inequality developed by Frances Stewart in Oxford University. And in Africa, many countries are heterogeneous and there are many social groups with different identities, and if those social identities develop into a political tension between groups, that can turn into a cause for trouble. So there's some political institutions that will avoid such tensions among different social groups. And one of the conclusions of the research was that power-sharing type of a

political scheme would serve better than other types of political institutions.

And I'd also like to talk about the science and technology issue in Africa. With the benefit of hindsight, I think it was maybe not too correct to focus very strongly on primary education in Africa, but it was back in the 1990s, but at that time maybe with the very low school enrollment in Africa maybe that decision at that time was all right. But we could have spent a little more resources on higher education. Well, but that's on the evolution of the past with the advantage of hindsight.

Now, the situation in Africa is very changing and we're now starting to recognize the balanced development of educational systems, starting from the primary education to middle school education and advanced education. So I think all the international committees, along with the African governments, are starting to recognize the importance of higher education and the promotion of science and technology. But that has to be promoted in tandem with the promotion of job opportunities that those graduated from high advancing educational institutes will find on the ground.

So, higher education, technology, innovation -- education is very important, but that should go hand in hand with the promotion of job creation activities. That is my evaluation of the issue. Thank you.

MR. KHARAS: Thank you. Thank you very much. So we've come to the end of our allotted time. In addition to thanking our panelists, I would like to recognize we have several of our chapter authors here. I see Gary Milante, I see Alastair McKechnie, I see John Page, John McArthur --

SPEAKER: Stephen.

MR. KHARAS: Oh, Stephen Smith. It's thanks to their hard work that we actually have been able to produce this volume. Let me remind you that there are many intriguing insights in this book that you will find, at 40 percent off, if you wish to purchase

one on your way out. Thank you very much. (Applause)

* * * * *

CERTIFICATE OF NOTARY PUBLIC

I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

Carleton J. Anderson, III

(Signature and Seal on File)

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2016