



# Poverty Around The World

## Definition

A household is considered poor when their total income is inadequate to acquire the resources necessary to meet locally established standards. The international poverty line was originally set at people making less \$1 a day, to account for changes in PPP this figure has risen to \$1.90 a day as of October 2015. It is estimated that in 2015 there were 702 million people living in extreme poverty<sup>1</sup>. Though extreme poverty is declining, primarily thanks to economic growth in China and India, it remains an important challenge particularly in fragile countries of the sub-Saharan region. In line with current trends, the target of the first Sustainable Development Goal, to “end extreme poverty in all its forms everywhere by 2030”, will be difficult to achieve.

## Key Insight

**By 2030, poverty will remain mainly concentrated in Sub-Saharan Africa and South Asia**

For the past several decades, three regions - East Asia and the Pacific, South Asia, and Sub-Saharan Africa, have accounted for some 95 % of global poverty<sup>2</sup>. Yet, the composition of poverty across these three regions has shifted dramatically. In 1990, East Asia accounted for half of the global poor, whereas only 15 % lived in in Sub-Saharan Africa. By 2015 these statistics have reversed: Sub-Saharan Africa accounts for half of the global poor, and approximately 12 % live in East Asia<sup>3</sup>. This can be explained by the continued population growth of Sub-Saharan Africa, while East Asia’s population stagnated and experienced strong economic growth.

While some African countries have seen significant successes in reducing poverty, the region as a whole lags behind the rest of the world in the pace of lessening poverty. Poverty reduction has been slowest in fragile countries and rural areas remain much poorer, although the urban-rural gap has narrowed.

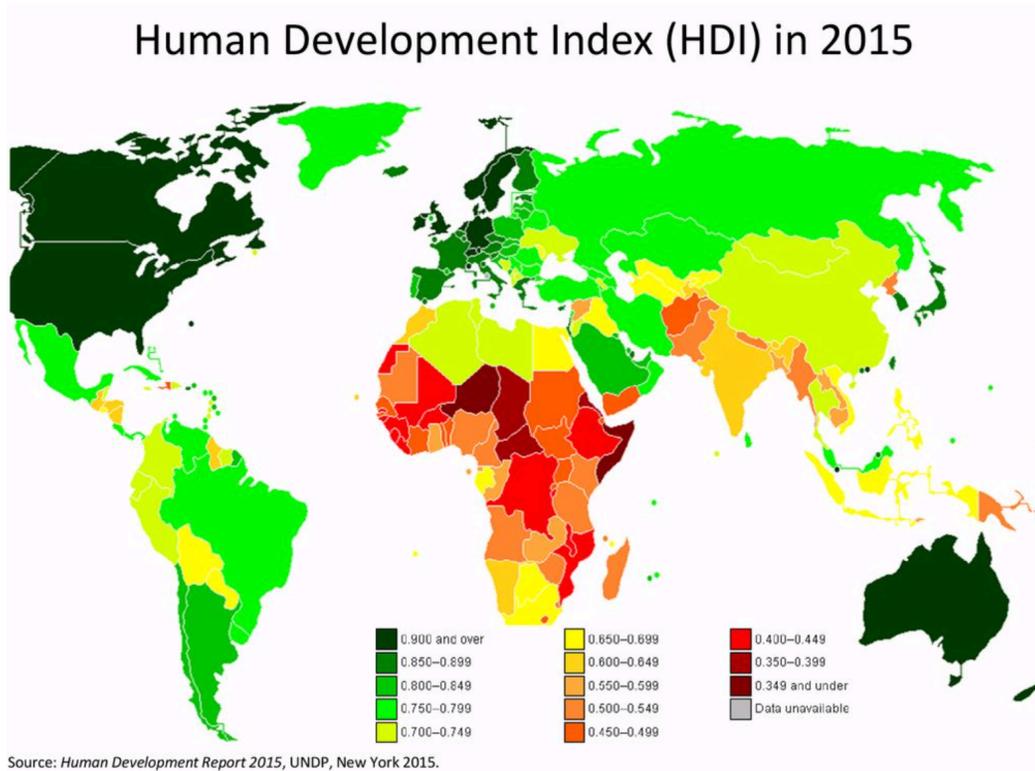
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<sup>1</sup> The World Bank, [World Bank Forecasts Global Poverty to Fall Below 10% for First Time](#), World Bank Press Release, 4 October 2015

<sup>2</sup> Roser Max (2016) [World Poverty](#), *OurWorldInData.org*

<sup>3</sup> The World Bank, [World Bank Forecasts Global Poverty to Fall Below 10% for First Time](#), World Bank Press Release, 4 October 2015

To end extreme poverty by 2030, higher economic growth and concentrated development efforts will be needed in Sub-Saharan Africa. Maintaining the current pace of poverty reduction requires faster and sustained growth in order to allow countries to withstand future crises. Optimistic estimates suggest that 8–9% of the developing world’s population will still be in poverty in 2030<sup>4</sup>.



Source: Our world data, world population living in extreme poverty, 1820-2015; Web; accessed may, 2016

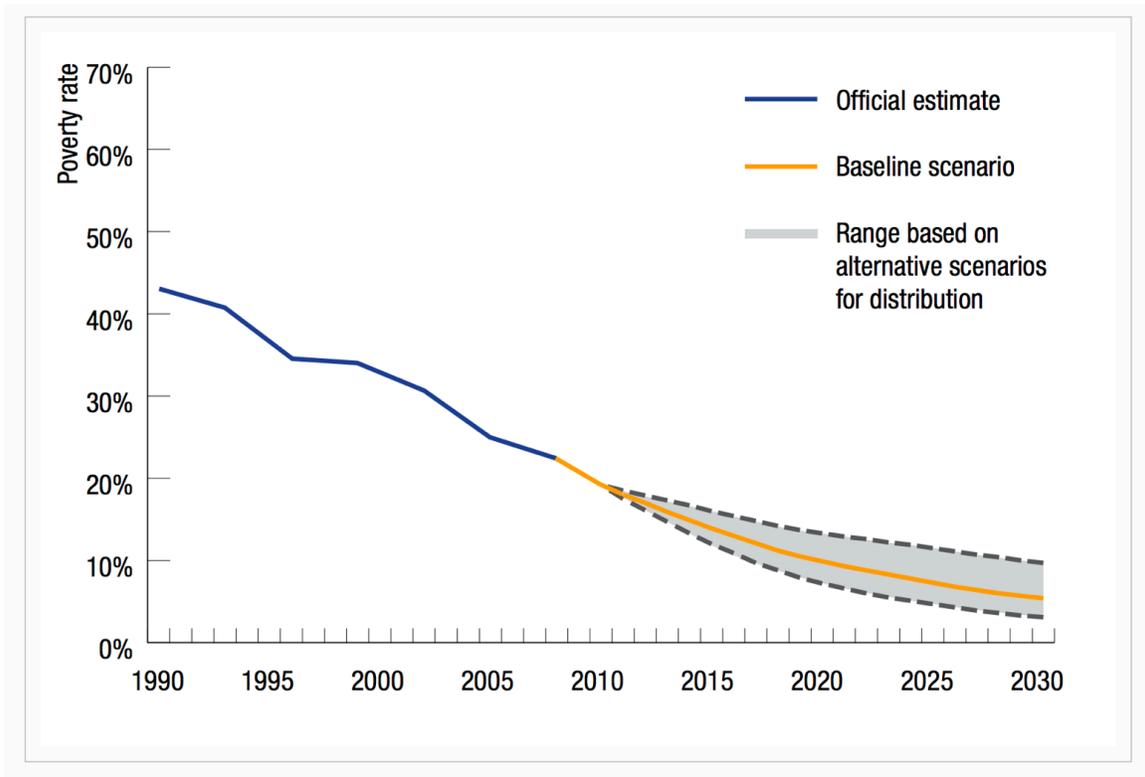
## Changes by 2030

### ➤ A global decline in poverty

Despite an increasing world population, poverty has declined globally since the 1950's. As a result the overall proportion of poor people has significantly diminished from 36% to 17.7% since 1990<sup>5</sup>.

<sup>4</sup> Bluhm Richard (2015) [Growth Dynamics and Development: Essays in Applied. Econometrics and Political Economy](#), United Nations University, Maastricht University

<sup>5</sup> The World Bank Group (2014) [Prosperity for all / Ending Extreme Poverty: a note for the World Bank group spring meetings 2014](#), Spring Meetings note 2014



Source: The World Bank (2015) Ending extreme poverty and sharing prosperity: progress and policies

**Global poverty rates are projected to fall to 9.9%<sup>6</sup> by 2020 and to 5.4% by 2030<sup>7</sup>. By 2030, 386 million people should still be living in poverty<sup>8</sup>.** There is uncertainty in the estimated poverty projections as global progress is not symmetric, depressed consumption growth and growing inequality indicate that there could be greater risks of reduced pace of poverty reduction rather than sustained growth and improving income distribution.

<sup>6</sup> Chandy, Ledlie, Penciakova,(2013) [The final countdown: prospects for ending extreme poverty by 2030](#), The Brookings Institution, Policy paper 2013-04

<sup>7</sup> This estimations are calculate on the 1.25\$ per day poverty line basis.

<sup>8</sup> The World Bank, [World Bank Forecasts Global Poverty to Fall Below 10% for First Time](#), World Bank Press Release, 4 October 2015



➤ **Concentration of poverty in Sub-Saharan Africa and Asia**

**Three regions, South-Asia, East Asia and the Pacific, and Sub-Saharan Africa contain 95% of world extreme poverty**<sup>9</sup>. In 2015, 5 countries accounted for almost 50% of world population: India and China (40%) United States, Brazil and Indonesia (10%)<sup>10</sup>. Progress with poverty reduction varies between regions, but rates on the African continent are of the most serious concern. In 2010, the population living under the poverty line in Sub-Saharan Africa still represented 47.9% of the total population of the region. In 2030, it is estimated that 14.4% of Sub-Saharan Africa's population will still be in poverty<sup>11</sup>.

**By 2030, fragile and low income countries, particularly in Africa, will represent nearly two-thirds of the world's poor population**<sup>12</sup>. Among these countries the situation differs greatly. Of the 27 nations with more than 40% of their population in extreme poverty, 25 are in Africa. These include states with large populations such as Nigeria and the Democratic Republic of Congo<sup>13</sup>. In many less populous states such as Liberia, Burundi, and Madagascar, more than two-thirds of the population is considered extremely poor. Consequently, in spite of the global decline in the absolute number of people in poverty, poverty will still be a critical issue in some African states. Endemic violence in some African states<sup>14</sup> reinforces chronic poverty in conflict-affected areas. This leads to a “vicious cycle” of insecurity: long-term poverty increases violent predatory behavior, offering a means of livelihood for people with limited legal economic opportunities; violence deters sustainable investments and growth, making conflict economy the only way to make a living. Uneven development nationally promoting only specific people or territories can also cause disruption and fragility.

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<sup>9</sup> The World Bank (2015) Cruz M., Foster J., Quillin B., Schellekens (2015) [Ending extreme poverty and sharing prosperity : progress and policies](#), World Bank Group, Policy research note - Development economics

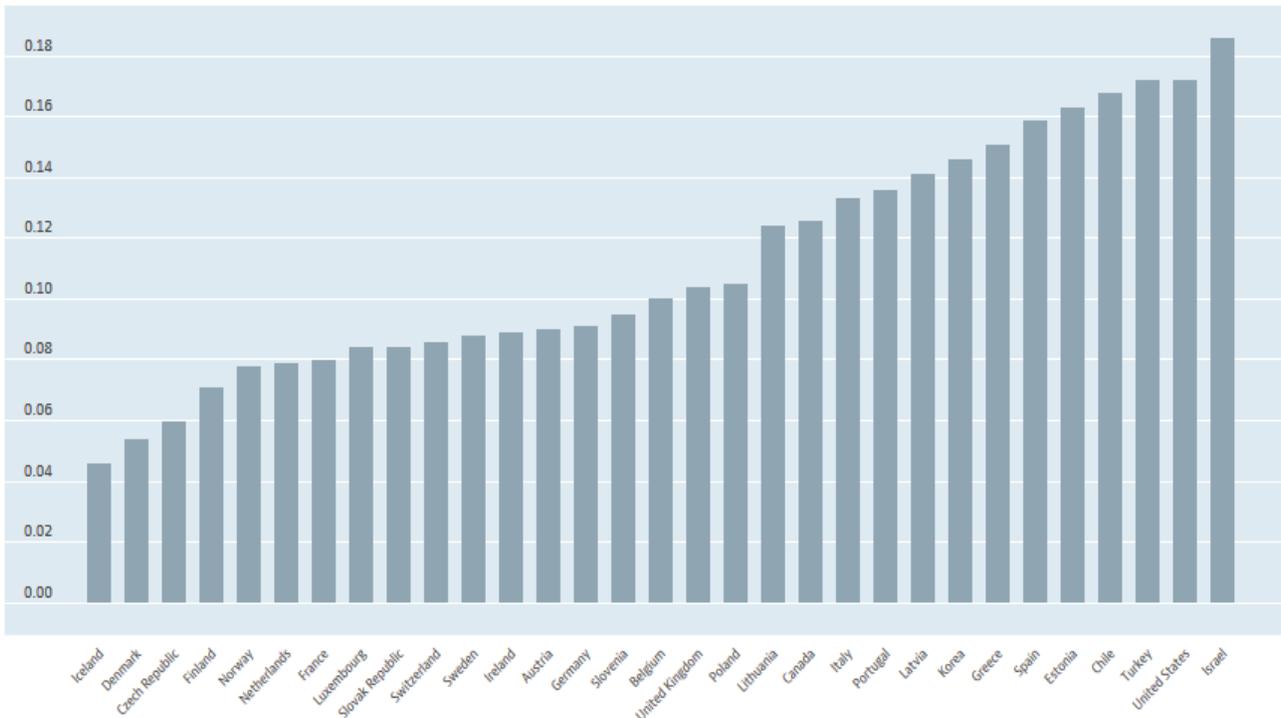
<sup>10</sup> The World Bank, [Population Total](#) retrieved 11 May 2017

<sup>11</sup> The World Bank (2015) Cruz M., Foster J., Quillin B., Schellekens (2015) [Ending extreme poverty and sharing prosperity : progress and policies](#), World Bank Group, Policy research note - Development economics

<sup>12</sup> Chandy, Ledlie, Penciakova,(2013) [The final countdown: prospects for ending extreme poverty by 2030](#), The Brookings Institution, Policy paper 2013-04 and Kharas H., Rogerson A., (2012) [Horizon 2025. Creative destruction in the aid industry](#), Overseas Development Institute

<sup>13</sup> The World Bank Group (2014) [Prosperity for all / Ending Extreme Poverty: a note for the World Bank group spring meetings 2014](#), Spring Meetings note 2014

<sup>14</sup> Addison, Bach, Shepherd and Wadugodapityia (2010) [Fragile states, conflict and chronic poverty](#), Chronic Poverty Research Center, Briefing paper



Poverty rate 2013

Source: OECD data

➤ **Rising inequality in middle-income and developed countries**

In 2015, a fifth of the European Union population was at risk of poverty and social exclusion<sup>15</sup>. In five countries: Bulgaria, Romania, Spain, Greece, and Lithuania, one fourth or more of the population was in poverty. Women are at a greater risk of being poor. The number of children living in poverty within the EU grew by 1 million between 2008 and 2013 and in **2025 it is predicted that 15 to 25 million more people could be living in poverty in the EU<sup>16</sup>**. Emerging crisis drivers, including refugee crises will blur the socio-economic demarcations of vulnerability. Among these drivers, the rise of inequality is already impacting medium income and developed countries. In 2013, poverty was higher in the US than in Turkey, Chile, Estonia, and Greece<sup>17</sup>.

<sup>15</sup> Cavero, T. (2015) [A Europe for the many, not the few: Time to reverse the course of inequality and poverty in Europe](#), Oxfam International, Oxford

<sup>16</sup> Cavero, T. (2015) [A Europe for the many, not the few: Time to reverse the course of inequality and poverty in Europe](#), Oxfam International, Oxford

<sup>17</sup> OECD (2013) [Crisis Squeeze income and puts pressure on inequality and poverty](#), results from the OECD Income Distribution Database



## Uncertainties

### ➤ A disputed definition of poverty

The traditional indicator used as a threshold of extreme poverty in poorer and medium countries is the \$1.25-a-day line (increased to \$1.90 in October 2015<sup>18</sup>). Poverty indicators are often criticized for not being representative of the reality due to the limited data and the models used to produce them. Even projections using the same base data differ in their conclusions and lead to different regional and geographic conclusions<sup>19</sup>. Some experts find that by 2025, poverty will be concentrated in fragile African states, while others focus on populous, middle-income countries such as India and Nigeria. Conclusions depend on the criteria chosen for analysis (e.g.: economic growth or maternal mortality). Complicating projections further are varying currency exchange rates, the different ways in which countries survey their citizens, and

**Table 2: Estimate of the Global Distribution of \$2 Poor People in 2020 and 2030 by Various Growth Scenarios (Numbers are percentage of global \$2 poverty total)**

Scenario	2020			2030		
	Pessimistic	Moderate	Optimistic	Pessimistic	Moderate	Optimistic
World	100.0	100.0	100.0	100.0	100.0	100.0
East Asia and Pacific	12.6	7.9	7.0	7.5	4.0	2.8
Eastern Europe and Central Asia	0.4	0.4	0.3	0.4	0.2	0.1
Latin America and the Caribbean	4.0	5.3	5.6	4.6	6.3	6.6
Middle East and North Africa	2.6	2.9	2.6	3.4	4.0	3.5
South Asia	41.2	31.9	27.9	30.8	16.5	11.5
Sub-Saharan Africa	39.1	51.6	56.5	53.4	68.9	75.5
Current LICs	31.6	39.7	42.5	40.4	46.5	48.6
Current LMICs	60.0	54.6	51.9	54.9	47.5	45.9
Current UMICs	8.3	5.7	5.7	4.7	6.0	5.6
Remaining LICs in 2020/2030	32.7	33.8	32.5	36.8	35.7	33.0

Source: Sumner Andy and Edward Peter (2015), New Estimates of Global Poverty and Inequality: How much difference do price data really make?

<sup>18</sup> The [World Bank threshold line has been updated in October 2015](#) to \$1.90 against the \$1.25 line. For practical reasons, as all the sources use the \$1.25 threshold line, all the data's of this paper will be based on the \$1.25 threshold line.

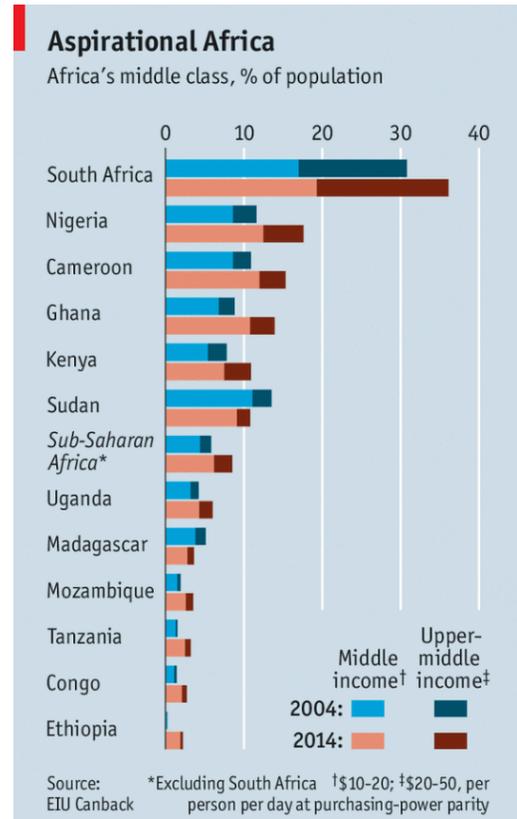
<sup>19</sup> Three thresholds are often used : The common extreme poverty line of \$1.25 (newly \$1.90 line) which is highly criticized, the \$2 poverty line considered as more reasonable (close to the median poverty line of all developing countries (Chen and Ravallion, 2010; 2012) while \$10 line is sometimes evokes (Pritchett) as the security from poverty line.



methods of data collection (criteria and system)<sup>20</sup>. The difficulties of making projections are illustrated in the following chart, which uses a \$2 poverty line<sup>21</sup>:

➤ **Who is the middle class?**

Evaluating the level of poverty in middle income and developed countries is difficult mainly due to the lack of a universal definition of the middle class. Some definitions point to the middle class being those living on \$2 to \$10 a day<sup>22</sup>, while other studies use a \$10 a day line threshold. The OECD<sup>23</sup> argues that “poverty is rapidly becoming a matter of within-country inequality”, and that a poverty line is insufficient in capturing inequality in developed countries. Others still make a distinction between the ‘new’ middle classes of emerging countries (between \$2 and \$20 per day) and what they called “established” or “secure” middle classes predominantly in developed countries<sup>24</sup>. The rate of growth in the middle class depends on its definition but it is universally acknowledged that there will be a significant growth of the global middle classes and using the definition of those living between \$2-\$20 per day the projected increase is from 1.8 billion in



The Economist (2015) Few and far between, Africa's Middle Class

<sup>20</sup> The distinction between low income countries and middle-income countries is often vague. Some low income countries can be re-categorized as middle-income countries resulting in less attention while their headcounts of poor population is still unchanged.

<sup>21</sup> Sumner Andy and Edward Peter (2015) [New Estimates of Global Poverty and Inequality: How much difference do price data really make?](#) International Development Institute Working Paper, King's College London

<sup>22</sup> Drabble Sam, Ratzmann Nora, Hoorens Stijn, Khodyakov Dmitry, Yaqub Ohid, (2015), [The rise of a global middle class: Global societal trends to 2030: thematic report 6](#), RAND Europe

<sup>23</sup> The Organisation for Economic Co-operation and Development (2015), [Keeping the multiple dimensions of poverty at the heart of development](#), OECD and post-2015 reflections, element 1, paper 1

<sup>24</sup> Drabble Sam, Ratzmann Nora, Hoorens Stijn, Khodyakov Dmitry, Yaqub Ohid, (2015), [The rise of a global middle class: Global societal trends to 2030: thematic report 6](#), RAND Europe



2009 to 4.9 billion people in 2030<sup>25</sup>. The variability in these figures illustrates the fragility of a new middle-class that depends on stable geopolitics, protectionist policies, climate, and levels of inequality. Just 6% of Africans qualify as middle class and this number barely changed in the decade to 2011<sup>26</sup>. It is posited that the reason the middle class in Africa is still a small percentage of the population after a decade of economic growth of 5% is that the wealth is shared very unequally and poverty in Africa is so deep in Africa, that even incomes increase people are graduating from “extremely poor” to “merely poor”<sup>27</sup>.

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<sup>25</sup> Pezzini, Mario (2012) [An Emerging Middle Class](#), OECD Observer

<sup>26</sup> The Economist, [Few and far between, Africa's middle class](#), 22 October 2015

<sup>27</sup> The Economist, [Few and far between, Africa's middle class](#), 22 October 2015