

CHILD POVERTY INSIGHTS

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The Changing State of Global Poverty

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In your paper 'Poverty in Numbers: The Changing State of Global Poverty from 2005 to 2015' you stress the importance of tracking global poverty. How many poor people are there in the world, and how many are there likely to be in 2015?

Official estimates of global poverty (based on levels of consumption) are compiled by the World Bank and stretch back 30 years. The Bank's most recent estimate is for the year 2005, when 1.37 billion people were believed to be living under the international poverty line of \$1.25 a day.

Given the high, sustained economic growth achieved throughout most of the developing world over the last six years, there is reason to believe poverty has declined dramatically since 2005. By combining the most recent national survey data with up to date estimates of private consumption growth for 119 developing countries, we generate global poverty estimates that apply right up to the present day.

We estimate that between 2005 and 2010, the total number of poor people around the world fell by nearly half a billion people to under 900 million in 2010. This means that the prime target of the Millennium Development Goals – to halve the rate of global poverty by 2015 from its 1990 level – was probably achieved around three years ago. Whereas it took 25 years to reduce poverty by half a billion people up to 2005, the same feat was likely achieved in the six years between then and now. Poverty reduction of this magnitude is unparalleled in history; never before have so many people been lifted out of poverty over such a brief period of time.

Using consumption forecasts for the next few years, we estimate that extreme poverty could fall to under 600 million people by 2015.

In which countries and regions is poverty falling?

Unlike during previous decades, such as the 1980s (when the poverty rate increased in Africa) and the 1990s (when it increased in Latin America and the former Soviet Union), poverty reduction is currently taking place in all regions of the world. As expected, the greatest reduction has occurred in Asia, home to some of the largest and most dynamic emerging economies. A less rapid but perhaps more surprising change is the one taking place in Sub-Saharan Africa. The region finally broke below the symbolic threshold of a 50 percent poverty rate in 2008 and its number of poor people has begun falling for the first time on record.

A similar pattern emerges at a country-level, with many countries sharing in the overall pattern of success, but the biggest reductions in poverty are attributable to a few big-hitting countries. The two developing giants, India and China, are alone responsible for three-quarters of the reduction in the world's poor expected over the period 2005-2015. Other countries home

to large poor populations—Bangladesh, Ethiopia, Pakistan, Vietnam, Indonesia and Brazil—will see tens of millions of their citizens escape poverty over this period. And a number of African countries, including Nigeria, South Africa, Mozambique, Ghana and Tanzania, follow closely behind.

How is the composition of global poverty changing and where will poverty be concentrated in the future?

The global poverty landscape is quickly being redrawn. Between 2005 and 2015, Asia’s share of global poverty is expected to fall from two-thirds to one-third, while Africa’s share more than doubles from 28 to 60 percent. Poverty will thus increasingly be seen as an African problem, despite the progress the continent is now making.

With the graduation of some of the world’s biggest developing countries into middle income-country (MIC) status, poverty is no longer concentrated in low-income countries (LIC). According to our estimates, the share of the world’s poor residing in LICs hit a low of 33 percent in 2009 and will remain below 50 percent until after 2015.

Share of world’s poor by country category

	2005		2010	
Fragile	19.6%	0.9%	23.7%	17.1%
Stable	53.9%	25.6%	10.4%	48.8%
	LIC	MIC	LIC	MIC

Meanwhile, poverty is becoming increasingly concentrated in fragile and conflict-afflicted states. Countries that remain locked in fragility are unsurprisingly not recording the same feats of poverty reduction achieved by stable countries. Whereas only 20 percent of the world’s poor lived in fragile states in 2005, this share is now over 40 percent and will exceed 50 percent by 2014.

How do these trends affect UNICEF and others committed to improving the wellbeing of children across the developing world?

These trends have three important implications for UNICEF and other organizations devoted to the welfare of children.

First, in order to successfully target the world’s poorest children, organizations such as UNICEF must update their policies and programming to reflect the new reality.

At one level, this is a simple matter of determining how resources should be allocated: for instance, there may be less demand for resources in countries where extreme poverty is falling rapidly or has already been eliminated, freeing up funds and expertise to be devoted to Sub-Saharan Africa, where the numbers of poor children remain high.

At another level, however, a more qualitative change in the way development interventions are approached is justified.

In 2005, more than half the world’s poor lived in stable, low-income countries. Development programs, including those for children, could therefore be designed around the typical needs and circumstances of these sorts of countries. While this approach remains relevant for some countries, its broader application can no longer be justified as 90 percent of the world’s poor live in different settings today.

Yet such an admission poses a dilemma. One of the reasons the stable low-income paradigm has persisted is because it characterizes an environment in which development agencies and NGOs feel most comfortable and have the most experience. Specifically, the role of external actors in helping the poor in stable low-income countries is well understood and the standard tools of foreign aid – financial and technical assistance – are well suited to them.

The same cannot be said for other environments. Middle-income countries do not face the same financial constraints as low-income countries do, which makes the case for financial assistance less compelling. As for fragile states, many of the

development challenges they face are strictly political, as opposed to technical. Technical assistance is hard to justify if existing technical know-how is deliberately underemployed. Moreover, external actors are less likely to find willing and reliable partners with which to work in fragile states.

Organizations such as UNICEF have experience working in many different country settings. But the changing poverty landscape will force them to adapt the way they work to better suit the challenges of helping children in middle-income countries and fragile states, where the role of external actors is less straightforward.

Second, given the different poverty trends found throughout the world, interventions for children should be informed by a dynamic, forward-looking perspective, addressing the world as it is today while anticipating future needs.

Our poverty forecasts suggest that many of the children who are extremely poor today live in households that may soon enjoy higher incomes and represent the last generation who will be born into extreme poverty in their country. This is characteristic of children in a number of emerging economies, where poverty is still prevalent but is falling rapidly. In these countries, the case for immediate palliative measures to support poor children today is beyond doubt. But the needs of tomorrow will differ markedly, and may include social safety nets to prevent households that have broken out of poverty from slipping backwards, or targeted interventions aimed at discriminated minorities or sub-national regions that could miss out on the rising living standards enjoyed by others.

Poor children born in other parts of the world are likely to remain destitute into adulthood, meaning that their offspring will likely be born into another cycle of poverty. This is the case for children living in countries where poverty rates are high and are expected to remain elevated into the future. Here, the need is for large scale, long-term programs aimed in many cases at entire populations, which can provide for children's basic needs in education, health, nutrition and social protection. The design of these programs should be focused on maximizing sustainability: keeping costs low on the assumption that government revenues are unlikely to increase significantly, using simple approaches that are easily scalable and can operate with limited capacity, and supported by efforts to strengthen the institutions on which they depend.

Third, serious consideration should be given to rolling out cash transfers to support the poorest families and their children.

Our results indicate that providing every person in the world with a minimum income of \$1.25/day—in other words guaranteeing the right not to live in absolute poverty—is rapidly becoming feasible. In 2005, supplementing the income of each poor person in the world to bring their daily income up to \$1.25 would have cost \$96 billion, or 80 percent of the total volume of foreign aid disbursed that year. In 2010, with poverty less widespread and larger global aid volumes, the cost of such a global safety net would be just \$66 billion, or slightly more than half of all official aid. Moreover, conditional transfers which encourage families to keep children in school and ensure they receive regular medical care can compound the development impact of a global safety net.

While the logistics of distributing cash to poor populations would not be without challenges, recent advances in biometric identification technologies—such as fingerprint and iris scanning—have greatly expanded the promise of implementing large-scale welfare programs in poor countries.

Some General Resources

- Chandy, L and Gertz, G. (2011) '[Poverty in Numbers: The Changing State of Global Poverty from 2005 to 2015](#)'. The Brookings Institution.
- Chandy, L and Gertz, G. (2011) '[Two Trends in Global Poverty](#)'. The Brookings Institution.
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- Hanlon, J, Barrientos, A and Hulme, D. (2010) 'Just Give Money to the Poor: The Development Revolution from the Global South'. Sterling, VA: Kumarian Press.