Global Profile of Extreme Poverty
Background paper for the
High-Level Panel of Eminent Persons on the Post-2015 Development Agenda

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Poverty is multi-dimensional. In the simplest definition it is the lack of household income (or consumption). The World Bank measures income (or consumption) poverty using a poverty line of $1.25 per day in $US 2005 purchasing-power-adjusted terms. The Headcount Poverty Rate, or HPR, measures the proportion of households in a country living below this international poverty line.

More generally, poverty means *the inability to meet basic needs*, including food, shelter, clothing, water and sanitation, education, and healthcare. In this sense, poverty generally reflects a combination of income poverty at the household level and poverty at the community level in the provision of basic infrastructure and public services. In principle a comprehensive poverty map would identify people living in poverty as a result of low household income or inadequate community services, and would identify targeted solutions to poverty based on the precise nature of poverty. This kind of analysis can be made at the local and national level, but the requisite data do not exist at the global level.

There are several basic causes of extreme poverty. These include:

(1) Adverse geographical condition:

- Physical isolation of the region (landlocked, small island, mountainous) and sparseness of the population
- Poor climate (hyper arid, flood prone)
- Poor agriculture (poor soils, land degradation, adverse climate) or poor fisheries
- Lack of energy resources (no fossil fuels, no hydro power)
- Disease ecology (hyper-endemic vector-borne diseases such as malaria)
- Major vulnerability to hazards such as floods, droughts, typhoons, earthquakes and other hazards

The Horn of Africa and the Sahel are examples of regions with highly adverse geographical conditions: landlocked, generally devoid of fossil fuels, hyper-arid and

drought prone, and endemic to tropical diseases, including malaria and meningitis. Many small-island states are geographically isolated. Within large middle-income countries extreme poverty is often highest in remote interior provinces (e.g. the West of China and the North-East of India).

(2) Prolonged violent conflict and international sanctions

The incidence of extreme poverty is highly correlated with violent conflict and instability. Afghanistan has been reduced to misery through thirty years of nearly continuous conflict. Likewise, Haiti's economy was ravaged by repeated episodes of international sanctions.

(3) Despotic government and poor governance

Poor governance, including high levels of corruption and the systematic misallocation of a country's resources away from the needs of the poor, are an important determinant of extreme poverty. North Korea is the quintessential case of despotic rule leading to extreme poverty despite otherwise favorable economic potential. The failure by some of the resource-rich countries in Africa to use their relative wealth to overcome the disadvantages of unfavorable geography is another potent example of poor governance.

(4) Gender and ethnic or social discrimination

Indigenous peoples (roughly 400 million around the world) and other excluded groups have faced centuries of extreme discrimination and social exclusion. As a result they tend to live in the most remote parts of countries (c.f. adverse geography above) and constitute a particularly high share of the extreme poor, particularly in Asia. Girls and women continue to face extreme discrimination in social practices and legal rights (e.g. the right to land title) in many parts of the world, which increases the risk of extreme poverty for households.

(5) Extreme total fertility rates (6 or higher)

Rural areas in many parts of sub-Saharan Africa, West Asia, and Central Asia have total fertility rates of 6 or higher. These higher TFRs result from culture (religious tenets, gender discrimination), the lack of girls' schooling, high child mortality (leading to high fertility choices of households), and the unavailability of contraceptives and family planning services. High TFRs are one of the most important determinants of extreme poverty since they reduce a household's per capita investment in the health and education of its children as well as a government's per capita investments in infrastructure and social services that can reduce poverty.

(6) Lack of access to land

While most of the rural poor in Africa own (too little) land, many extreme poor in South Asia have no land title. The lack of access to land and a lack of gainful employment opportunities can constitute an important driver of extreme poverty.

Where the Poor Live

Using the World Bank's measure of extreme income poverty, there are around 1.2 billion people in extreme poverty. Around 26 percent of those, mainly in sub-Saharan Africa, live in low-income countries as classified by the World Bank (below $1,025 GDP per person in 2011). Another 58 percent, mainly in Asia, live in lower-middle-income countries (between $1,026 and $4,035 GDP per person) such as China, India, and Indonesia. Around 17 percent of the extreme poor live in upper-middle-income countries.

The high proportion (74%) of the extreme poor living in middle income countries is not entirely surprising given that the MICs account for approximately 86% of the population of the developing world. Nor are the lower-income-countries that are home to the greatest proportion of the world's poorest people safely out of the low-income country zone where extreme poverty can be endemic. India, Nigeria, and many other LMICs face enormous challenges of maintaining high and inclusive economic growth, in view of highly challenging demographic, environmental, and social factors.

Sub-Saharan Africa remains the world's poorest region and the one with the highest headcount poverty rate (around 48%). South Asia is second (around 36%), and Southeast Asia is third. There is scattered extreme poverty in other parts of the world (such as in the Andean highlands, Haiti, indigenous communities in Central America, and small island states). While these pockets of poverty pose serious humanitarian and social challenges for the people and places involved, they are a small proportion of the overall global challenge.

Table 1: Extreme Income Poverty ($1.25 poverty line of World Bank, 2008)

Region	Millions of Poor	% of World's Poor	Headcount Poverty Rate
Sub-Saharan Africa	376	30.5	47.5
South Asia	546.5	44.3	36.0
East Asia	265.4	21.5	14.3
Latin America and the Caribbean	35.3	2.9	6.9
Middle East and North Africa	8.5	0.7	2.7
World	1,233.8	100.0	22.8

Selected LMICs:			
China	173.0	13.1	14.0
India	426.0	37.4	34.5
Indonesia	51.5	22.6	4.2
Nigeria	100.5	66.5	8.1

Source: Andy Sumner, "Where do the world's poor live? A new update," IDS Working Paper, Volume 2012 No. 393, June 2012

When we look across all poverty indicators, in Table 2, *Sub-Saharan Africa and South Asia are the two centers of global poverty* and the two regions demanding the most international support. Of these two regions, sub-Saharan Africa, with lower income than South Asia, faces the greater challenge and need. While the two regions account for approximately 45% of the population of the developing countries, they account for a much higher proportion of poverty in its various manifestations, generally well over 70%:[1]

75% of the income poverty
63% of the chronically hungry
72% of the children out of school
75% of the illiterate adults
86% of the people living with HIV/AIDS
94%+ of the malaria deaths
84% of the Under-5 Mortality
86% of the Maternal Mortality
87% of those practicing open defecation
73% of the stunted children

Where are the ultra-poor?

It is difficult to accurately measure the distribution of poverty below the $1.25 line. Several attempts have been made, notably by IFPRI, who divide the poor into "ultra poor" (below half the poverty line), "medial poor" (between half and ¾ of the poverty line) and "subjacent poor" (above ¾ of the poverty line). The 2004 breakdown of poverty is summarized in Figure 1.

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[1] We underscore the approximate nature of these calculations, given the many uncertainties in the underlying data.

Subjacent poor   485 million
Medial poor   323 million
Ultra poor   162 million

0   20   40   60   80   100
Percent

- Sub-Saharan Africa
- South Asia
- East Asia and Pacific
- Latin America and Caribbean
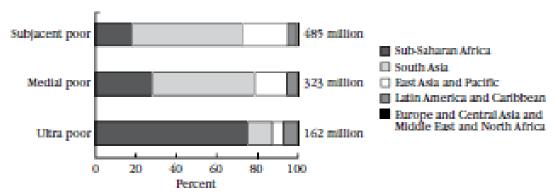- Europe and Central Asia and Middle East and North Africa

Figure 1: Where the poor live in the Developing world, 2004 (Source: Akhter U. Ahmed, Ruth Vargas Hill, Doris M. Wiesmann (2009) The Poorest and Hungry: Looking Below the Line. In: Joachim von Braun, Ruth Vargas Hill, Rajul Pandya-Lorch (eds.) The Poorest and Hungry. Assessment, Analyses, and Actions. IFPRI, Washington D.C.)

Sub-Saharan Africa accounts for some ¾ of the world's ultra poor. These ultra poor exhibit all the attributes of the extreme poor described above, but in greater depth. They are located in the most remote areas, part of excluded groups, have extremely high TFRs, and so forth. As a result, many find themselves in a poverty trap, which they cannot exit without pro-active anti-poverty strategies.

Anti-Poverty Strategies

The post-2015 goals should include the ambition to end extreme poverty. This is certainly feasible by 2030. Between 1990 and 2010, the HPR for the developing world declined from around 44% to 22%. The conditions for reducing the HPR to near zero are propitious if the strategies are correct.

The nature of poverty and the policy implications are somewhat different in the cases of poor people in low-income countries (mainly sub-Saharan Africa), and poor people in lower-middle-income countries, mainly in Asia. In the case of poor people in poor countries, national government lacks the domestic resource base to break the poverty trap on their own. Moreover, there may be few opportunities to relieve poverty through internal migration from poor regions to wealthier regions within the country (such as from poor rural areas to dynamic urban areas). In the case of poor people living in lower-middle-income countries, by contrast, national governments command more domestic resources for investing in poverty reduction, and there may be more scope as well for internal migration, typically from rural to urban areas.

For Low-Income Countries in Sub-Saharan Africa

Sub-Saharan Africa faces an enormous burden of investment needs, to build core infrastructure (power, roads, rail, water and sanitation, fiber optics, and more), as well as the need to overcome deficits of energy, disease burden, irrigation, and other

climate vulnerabilities. Excessive fertility rates mean that Sub-Saharan Africa's population, around 856 million (2010), is on a trajectory to exceed 3.3 billion by 2100, on the UN's medium-fertility forecast. A population anywhere near that level would spell devastation for Africa's ecosystems and its poor people, especially in the face of growing risks from global human-induced climate change.

The region's high-priority anti-poverty challenges include:

- Financing infrastructure (electricity, roads, rail, water and sanitation)
- Universal health care coverage
- Reducing fertility rates to below 3.0 (from a current average of 4.8, and much higher in rural areas)
- Universal access to schooling through secondary level
- Upgrading rural agriculture through support for smallholder farmers
- Improved governance and accountability to make the above possible

All of these are actionable, practical, and feasible. Together they would enable both rural and urban Africa to break out the poverty trap. They require a mix of private and public financing. Infrastructure financing might need to increase by around $100 billion per year, mainly financed by private capital with some public sweeteners. Social spending might require a boost of around $100 billion, around half of which should come from official development assistance. These countries should graduate from development assistance by 2030.

For Lower-Middle-Income Countries in South and Southeast Asia

These countries (notably India, Indonesia, Pakistan, and Vietnam) still have major pockets of poverty, hundreds of millions of mainly rural people, and often shockingly high levels of childhood under-nutrition. Social programs need to be greatly enhanced, and subsidy programs need to be much better targeted on the poor. Gender discrimination continues to impede progress, for example in northern India. Countries with very high rates of stunting should focus on integrated strategies for early childhood development: safe pregnancy and childbirth, young children's health and nutrition, pre-school, and healthy childcare.

Note that the countries of South and Southeast Asia are extremely vulnerable to global climate change. All are densely populated with a high vulnerability to droughts, floods, and groundwater depletion. Some, such as Bangladesh, would be devastated by a significant rise in the ocean level. Global climate-change mitigation (reducing the pace and extent of human-induced climate change), as well as domestic policies to promote climate resilience and population stabilization (through further voluntary reductions in fertility rates) are vital to the success of the long-term and sustainable elimination of extreme poverty of these countries.

Table 2: Selected Poverty Indicators

Number (% of the World)	Income Poverty ($1.25) (millions)	Hunger (millions)	Children Out of School, 2008 (millions)	Adult Illiteracy, 2005-8 (millions)	Living with HIV, 2011 (millions)
Sub-Saharan Africa	376 (31)	234 (28)	28.9 (45)	167.2 (21)	23.5 (77)
South Asia	546.5 (44)	304 (36)	16.9** (26)	412.4 (including West Asia) (53)	2.6* (9)
SSA+SA, Subtotal	922.5 (75)	538 (63)	45.8 (72)	589.6 (75)	26.1 (86)
East Asia	265.4 (22)	232 (27)	7.9 (12)	105.3 (13)	2.4 (8)
Latin America	35.3 (3)	49 (6)	2.9 (5)	36.1 (5)	1.6 (5)
Middle-East and North Africa	8.5 (1)	31 (4)	7.2 (11)	60.2 (8)	0.3 (1)
World	1233.8 (100)	850 (100)	67.5 (100)	795.8 (100)	34.2 (100)

Table of Selected Poverty Indicators, continued

Number (% of World)	Malaria Deaths (000s)	Under-Five Mortality, 2011 (000s)	Maternal Mortality, 2010 (000s)	Lack of Sanitation, 2010 (open defecation), (000s)	Child Stunting, under-5s, 2006-10, (millions)
Sub-Saharan Africa	596 (91)	3,370 (49)	162 (57)	214 (20)	54 (28)
South Asia	20* (3)	2,341 (34)	83 (29)	699 (67)	85 (45)
SSA+SA, Subtotal	616 (94)	5,711 (84)	245 (86)	913 (87)	139 (73)
East Asia and Pacific	23* (4)	590 (9)	23 (8)	103 (10)	28 (15)
Latin America	1 (0)	203 (3)	9 (3)	24 (2)	8 (4)
Middle-East and North Africa	15 (2)	314 (5)	7 (2)	7 (1)	16 (8)
World	655 (100)	6,914 (100)	287 (100)	1,054 (100)	172 (100)

Note: % in columns may not add to 100 because of rounding
* Approximate division between South and East Asia, as drawn from WHO and UNAIDS report
** Approximate division between South and West Asia, as drawn from UNESCO report

Sources:
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