

Briefing note on the key findings from: *“The developing world is poorer than we thought, but no less successful in the fight against poverty”*^{*}

This is the first major update of the Bank’s estimates incorporating the findings of the 2005 International Comparison Program

- A major effort has been made to update and improve data on the world’s poor, including both new data on the cost-of-living in developing countries and new household surveys.
- The latest estimates draw on 675 household surveys for 116 developing countries, representing 96% of the population of the developing world.
- Results for the latest year are based on interviews with 1.2 million randomly sampled households.
- All past estimates have been revised back to 1981 on a consistent basis.
- Lags in survey data availability mean that these new estimates do not include the effects of the recent sharp rise in food and fuel prices.

The main poverty line is \$1.25 a day at 2005 prices

- This is not an arbitrary line, but is the average poverty line found in the poorest 10-20 countries.
- Thus we are assessing poverty in the world as a whole by the standards of the poorest countries in the world.
- Of course, some national poverty lines are below this figure and some are above. For example, the national poverty lines used in both China and India are closer to \$1.00 a day at 2005 prices.
- By the same token, better off countries tend to have higher poverty line than the frugal \$1.25 standard. In discussing poverty in middle income countries and regions such as Latin America and Eastern Europe higher lines are called for. \$2 a day is more appropriate for these regions. This is the median poverty line for all developing countries.

Of course, data are never ideal, but they are getting better over time

- The 2005 ICP did a better job in collecting internationally comparable prices than past ICP rounds, including the 1993 benchmark last used for our global poverty measurement.
- As a consequence of the improvements in price data collection and processing, we have discovered that the cost of living is higher in the developing world than we thought.
- So past estimates of the level of poverty in the developing world have to be revised upwards in the light of these new data.

The new data indicate a higher count of the number of poor

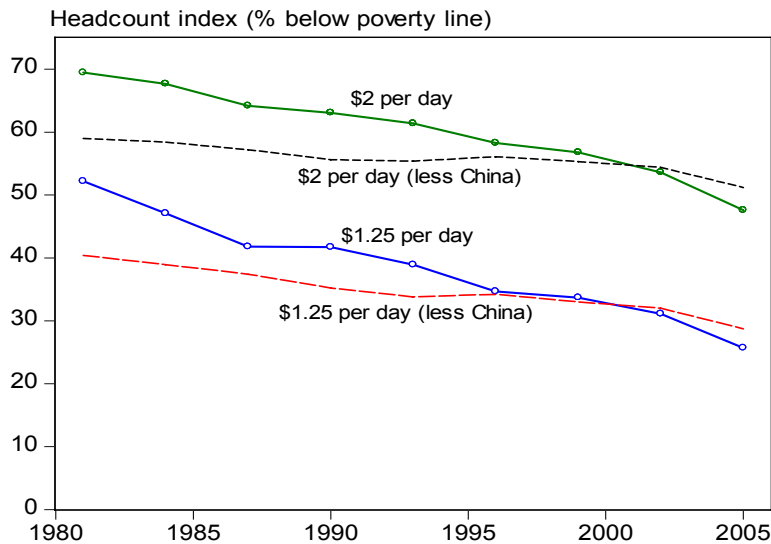
- The old data suggested that the poverty count had fallen below one billion, but with the upward adjustment to the cost-of-living in developing countries we estimate that 1.4 billion people in the world are still poor by the standards of the poorest countries.
- 2.6 billion people consume less than \$2 a day in 2005 prices.

Nonetheless, there has been progress for the poorest in the aggregate

^{*} This briefing summarizes the results of a paper by Shaohua Chen and Martin Ravallion, “The developing world is poorer than we thought, but no less successful in the fight against poverty,” Policy Research Working Paper, World Bank. <http://econ.worldbank.org/docsearch>. The *PovcalNet* web site (which allows users to replicate the estimates reported here from the primary data, and try alternative poverty lines, poverty measures and country groupings, including making estimates for individual countries) will be updated for public release on September 16 2008. See <http://econ.worldbank.org/povcalnet>.

- The % below \$1.25 a day was halved, falling from 52% to 26% over 1981-2005.
- The trend decline in the aggregate poverty rate was one % point per year.
- Number of poor fell by 500 million, from 1.9 billion to 1.4 billion.
- At this rate, the developing world as a whole is on track for attaining the first Millennium Development Goal of halving the 1990 poverty rate by 2015.

Figure 1: Poverty rates for the developing world 1981-2005



The regional picture is one of highly uneven progress

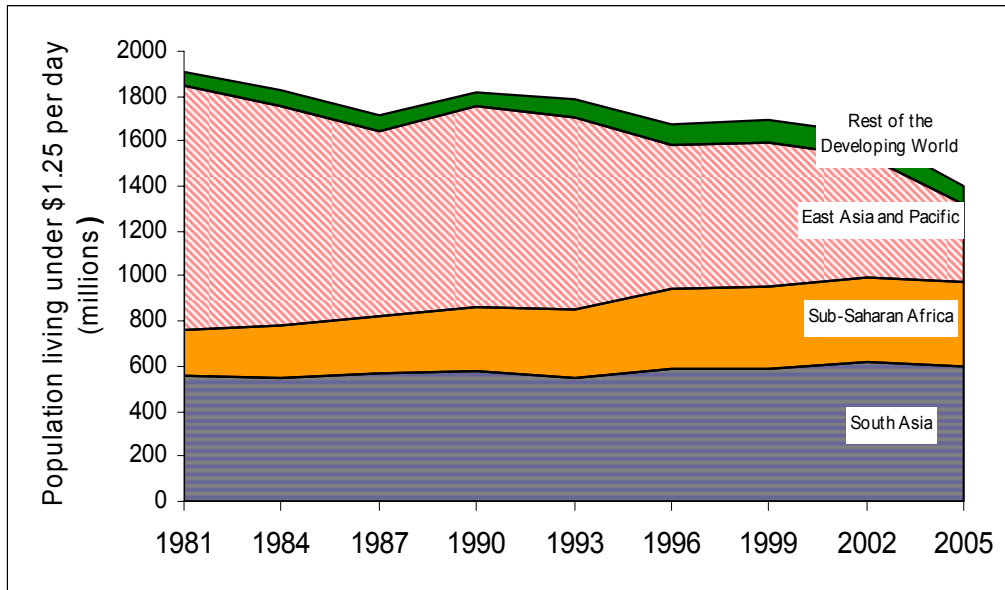
- As in past estimates, we find that the composition of world poverty has changed noticeably over time. Numbers of poor have fallen in Asia, but risen elsewhere.
- Dramatic progress in East Asia. Looking back to the early 1980s, East Asia was the region with the highest incidence of poverty in the world, with almost 80% living below \$1.25 a day in 1981. By 2005 this had fallen to 18%.
- There are 600 million fewer people living in poverty by this standard in China alone, though progress in China has been uneven over time.
- In the developing world outside China, the \$1.25 poverty rate has fallen from 40% to 29% over 1981-2005, though not enough to bring down the total number of poor, which has stayed at around 1.2 billion.
- The poverty rate has fallen in South Asia from 60% to 40% between 1981 and 2005. But this has not been enough to bring down the number of poor.
- The poverty rate has fallen over 1981-2005 in Latin America and the Caribbean, and in the Middle East and North Africa, though not enough to bring down the number of poor.
- Rising incidence and number of poor in Eastern Europe and Central Asia, though with signs of progress since the late 1990s.

Sub-Saharan Africa stands out

- \$1.25 a day poverty rate for Africa has shown no sustained downward trend over the whole period; starting and ending the period at 50%. The number of poor has almost doubled in Africa over 1981-2005, from 200 million to 380 million.
- Africa's poverty rate rose until the mid-1990s but fell after that. The \$1.25 poverty rate fell from 58% in 1996 to 50% in 2005, though this was not sufficient to bring down the number of poor.

- The depth of poverty is greater in Africa than other regions. The mean consumption of the poor is lower than any region, at around 70 cents per day in 2005 (using the \$1.25 line).
- The implication is that even higher growth will be needed in Africa to bring its rate of poverty reduction into line with other regions.

Figure 2: Numbers of poor by region 1981-2005



A great many people remain poor and vulnerable in all regions

- At the current rate of progress there will still be 1 billion people living below \$1.25 per day in 2015.
- Most of the 600 million people who escaped absolute poverty by the \$1.25 per day standard over 1981-2005 are still poor by the standards of middle-income developing countries, and certainly by the standards of what poverty means in rich countries.
- And the Bank's estimates suggest less progress in getting over the \$2 per day hurdle. Indeed, we have seen no change in the number of people living below \$2 per day at around 2.5 billion, between 1981 and 2005, although the number has fallen since the late 1990s (having risen prior to that).
- The number of people living between \$1.25 and \$2 has doubled from about 600 million to 1.2 billion between 1981 and 2005.
- Clearly a great many people remain vulnerable to aggregate economic contractions including rising food and fuel prices since 2005.

Table 1: Regional breakdown of headcount index for international poverty lines of \$1.00-\$2.00 a day over 1981-2005

| Region | 1981 | 1984 | 1987 | 1990 | 1993 | 1996 | 1999 | 2002 | 2005 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| (a) % living below \$1.00 a day | | | | | | | | | |
| East Asia and Pacific | 68.7 | 51.9 | 39.4 | 40.6 | 36.1 | 24.7 | 23.7 | 19.7 | 9.5 |
| Of which China | 73.5 | 52.9 | 38.0 | 44.0 | 37.7 | 23.7 | 24.1 | 19.1 | 8.1 |
| Eastern Europe and Central Asia | 0.7 | 0.5 | 0.4 | 0.8 | 2.1 | 2.5 | 3.4 | 3.7 | 3.4 |
| Latin America and Caribbean | 7.4 | 9.1 | 8.4 | 7.1 | 7.3 | 7.9 | 7.9 | 6.6 | 5.0 |
| Middle East and North Africa | 3.6 | 2.7 | 2.9 | 2.3 | 2.2 | 2.3 | 2.6 | 2.0 | 2.0 |
| South Asia | 42.7 | 38.0 | 36.6 | 33.8 | 28.5 | 28.8 | 26.9 | 26.5 | 23.7 |
| Of which India | 42.1 | 37.6 | 35.7 | 33.3 | 31.1 | 28.6 | 27.0 | 26.3 | 24.3 |
| Sub-Saharan Africa | 39.6 | 44.0 | 42.8 | 45.9 | 44.3 | 47.1 | 45.6 | 42.0 | 39.2 |
| Total | 41.9 | 35.0 | 29.9 | 29.9 | 26.9 | 23.5 | 22.8 | 20.8 | 16.1 |
| (b) % living below \$1.25 a day | | | | | | | | | |
| East Asia and Pacific | 78.8 | 67.0 | 54.4 | 56.0 | 51.2 | 37.1 | 35.6 | 29.6 | 17.9 |
| Of which China | 84.0 | 69.4 | 54.0 | 60.2 | 53.7 | 36.4 | 35.6 | 28.4 | 15.9 |
| Eastern Europe and Central Asia | 1.6 | 1.2 | 1.0 | 1.5 | 3.8 | 4.5 | 5.4 | 5.6 | 5.0 |
| Latin America and Caribbean | 12.3 | 13.9 | 12.4 | 10.7 | 10.8 | 11.5 | 11.5 | 10.1 | 8.2 |
| Middle East and North Africa | 8.6 | 6.8 | 6.9 | 5.4 | 5.2 | 5.3 | 5.8 | 4.7 | 4.6 |
| South Asia | 60.3 | 55.6 | 54.2 | 51.3 | 46.0 | 46.8 | 44.1 | 43.8 | 40.4 |
| Of which India | 59.8 | 55.5 | 53.6 | 51.3 | 49.4 | 46.6 | 44.8 | 43.9 | 41.6 |
| Sub-Saharan Africa | 50.8 | 55.0 | 53.4 | 54.9 | 54.8 | 57.5 | 56.4 | 53.0 | 50.4 |
| Total | 52.2 | 47.1 | 41.8 | 41.7 | 38.9 | 34.7 | 33.7 | 31.1 | 25.7 |
| (c) % living below \$2.00 a day | | | | | | | | | |
| East Asia and Pacific | 92.9 | 88.9 | 81.4 | 80.1 | 75.7 | 64.4 | 61.5 | 53.1 | 39.7 |
| Of which China | 97.8 | 92.9 | 83.7 | 84.6 | 78.6 | 65.1 | 61.4 | 51.2 | 36.3 |
| Eastern Europe and Central Asia | 8.2 | 6.3 | 5.5 | 6.7 | 10.9 | 12.4 | 13.5 | 12.6 | 10.6 |
| Latin America and Caribbean | 24.5 | 27.1 | 23.9 | 21.4 | 21.2 | 22.6 | 22.3 | 21.0 | 17.9 |
| Middle East and North Africa | 28.7 | 24.9 | 25.0 | 22.0 | 21.9 | 22.3 | 23.7 | 19.6 | 19.0 |
| South Asia | 87.0 | 84.8 | 83.8 | 82.3 | 79.1 | 79.9 | 77.4 | 77.1 | 74.0 |
| Of which India | 86.6 | 84.8 | 83.8 | 82.6 | 81.7 | 79.8 | 78.4 | 77.5 | 75.6 |
| Sub-Saharan Africa | 72.0 | 74.5 | 72.8 | 73.5 | 73.7 | 75.8 | 75.6 | 73.7 | 72.2 |
| Total | 69.5 | 67.7 | 64.2 | 63.1 | 61.4 | 58.3 | 57.0 | 53.6 | 47.6 |

Table 2: Regional breakdown of number of poor (millions) for international poverty lines of \$1.00-\$2.00 a day over 1981-2005

| (a) Number living below \$1.00 a day | | | | | | | | | | |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|
| Region | 1981 | 1984 | 1987 | 1990 | 1993 | 1996 | 1999 | 2002 | 2005 | |
| East Asia and Pacific | 947.5 | 751.1 | 598.4 | 648.1 | 600.3 | 427.5 | 424.7 | 361.9 | 179.8 | |
| Of which China | 730.4 | 548.5 | 412.4 | 499.1 | 444.4 | 288.7 | 302.4 | 244.7 | 106.1 | |
| Eastern Europe and Central Asia | 2.9 | 2.2 | 2.0 | 3.5 | 9.8 | 12.0 | 16.2 | 17.6 | 16.0 | |
| Latin America and Caribbean | 27.2 | 35.7 | 34.6 | 31.2 | 33.7 | 38.2 | 39.9 | 34.7 | 27.6 | |
| Middle East and North Africa | 6.3 | 5.2 | 6.0 | 5.2 | 5.4 | 6.1 | 7.2 | 5.8 | 6.2 | |
| South Asia | 394.2 | 374.2 | 384.8 | 378.3 | 339.2 | 364.0 | 359.0 | 372.5 | 350.3 | |
| Of which India | 296.1 | 282.2 | 285.3 | 282.5 | 280.1 | 271.3 | 270.1 | 276.1 | 266.5 | |
| Sub-Saharan Africa | 157.3 | 190.8 | 202.5 | 236.9 | 247.2 | 285.1 | 298.9 | 297.7 | 299.1 | |
| Total | 1535.3 | 1359.1 | 1228.3 | 1303.2 | 1235.6 | 1132.8 | 1146.0 | 1090.2 | 879.0 | |
| (b) Number living below \$1.25 a day | | | | | | | | | | |
| East Asia and Pacific | 1087.6 | 968.8 | 826.2 | 893.4 | 851.7 | 642.2 | 635.8 | 543.9 | 336.9 | |
| Of which China | 835.1 | 719.9 | 585.7 | 683.2 | 632.7 | 442.8 | 446.7 | 363.2 | 207.7 | |
| Eastern Europe and Central Asia | 6.6 | 5.0 | 4.3 | 7.0 | 17.8 | 21.1 | 25.7 | 26.7 | 23.9 | |
| Latin America and Caribbean | 44.9 | 54.3 | 51.4 | 46.7 | 49.7 | 56.0 | 58.4 | 53.7 | 45.1 | |
| Middle East and North Africa | 14.9 | 12.9 | 14.3 | 12.2 | 12.7 | 13.7 | 16.0 | 13.5 | 14.0 | |
| South Asia | 557.3 | 547.7 | 569.1 | 574.4 | 547.7 | 591.5 | 588.9 | 616.4 | 595.8 | |
| Of which India | 420.5 | 416.0 | 428.0 | 435.5 | 444.3 | 441.8 | 447.2 | 460.5 | 455.8 | |
| Sub-Saharan Africa | 202.1 | 238.5 | 252.9 | 283.7 | 305.6 | 347.6 | 370.1 | 375.3 | 384.2 | |
| Total | 1913.4 | 1827.1 | 1718.2 | 1817.5 | 1785.1 | 1672.0 | 1694.8 | 1629.4 | 1399.8 | |
| (c) Number living below \$2.00 a day | | | | | | | | | | |
| East Asia and Pacific | 1281.8 | 1285.6 | 1236.7 | 1277.9 | 1259.8 | 1113.8 | 1100.7 | 975.6 | 748.3 | |
| Of which China | 972.1 | 963.3 | 907.1 | 960.8 | 926.3 | 792.2 | 770.2 | 654.9 | 473.7 | |
| Eastern Europe and Central Asia | 34.5 | 27.4 | 24.7 | 31.4 | 51.5 | 58.5 | 64.0 | 59.8 | 50.1 | |
| Latin America and Caribbean | 89.6 | 105.7 | 99.0 | 93.7 | 97.8 | 109.7 | 113.4 | 111.1 | 98.7 | |
| Middle East and North Africa | 49.7 | 47.4 | 51.9 | 49.6 | 52.9 | 57.4 | 64.9 | 56.7 | 58.0 | |
| South Asia | 803.7 | 836.0 | 881.0 | 921.3 | 942.6 | 1009.5 | 1032.3 | 1084.1 | 1091.9 | |
| Of which India | 608.9 | 635.6 | 669.0 | 701.6 | 735.0 | 757.1 | 782.8 | 813.1 | 827.7 | |
| Sub-Saharan Africa | 286.4 | 323.2 | 344.8 | 379.5 | 411.1 | 458.4 | 495.7 | 522.1 | 551.0 | |
| Total | 2545.7 | 2625.4 | 2638.1 | 2753.6 | 2815.6 | 2807.2 | 2870.9 | 2809.4 | 2598.1 | |