



## ***World Bank Poverty Report - the developing world is poorer than we thought, but no less successful in the fight against poverty***

### **The Good News:**

Looking at the new estimates from the perspective of the Millennium Development Goals, a set of internationally agreed development targets, the developing world is still on track to halve extreme poverty from its 1990 levels by 2015. This is the first of eight critical goals.

### **The Bad News**

"However, the sobering news—that poverty is more pervasive than we thought—means that we must redouble our efforts, especially in Sub-Saharan Africa," said Justin Lin, Chief Economist of the World Bank and Senior Vice President, Development Economics.

### **Summary**

The paper presents a major overhaul to the World Bank's past estimates of global poverty, incorporating new and better data. Extreme poverty—as judged by what "poverty" means in the world's poorest countries—is found to be more pervasive than we thought. Yet the data also provide robust evidence of continually declining poverty incidence and depth since the early 1980s. For 2005 we estimate that 1.4 billion people, or one quarter of the population of the developing world, lived below our international line of \$1.25 a day in 2005 prices; 25 years earlier there were 1.9 billion poor, or one half of the population. Progress was uneven across regions. The poverty rate in East Asia fell from 80% to under 20 percent over this period. By contrast it stayed at around 50 percent in Sub-Saharan Africa, though with signs of progress since the mid 1990s. Because of lags in survey data availability, these estimates do not yet reflect the sharp rise in food prices since 2005.

Full paper available at: [http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2008/08/26/000158349\\_20080826113239/Rendered/PDF/WPS4703.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2008/08/26/000158349_20080826113239/Rendered/PDF/WPS4703.pdf)

### **More Key Facts & Analysis**

□ This is the first major effort to update poverty data based on 2005 measures of purchasing power parity. The new poverty estimates are also based on data from 675 household surveys across 116 developing countries. Over 1.2 million randomly sampled households were

interviewed for the 2005 estimate, representing 96% of the developing world. But lags in survey data availability mean that the new estimates do not yet reflect the potentially large adverse effects on poor people of rising food and fuel prices since 2005.

- The number of poor has fallen by 500 million since 1981 (from 52 percent of the developing world's population in 1981 to 26 percent in 2005) and the world is still on track to halve the 1990 poverty rate by 2015. But at this rate of progress, about a billion people will still live below \$1.25 a day in 2015. Also, most people who escaped \$1.25 a day poverty over 1981-2005 would still be poor by middle-income country standards.
- East Asia's progress has been dramatic since 1981, when it was the poorest region in the world. In China, the number of people living on less than \$1.25 a day in 2005 prices has dropped from 835 million in 1981 to 207 million in 2005. The Bank's earlier 2004 estimate had 130 million people living in China below \$1 a day based on 1993 PPP. Thus, the new calculations reveal more poor people than assumed earlier, but China's remarkable success in reducing poverty still stands.
- In the developing world outside China, the \$1.25 poverty rate has fallen from 40 percent to 29 percent over 1981-2005. However, given population growth, this progress was not enough to bring down the total number of poor outside China, which has stayed at about 1.2 billion.
- In South Asia, the \$1.25 poverty rate has fallen from 60 percent to 40 percent over 1981-2005, but again, not enough to bring down the total number of poor people in the region, which stood at about 600 million in 2005. In India, poverty at \$1.25 a day in 2005 prices increased from 420 million people in 1981 to 455 million in 2005, while the poverty rate as a share of the total population went from 60% in 1981 to 42% in 2005.
- In Sub-Saharan Africa, the \$1.25 a day rate was 50 percent in 2005—the same as it was in 1981, after rising, then falling during the period. The number of poor has almost doubled, from 200 million in 1981 to about 380 million in 2005. If the trend persists, a third of the world's poor will live in Africa by 2015. Average consumption among poor people in Sub-Saharan Africa stood at a meager 70 cents a day in 2005. Given that poverty is so deep in Africa, even higher growth will be needed than for other regions to have the same impact on poverty.
- For middle income countries the median poverty line for all developing countries—\$2 a day—is more suitable. 2.6 billion people lived on less than \$2 a day in 2005—a number largely unchanged since 1981. This suggests less progress in crossing the \$2 a day hurdle. By this measure, the poverty rate has fallen over 1981-2005 in Latin America and the Middle East and North Africa, but not enough to bring down the total number of poor. The \$2 a day poverty rate has risen in Eastern Europe and Central Asia, though with signs of progress since the late 1990s.

*The pages following outline the gaps in the where we are against where we want to be from the recently published UN MDG Gap Task Force Report, published September, 2008. They illustrate gaps in Access to technology, Essential Drugs, External Debt, Official Development Assistance, and Trade.*