

IDS IN FOCUS POLICY BRIEFING

Research and analysis from the
Institute of Development Studies

THE MILLENNIUM
DEVELOPMENT GOALS –
PROGRESS TOWARDS 2015
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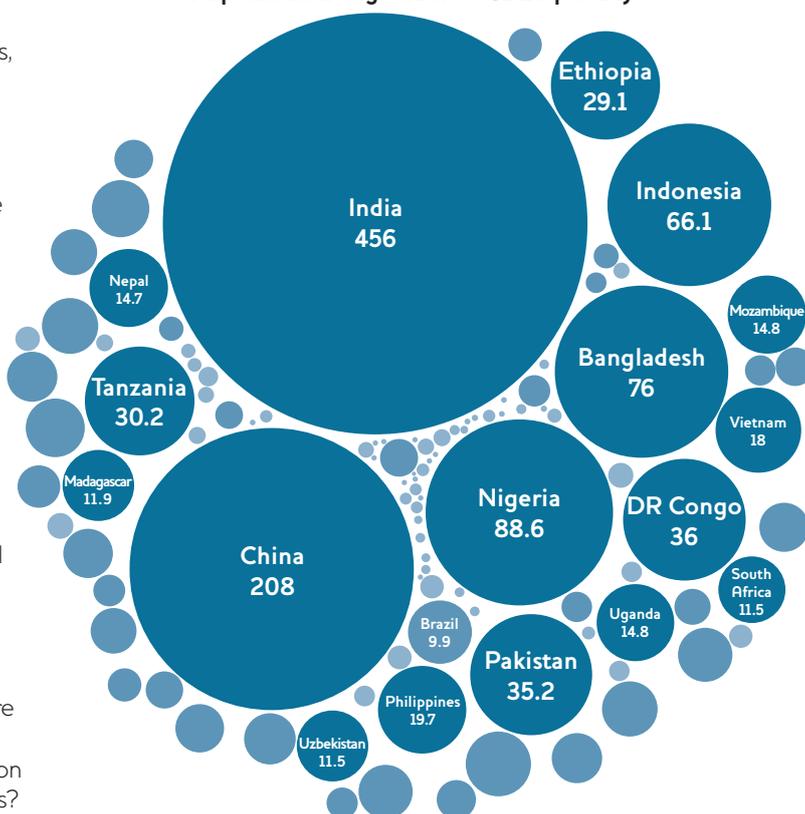
The New Bottom Billion and the MDGs – A Plan of Action

Popular understandings of global poverty are based on the false premise that poor people all live in poor countries. In fact, new estimates by the Institute of Development Studies place three-quarters of the world's 1.3bn or so poor people in middle-income countries (MICs) such as India, China, Nigeria, Pakistan and Indonesia, and only a quarter live in low-income countries (LICs), largely in Africa. This is a dramatic change from just two decades ago when 93 per cent of poor people lived in low-income countries. This change has major implications for both the achievement of the Millennium Development Goals (MDGs) and global strategies for poverty reduction beyond 2015.

If development is about poverty reduction, where poor people live is a crucial question. A host of countries have recently graduated to middle-income country (MIC) status, but poor people within them are being left behind. This is not just about India and China, because the percentage of global poverty accounted for by the MICs minus China and India has tripled as a proportion of the global total. Further, this is not just about income poverty. The picture holds across nutrition MDG measures (children's height and weight) and the United Nations Development Programme's (UNDP's) new multidimensional poverty index. Where there is a nuance is if we look at the primary schooling MDG – and possibly the infant mortality MDG too – then, approximately 40 per cent of the poorest are still in low-income countries. We see a pattern reflecting different types of poverty in different places.

How did we work this out? We took the poverty and population data in the World Bank's World Development Indicators from 1988–1990 and 2007–2008 and estimated the number of millions of poor people for every country that had data. These estimates of actual millions of poor people are hidden in poverty percentages often used for MDG assessments. As the World Bank noted in the last systematic estimation by Chen and Ravallion (2008), there were actually more poor Africans and Indians than there were in 1990 even though as a percentage of the population poverty has fallen. Why have we only just 'discovered' this? Data are usually 2–4 years old and many of these countries have graduated in the last five years or so.

Population living under US\$1.25 per day



Figures are in millions of people. Graphic courtesy *The Guardian*
www.guardian.co.uk/global-development

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Policy implications of the New Bottom Billion

1. A new focus on relative poverty should shape the aid agenda

Development policy needs to be about poor *people*, not just poor *countries*. We need to ask what aid is for in a LIC or MIC. We need a clear new commitment to reduce relative poverty and thus inequality and in doing so develop a broader range of catalytic aid instruments. These would seek to build emancipation from aid, want and insecurity by a new focus on relative poverty and supporting the expansion of the tax-paying middle classes. This would help to build the domestic tax system and improve governance and accountability.

2. Tailor aid to LICs and MICs so that poverty is targeted wherever it occurs

Poverty may be increasingly turning from an international to a national distribution problem, potentially making governance and domestic taxation and redistribution policies more important than Official Development Assistance (ODA). But this does not mean we should stop giving aid to ‘poor countries’. Instead, donors need to differentiate more; the impact of the post-financial crisis on public revenues and spending means that LICs around the world need aid resources more than ever before. Although some MICs can support their own poor people, others cannot. Some are only just past the threshold and withdrawing aid suddenly might mean they slip back to LICs. Even when domestic resources appear more substantial, political will may be ambivalent. So in MICs the donor strategy should include a broader range of aid instruments beyond resources – for example, focusing on issues such as trade, migration and climate change.

3. A mechanism is needed that shares financial responsibility between richer and poorer countries

The donor community will have to choose how to respond to the New Bottom Billion. Increasingly, poverty reduction strategies and the global effort to reach the MDG targets will be as much about tackling inequality in MICs as it will be about an absolute lack of resources in the poorest countries. We need an approach which looks to poor people, wherever they live, and focuses on new partnerships

between governments based on shared responsibility and accountability to the poor (such as the Responsibility to Protect, known as R2P in humanitarian situations) rather than a straightforward donor and recipient view of the world. This could work as a commitment to provide a minimum level of income, healthcare, and education for citizens, with the financial responsibility shared between rich and poor countries on a sliding scale depending on the wealth of the country where groups of poor people are living. However, the new MICs may well not want traditional development assistance. This would mean that donors would have to accept a move away from traditional aid to broad support for instruments that only indirectly benefit the poor in MICs.

Conclusions

According to the World Bank, there will be almost one billion poor people in 2015, even if the MDGs are met. Most of those remaining poor people will be in MICs and will be the very poorest or the ‘hardest to reach’ of all, as UNICEF has noted. As debates start on a post-MDG framework with a view to the September 2013 UN high-level summit, new approaches will be needed. Any new global agreement needs to pay attention to the changing nature of global poverty as well as difficult issues such as climate change and adaptation, demography and urbanisation. The New Bottom Billion raises a very different set of challenges for policymakers in the run up to 2015, from those they faced during the run up to 2000 and the adoption of the Millennium Declaration.

Further reading

Chen, S. and Ravallion, M. (2008) *The Developing World is Poorer than we Thought, but No Less Successful in the Fight Against Poverty*, Washington DC: World Bank

Sumner, A. (2010) *Global Poverty and the New Bottom Billion*, IDS Working Paper, Brighton: IDS

Sumner, A. and Tiwari, M. (2010) *What has Been the Impact of the MDGs and What are the Options for a Post-2015 Global Framework?*, IDS Working Paper, Brighton: IDS

UNICEF (2010) *Progress for Children: Achieving the MDGs with Equity*, New York: UNICEF

World Bank (2010) *Global Monitoring Report: The MDGs After the Crisis*, Washington DC: World Bank

What is the New Bottom Billion?

There are around a billion poor people now living in middle income countries.

Credits

This *In Focus Policy Briefing* was written by **Andy Sumner** from the Vulnerability and Poverty Reduction Team at IDS. It was edited by **James Georgalakis**. Thank you to **Claire Melamed**, Fellow, ODI.

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