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Where will the world's poor live?

Global poverty projections for 2020 and 2030

A 'double bottom billion' or 80 per cent of the world's \$2 poor (2 billion people) live in middle-income countries (MICs). In contrast there are 500 million \$2 poor in low-income countries (LICs). Even with growth, world poverty is projected to remain split 50/50 between LICs and MICs until 2030. Given that some of today's LICs will be MICs by then, it is possible that only a third of the world's poor will be living in LICs in 2030.

Where do the world's poor live?

Updated estimates of global poverty based on the World Bank's 2012 Povcal Net dataset show that the majority of the world's poor live in MICs (see Figure 1). Half of the world's poor live in India and China; a quarter live in other populous MICs such as Pakistan, Nigeria and Indonesia and a quarter live in the remaining LICs.

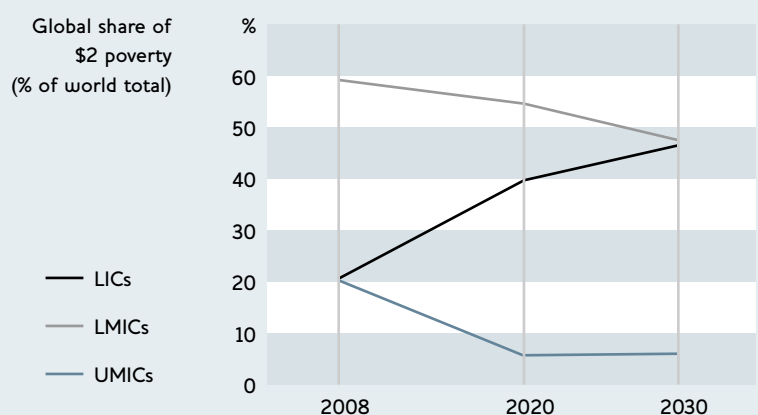
The proportion of the world's \$1.25 and \$2 poor accounted for by MICs is respectively 74 per cent and 79 per cent.

Closer analysis suggests a 'double bottom billion' of poor people in MICs: a 'bottom billion' living on under \$1.25/day and a further billion poor people living on between \$1.25 and \$2/day per capita. This compares with about 300 million poor people living on under \$1.25 and a further 200 million living on between \$1.25 and \$2/day in LICs.

Is middle-income poverty transitory?

Some argue that economic growth is likely to bring an end to middle-income poverty in the

Figure 1 Estimates of the distribution of world poverty \$2/day, 2008, 2020 and 2030 (moderate growth scenario)



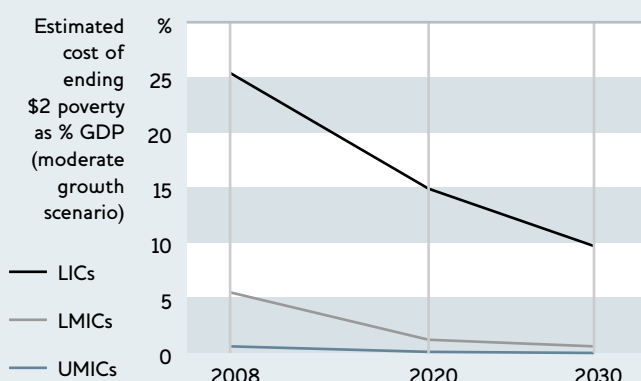
Source: Sumner (2012b) based on data from IMF (2012) and World Bank (2012).

near future. Yet growth may not be enough if the poor in MICs are disconnected from a country's economic prosperity due to spatial inequality or remoteness; live in fragile provinces of otherwise stable

countries; remain relatively voiceless in domestic governance structures or are discriminated against in public services and spending allocations and migration may be constrained by cost or administrative regulations.

Where will the world's poor live?

Figure 2
Estimate of the cost of ending world poverty



Source: Sumner (2012b) based on data from IMF (2012) and World Bank (2012).

Where will the world's poor live in 2020 and 2030?

One way to explore the question of whether middle-income poverty will be addressed in the future by economic growth is to generate a range of economic growth scenarios using the IMF World Economic Outlook growth projections at various levels (optimistic, moderate and pessimistic). Any future projections are – of course – merely illustrations of possible future scenarios based on a set of assumptions (see for

education, nutrition and health projections, Karver et al., 2012). The data suggests that the remaining \$1.25 and \$2 poverty in countries that are currently MICs will still equate to about half of all world poverty in 2020 and 2030.

Furthermore, the fact that some LICs will move into the MIC category by 2020 or 2030 suggests the structure of world poverty will remain split between LICs and MICs for some time yet. It is possible that only a third of the world's poor will live in the remaining LICs in 2030. If inequality rises these projections may understate the proportion of world poverty in MICs in 2020 and 2030.

How much will it cost to end poverty?

The cost of ending poverty as a percentage of GDP will be minimal for those countries that are already MICs in the foreseeable future (see Figure 2). In those countries that are currently LMICs the average cost of ending \$1.25 poverty is estimated to be in the range of 0.2–0.6 per cent of GDP in 2020 and at a similar level to end \$2 poverty by 2030. The estimated cost of ending \$1.25 poverty in those countries that are currently LICs may remain high even in 2020 and 2030. This suggests that for a relatively small number of countries (20 or so on the moderate growth scenario), external support for poverty reduction will remain absolutely essential. However, for the most part, poverty is gradually changing from a question of poor people in absolutely poor countries to questions about domestic inequality, governance and taxation as countries become wealthier.

Policy Recommendations

The changing distribution of global poverty away from the poorest countries to MICs suggests that a new approach to understanding and tackling extreme poverty is required. MICs will need and want “traditional aid” less as domestic resources expand and some MICs are already donors themselves. Concessional loans will still be useful even if grants are less appropriate. Policymakers in donor countries and MICs could work together by doing five things:

1. Developing a new joint focus on the chronic, long-term poor wherever they live and a new joint priority of ensuring the benefits of growth and public spending are more equitably distributed;
2. Focusing new joint resources to support the building of domestic taxation systems, and the regulation of tax havens and untaxed capital flight from MICs;
3. Supporting inclusive policy processes with the poor by donor-government joint working with civil society in MICs;
4. Co-financing global public goods including knowledge sharing on public policy between MICs and LICs;
5. Ensuring coherence across donors' development policies such as trade and migration.

Further Reading

IMF (2012) *World Economic Outlook*, Washington DC: IMF

Karver, A., Kenny, C., and Sumner, A. (2012) *MDGs 2.0: What Goals, Targets and Timeframe?* IDS Working Paper 398, Brighton: IDS

Sumner, A. (2012a) *From Deprivation to Distribution: Is Global Poverty Becoming a Matter of National Inequality?* IDS Working Paper 394, Brighton: IDS

Sumner, A. (2012b) *Where Do the World's Poor Live? A New Update*, IDS Working Paper 393, Brighton: IDS

World Bank (2012) *World Development Indicators*, Washington DC: World Bank

Credits

This *In Focus Policy Briefing* was written by Andy Sumner, from the Vulnerability and Poverty Reduction Team at IDS. It was edited by Hannah Corbett.

The opinions expressed are those of the author and do not necessarily reflect the views of IDS.

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