

IDS RESEARCH SUMMARY

Research findings at a glance from the
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Global Poverty And The 'New Bottom Billion': What If Three-Quarters Of The World's Poor Live In Middle-Income Countries?

The pattern of global poverty has changed over the past two decades. Most of the world's poorest people – or a 'new bottom billion' – are now found not in the poorest countries, but in middle-income countries.

The global poverty problem has changed. In the past poor people lived in poor countries but now there's around 950m poor people or a 'new bottom billion' who live in middle income countries (MICs) and most of them in stable, non-fragile MICs. This new bottom billion accounts for about three-quarters of the world's poor. Only about a quarter of the world's poor – about 370m people or so live in the remaining 39 low-income countries, which are largely in sub-Saharan Africa.

This is a dramatic change from just two decades ago when 93% of poor people lived in low-income countries. This change has major implications for both the achievement of the MDGs and global strategies for poverty reduction beyond 2015.

The global poverty problem has changed because most of the world's poor no longer live in poor countries – meaning low-income countries (LICs). In the past poverty has been viewed as an LIC issue predominantly, nowadays such simplistic assumptions/ classifications can be

misleading because a number of the large countries that have graduated into the MIC category still have large number of poor people. This means popular understandings of global poverty are based on the false premise that poor people all live in poor countries.

In 1990, we estimate that 93 per cent of the world's poor people lived in LICs. By 2007/8, this proportion had dropped to about a quarter. In contrast, three-quarters of the world's poor a 'new bottom billion' now live in MICs.

Paul Collier argued that the 'bottom billion' live in Fragile and Conflict-affected states (FCAS)? Collier's Bottom Billion was always the billion people (about 980m) NOT a billion poor people living in Collier's 58 countries that were 'falling apart or falling behind'. In total LIC FCAS and MIC FCAS account for about 23% or 300m+ of which most - 220m+ live in 6 countries with data (see below) and probably 3 countries without data (Afghanistan, Iraq and Sudan) which add 50m more or so).

The world's poor now live in 4 types of country: LIC FCAS (eg. DRC, Burundi); LIC stable (eg. Ghana and Bangladesh); MIC FCAS (ie Pakistan and Nigeria); and MIC stable (India and Indonesia).

How has this changed in the last 20 years? The % of world poor in MIC FCAS from 1 to 11% and MIC non-FCAS from 6 to 61% (perhaps 100m to 810m+) and LIC FCAS from 13 to 12% and LIC non-FCAS from 80% to 16% (1.4bn to 214m). We can go further and say poverty is largely a SS Africa issue 27% of the world's poor (or 355m+) and China/India who account for 50% (or 663m).

Key Research Findings

- About 72 per cent of the world's poor, or almost one billion people, now live in MICs; 61 per cent are in stable MICs.
- The remaining 39 LICs contain about 28 per cent of the world's poor people; fragile LICs just 12 per cent.
- The findings are surprisingly consistent, whichever measure of poverty is used – monetary, educational, nutritional or multi-dimensional.

“Three-quarters of the world's poorest people now live in middle-income countries”

“Tackling inequality, not just poverty, must be a priority in future aid and development policy”

- Contrary to earlier estimates that one-third of the poor live in fragile states, this paper estimates that the proportion is about 23 per cent, split fairly evenly between fragile LICs and fragile MICs.

The assumption that the world's poor live in the world's poorest countries no longer holds true. This is because a number of the most populous countries have transitioned to MICs but still have very large numbers of poor people.

Key Policy Lessons/Implications

- There is a need to review the definitions on which country classifications are based.
- Different aid modalities must be found for different types of countries, whether low-income or middle-income, fragile or stable.
- Tackling inequality, not just absolute poverty, must be prioritised in future aid and development strategies.
- A new approach to development aid should not focus exclusively on absolute poverty but should pay attention to relative poverty.

Credits

Andy Sumner, 'Global Poverty And The 'New Bottom Billion': What If Three-Quarters Of The World's Poor Live In Middle-Income Countries?', Research Summary of Working Paper 349, December 2010

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