

# Who and Where are the Poor?

Jeffrey Sachs, 2005

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## **Who and Where are the Poor?**

There are many definitions, as well as intense debates, about the exact numbers of the poor, where they live, and how their numbers and economic conditions are changing over time. It is useful to start with what is agreed, and then to mention some of the areas of debate. As a matter of definition, it is useful to distinguish between three degrees of poverty: ***extreme (or absolute) poverty; moderate poverty; and relative poverty.***

Extreme poverty means that households cannot meet basic needs for survival. They are chronically hungry, unable to access health care, lack the amenities of safe drinking water and sanitation, cannot afford education for some or all of the children, and perhaps lack rudimentary shelter – a roof to keep the rain out of the hut, a chimney to remove smoke from the cook stove – and basic articles of clothing, such as shoes. Unlike moderate poverty and relative poverty, extreme poverty occurs only in developing countries. Moderate poverty generally refers to conditions of life in which basic needs are met, but just barely. Relative poverty is generally construed as a household income level below a given proportion of average national income. The relatively poor, in high-income countries, lack access to cultural goods, entertainment, recreation, and to quality health care, education and other perquisites for upward social mobility.

The World Bank has long used a complicated statistical standard – income of \$1 per day per person, measured at purchasing power parity – to determine the numbers of extreme poor around the world. Another World Bank category, income between \$1 per day and \$2 per day, can be used to measure moderate poverty. These measures feature prominently in public policy circles, and most recently were estimated by World Bank economists Shaohua Chen and Martin Ravallion (2004). They estimated that roughly 1.1 billion people were living in extreme poverty in 2001, down from 1.5 billion in 1981. Figure 1a shows the distribution of the world's extreme poor by region. Each bar signifies the number of poor in the region, with the first bar indicating the number in 1981, the second bar, in 2001. The overwhelming share of the world's extreme poor, 93 percent in 2001, live in three regions: East Asia, South Asia and sub-Saharan Africa. Since 1981, the numbers of extreme poor have risen in sub-Saharan Africa, but fallen in East Asia and South Asia.

**Figure 1a: Numbers of Extreme Poor**

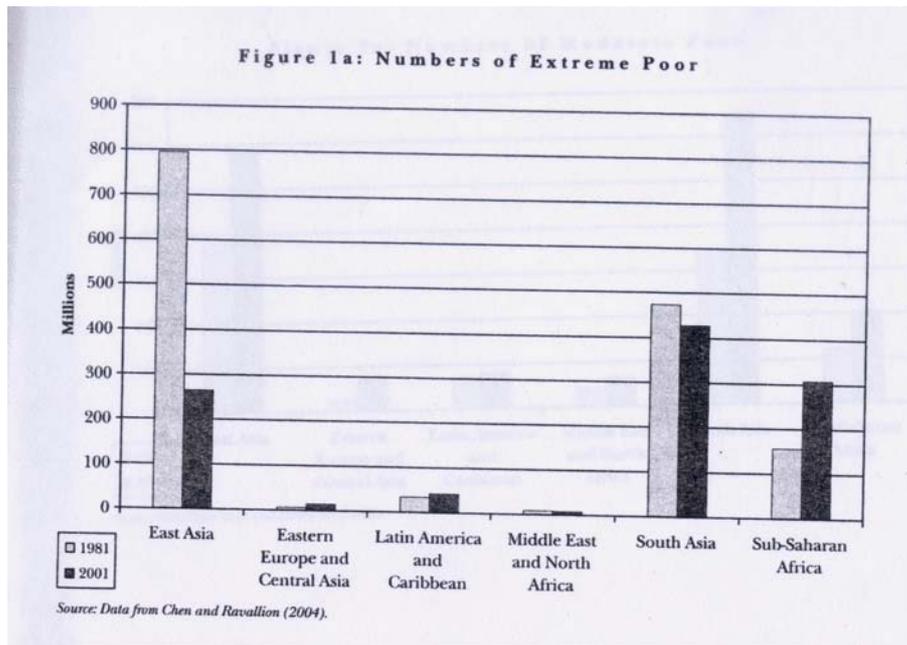


Figure 1b repeats the same measurement, but now shows the proportion of the region's population in extreme poverty, rather than the absolute number. Almost half of Africa's population is deemed to live in extreme poverty, and that proportion has risen slightly over the period. The proportion of the extreme poor in East Asia has plummeted, from 58 percent in 1981 to 15 percent in 2001; in South Asia the progress has also been marked, although slightly less dramatically, from 52 percent to 31 percent. Latin America's extreme poverty rate is around 10 percent, and relatively stuck; Eastern Europe's rose from a negligible level in 1981 to around 4 percent in 2001, the results of the upheavals of communist collapse and economic transition to a market economy.

**Figure 1b: Proportion Living in Extreme Poverty**

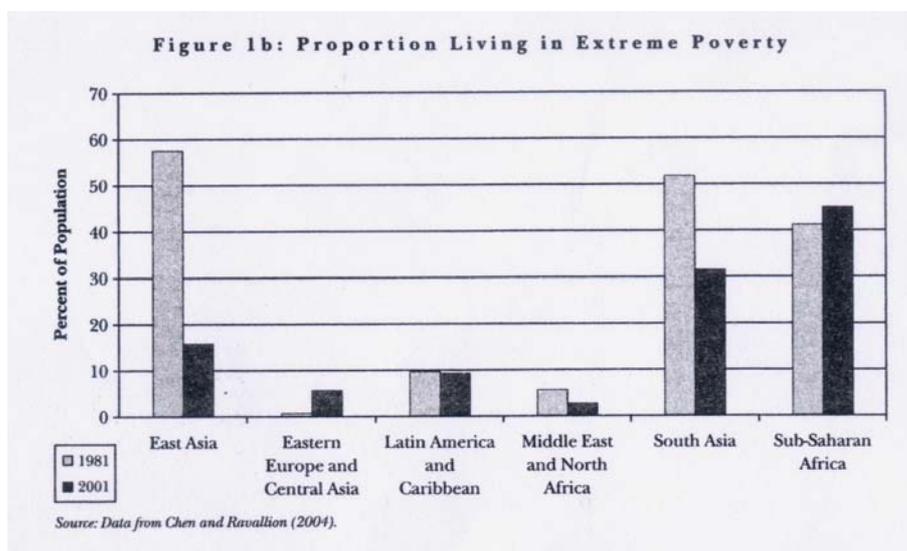
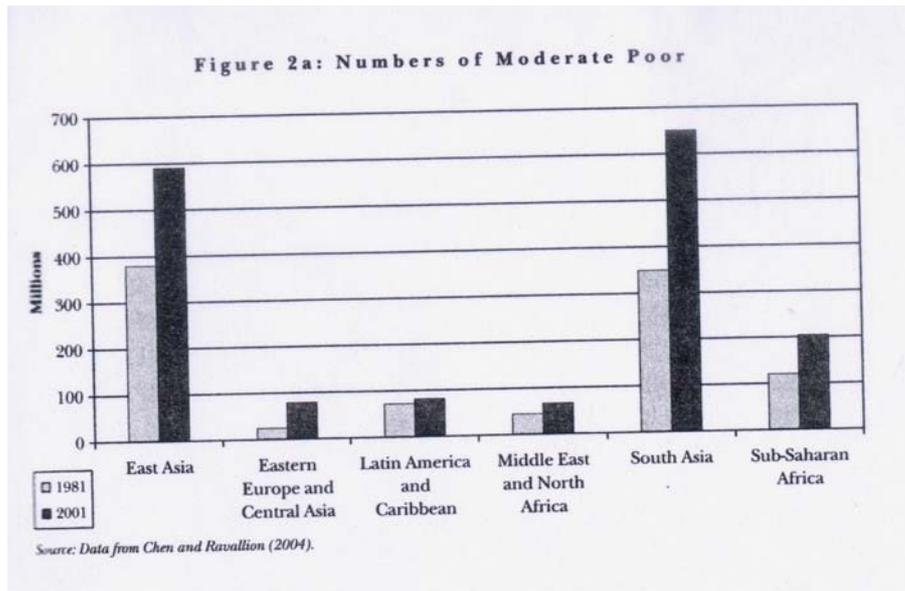
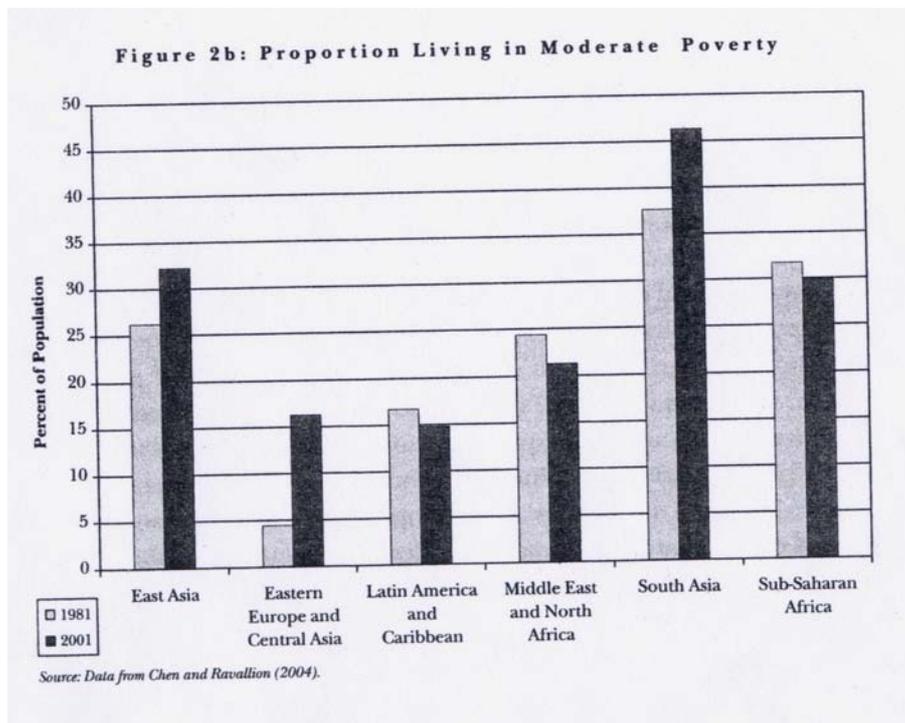


Figure 2a and 2b show calculations for the moderate poor, those living between \$1 and \$2 per day. East Asia, South Asia, and sub-Saharan Africa continue to dominate the picture, with 87 percent of the world's 1.6 billion moderately poor. The numbers of moderate poor in East Asia have actually risen as the poorest households improved their circumstances from extreme poverty to moderate poverty. Some 15 percent of Latin Americans live in moderate poverty, a rate that has been fairly constant since 1981.

**Figure 2a: Numbers of Moderate Poor**



**Figure 2b: Proportion Living in Moderate Poverty**



The precision of the World Bank figures have been questioned in heated debates. The World Bank has relied on household surveys, while other researchers have relied on national income accounts, which tend to show somewhat faster progress in the reduction of Asian poverty. The details need not detain us here, except to say that the general picture remains true in either case: extreme poverty is concentrated in East Asia, South Asia, and sub-Saharan Africa. It is rising in Africa in absolute numbers and as a share of the population, while it is falling in both absolute numbers and as a proportion in the Asian regions.

The poor are mainly in the rural areas, though with a growing proportion in the cities. They face challenges almost unknown in the rich world today – malaria, massive droughts, lack of roads and motor vehicles, great distances to regional and world markets, lack of electricity and modern cooking fuels – challenges that are at first harrowing to contemplate, but on second thought encouraging, precisely because they also lend themselves to practical solutions.

### **Our Generation's Challenge**

The very hardest part of economic development is getting the first foothold on the ladder. Households and countries at the very bottom of the world's income distribution, in extreme poverty, tend to be stuck. Countries already on the ladder of development, such as Bangladesh and India, are generally making progress, even if it is uneven and sometimes painfully slow. Our generation's challenge is to help the poorest of the poor to escape the misery of extreme poverty so that they begin their own ascent up the ladder of economic development. The end of poverty, in this sense, is not only the end of extreme suffering but also the beginning of economic progress and of the hope and security that accompany economic development.

When I speak of the *'end of poverty'*, therefore, I will be speaking of two closely related objectives. The first is to end the plight of one sixth of humanity that lives in extreme poverty and struggles daily for survival. Everybody on Earth can and should enjoy basic standards of nutrition, health, water and sanitation, shelter, and other minimum needs for survival, well-being and participation in society. The second is to ensure that all of the world's poor, including those in moderate poverty, have a chance to climb the ladder of development. As a global society, we should ensure that the international rules of the game in economic management do not advertently or inadvertently set snares along the lower rungs of the ladder in the form of inadequate development assistance, protectionist trade barriers, destabilising global financial practices, poorly designed rules for intellectual property, and the like, that prevent the low-income world from climbing up the rungs of development.

The end of extreme poverty is at hand – within our generation – but only if we grasp the historic opportunity in front of us. There already exists a bold set of commitments that is halfway to that target: the Millennium Development Goals (MDGs), the eight goals that all 191 UN member states unanimously agreed to in 2002 by signing the United Nations Millennium Declaration. These goals are important targets for cutting poverty in half by the year 2015, compared with a baseline of 1990. They are bold but achievable, even if dozens of countries are not yet on track to achieve them. They represent a crucial mid-station on the path to ending extreme poverty by the year 2025. And the rich countries have repeatedly promised to help the poor countries to

achieve them through increased development assistance and improved global rules of the game.

These, then, are the economic possibilities of our time:

- To meet the Millennium Development Goals (MDGs) by 2015;
- To end extreme poverty by 2025;
- To ensure well before 2025 that all of the world's poor countries can reliably progress up the ladder of economic development; and
- To accomplish all of this with modest financial help from the rich countries, more than is now provided, but within the bounds of what they have long promised.

To meet these challenges, we first have to understand how we got to where we are, for in that understanding we will also find the way forward.

**Reference:**

Chen, Shaohua and Martin Ravallion. *How Have the World's Poorest Fared Since the Early 1980s?* World Bank Policy Research Working Paper 3341, June 2004.

**Source:**

*The End of Poverty: How we can make it happen in our lifetime*, Jeffrey Sachs, Penguin Books, London, 2005. price £7.99  
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