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## EXECUTIVE SUMMARY

At the turn of the millennium seven years ago, the international community made a commitment to halve the proportion of people living in extreme poverty and hunger between 1990 and 2015. Now, at the halfway point between the millennium declaration and the deadline, it is clear the world has achieved considerable progress. However, though poverty and malnutrition rates are declining, it is less clear who is actually being helped. Are development programs reaching those most in need, or are they primarily benefiting those who are easier to reach, leaving the very poorest behind?

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### WHO ARE THE POOREST AND WHERE DO THEY LIVE?

One billion people live on less than \$1 a day, the threshold defined by the international community as constituting extreme poverty, below which survival is questionable. That number encompasses a multitude of people living in varying degrees of poverty—all of

them poor, but some even more desperately poor than others. To better answer the question of whether the very poorest are being reached, we first divided the population living on less than \$1 a day into three categories according to the depth of their poverty:

- Subjacent poor: those living on between \$0.75 and \$1 a day
- Medial poor: those living on between \$0.50 and \$0.75 a day
- Ultra poor: those living on less than \$0.50 a day<sup>1</sup>

This allowed us to look below the dollar-a-day poverty line to determine who the poorest people are, where they live, and how each group has fared over time. We found that *162 million people live in ultra poverty on less than 50 cents a day*. This is a significant number of people: if all of the ultra poor were concentrated in a single nation, it would be the world's seventh most populous country after

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<sup>1</sup> To be more precise, subjacent poverty is defined as the proportion of the population living on between \$0.81 and \$1.08 a day; medial poverty as between \$0.54 and \$0.81 a day; and ultra poverty as below \$0.54 a day. All are measured at the 1993 PPP exchange rates.

China, India, the United States, Indonesia, Brazil, and Pakistan.

As it is, the ultra poor are overwhelmingly concentrated in one region—Sub-Saharan Africa is home to more than three-quarters of the world’s ultra poor. Sub-Saharan Africa is also the only region in the world in which there are more ultra poor than medial or subjacent poor. In contrast, most of Asia’s poor live just below the dollar-a-day line; only a small minority of the population is ultra poor.

By examining the three categories of poverty, we see that while remarkable progress has been made in some regions, progress against poverty and hunger has been slow in regions where poverty and hunger are severe. Between 1990 and 2004, East Asia and the Pacific experienced a substantial reduction in the number of subjacent, medial, and ultra poor. In South Asia, the number of subjacent poor actually increased during that period, but at the same time, there was a significant decrease in the number of medial and ultra poor. Sub-Saharan Africa, in contrast, experienced increases in the number of poor people in each category, particularly in ultra poverty. Sub-Saharan Africa’s lack of progress indicates that if current trends continue, improvements over the next seven years may reach people below the poverty line, but will largely exclude a large share of the world’s absolute poorest.

The diverging experiences of Asia and Sub-Saharan Africa call into question the assumptions behind economic growth models that predict a convergence between growth and poverty reduction. The severity of poverty in Sub-Saharan Africa and the limited progress in reducing it indicate that the poorest in Sub-Saharan Africa may be trapped in poverty. To better understand this dynamic, we calculated the amount by which poverty would have been reduced in each category if everyone’s income had grown by the same amount between 1990

and 2004. We compare this “equal growth scenario” with the amount of poverty reduction that actually took place during this period.

We found that progress against poverty has been slower for people living well below the dollar-a-day line. Had poverty reduction been equal in all three categories, the proportion of people living in ultra poverty would have declined by 3.6 percent. In actuality, the proportion declined by only 1.4 percent, less than half the expected rate. However, there are marked regional differences. In East Asia and the Pacific, rapid economic growth has benefited all groups nearly equally, while in Sub-Saharan Africa those in ultra poverty are being substantially left behind in what little progress against poverty has been achieved in the region.

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#### **PROGRESS AGAINST HUNGER**

According to the Global Hunger Index (GHI), the hot spots of hunger are in Sub-Saharan Africa and South Asia. In Sub-Saharan Africa, overall progress in the 1990s was slow. The proportion of people who were food-energy deficient decreased, but there was very little improvement in underweight in children and in the under-five mortality rate. The high under-five mortality rate is consistent with the high prevalence of ultra poverty in this region.

South Asia and Sub-Saharan Africa have similar GHI scores despite the fact that South Asia’s poverty rate is about 10 percentage points lower than Sub-Saharan Africa’s. South Asia made tremendous strides in combating hunger in the 1990s, but despite remarkable improvement in child nutritional status, the region still has the highest prevalence of underweight in children in the world, which explains its high GHI score. East Asia and the Pacific experienced only a small reduction in its GHI score during the 1990s and early 2000s.

However, the region had a lower GHI score at the outset, suggesting that in the early 1990s, it was more able than Sub-Saharan Africa and South Asia to meet its population's most basic food and nutritional needs.

To obtain a more in-depth look at hunger, we analyzed household survey data in 15 countries. As we did with people living below the poverty line, we also separated the hungry into three categories:

- Subjacent hungry: those who consume between 1,800 and 2,200 calories per day
- Medial hungry: those who consume between 1,600 and 1,800 calories per day
- Ultra hungry: those who consume less than 1,600 calories per day

International experts recommend 2,200 calories as the average energy requirement for adults undertaking light activity. The 1,800 calorie cut-off identifies people who do not consume sufficient dietary energy to meet the minimum requirement for light activity, as established by the Food and Agriculture Organization of the United Nations. Those consuming less than 1,600 calories per day are at risk of dying from extreme hunger or starvation.

We found that in most of the Asian and Latin American countries surveyed (Bangladesh, Guatemala, Laos, India, Pakistan, Sri-Lanka, Tajikistan, and Timor-Leste), there are almost as many or more people facing subjacent hunger than ultra hunger. However, in the African countries surveyed (Burundi, Ethiopia, Kenya, Malawi, Rwanda, Senegal, and Zambia), most of the hungry consume less than 1,600 calories per day. The percentage of the population suffering from ultra hunger in these African countries ranges from 27 percent (Kenya) to an appalling 60 percent (Burundi).

*In Sub-Saharan Africa, most of those defined as hungry live in ultra hunger and are at risk of dying from extreme hunger or starvation.*

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#### **CHARACTERISTICS OF THE WORLD'S POOREST AND HUNGRY**

The poorest are those from socially excluded groups, those living in remote areas with little education and few assets, and—in Asia—the landless. To better understand the characteristics of the world's poorest and hungry, we summarized the findings from an analysis of household data and from a review of empirical research in 20 countries in developing regions of the world. We found that the poorest are also hungry, although not everyone classified as hungry lives on less than \$1 a day. Selected findings include:

1. *Despite a global trend of poverty shifting toward urban areas, the incidence of poverty is still higher in rural areas.* And as poverty deepens, the income disparities between rural and urban areas tend to increase. On average, poverty rates are 2.4 times higher for the subjacent poor and 2.7 times higher for the medial poor in rural areas than for their counterparts in urban areas. But the poverty rates for the ultra poor are nearly four times higher in rural areas than in urban areas.
2. *The poorest and most undernourished households are located furthest from roads, markets, schools, and health services.* To some extent, an electricity connection indicates the degree to which a household is “connected” in a broader sense to roads, markets, and infrastructure. We find that households living in ultra poverty are on average four times less likely to be connected than households living above the dollar-a-day line.
3. *The proportion of poor people who are educated varies from country to country. However, there*

*is one consistent pattern in every part of the developing world: adults in ultra poverty are significantly less likely to be educated, be they male or female.* In nearly all study countries, the proportion of adult males without schooling is almost double or more among the ultra poor than the non-poor. In Vietnam and Nicaragua, adult males living in ultra poverty are three times more likely to be unschooled than those living on more than \$1 a day. In Bangladesh, nearly all women in ultra poor households are unschooled (92 percent), compared to less than half in households living on more than \$1 a day (49 percent). The data overwhelmingly show that the poorest are the least educated.

4. *In all study countries, children from poorer families are less likely to go to school.* In India, 48 percent of children living in ultra poverty attend school, compared to 81 percent of children living above the dollar-a-day poverty line, representing a 33 percentage-point gap. In Vietnam, the gap is 30 percentage points, in Ghana it is 28 percentage points, and in Burundi it is 24. Without education, the future of children living in ultra poverty will be a distressing echo of their current experience.

5. *There does not seem to be a uniform pattern of higher landlessness among the poor, though the relationship varies among Sub-Saharan Africa, Latin America, and Asia.* Land is a vital productive asset in rural economies. We would thus expect the association between poverty and landlessness to be high. In all parts of Asia, those who are landless are the poorest. For example, nearly 80 percent of the ultra poor in rural Bangladesh do not own cultivable land. In Sub-Saharan Africa, however, little difference was found between the incidence of landlessness among the poorest and less poor households, and in some cases the reverse pattern was found. This corresponds to the findings of other studies that in Sub-

Saharan Africa the poorest often own some land (usually very small plots), but they lack access to markets and other key resources such as credit and agricultural inputs. In Latin America, although the incidence of landlessness is high, it was actually found to be higher among those who live on more than \$1 a day than among those living on less than \$1 a day.

6. *Each of the 20 countries has minority and other subgroups that have consistently higher prevalences of poverty and hunger, especially in Asia.* In Laos and Vietnam, ethnic minorities in upland areas experience a higher probability of being poor. In Sri Lanka, the incidence of poverty is highest among Tamils, and in India, disadvantaged castes and tribes consistently experience deprivation in a number of dimensions. For example, tribal people in India are 2.5 times more likely to live in ultra poverty than others. In Latin America, indigenous peoples are overrepresented among the poor, and increasingly so further below the dollar-a-day poverty line. There is some evidence that female-headed households and women are overrepresented among the ultra poor, but in general, no large differences were found.

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#### POVERTY TRAPS AND EXCLUSION

What are some of the reasons these characteristics prevail among the poorest? Why do people in ultra poverty stay poor? In the last few years, much has been learned about the causes of persistent poverty and hunger. This report summarizes the findings of these studies, particularly the empirical studies of the 20 developing countries. Three main observations are:

1. *The location of a household—its country of residence and its location within the country—has a large impact on potential household welfare.*

The disparity in rates of poverty and hunger across countries attests to the importance of locational characteristics in determining poverty and hunger.

*2. The coincidence of severe and persistent poverty and hunger indicates the presence of poverty traps—conditions from which individuals or groups cannot emerge without the help of others.* Three commonly found causes of poverty traps are

- the inability of poor households to invest in the education of their children,
- the limited access to credit for those with few assets, and
- the lack of productive labor of the hungry.

*Within a trap, poverty begets poverty and hunger begets hunger.* A number of studies at the level of individuals and households provide clear evidence that poverty and hunger in combination put into play mechanisms that cause both conditions to persist. Poverty and hunger inherited at birth, or resulting from unfortunate and unexpected events, can persist for years. These conditions or events in the life of a household—particularly serious illness—explain the descent of many households into absolute poverty.

*3. The systematic exclusion of certain groups from access to resources and markets increases their propensity to be poor.* These groups include ethnic minorities, disadvantaged castes and tribes, and those suffering from ill-health and disability. The exclusion of individuals from these groups from institutions and markets that would allow them to improve their welfare results in persistent poverty and hunger.

## THE ROAD AHEAD

The dismally slow progress in reducing ultra poverty and the relative lack of success in reaching the very poorest clearly demonstrate that “business as usual” will not be good enough to reach the poorest within an acceptable timeframe. As the world moves toward the deadline for achieving the Millennium Development Goal of cutting hunger and poverty in half, it cannot be content to focus only on the marginally poor and hungry—the desperate, grinding poverty of the world’s absolute poorest must also be assuaged.

A focus on policies and programs that are particularly effective at improving the welfare of the world’s poorest and hungry is needed. This report suggests interventions along the following lines that are essential to helping the poorest move out of poverty:

- Improving access to markets and basic services for those in the most remote rural areas
- Providing insurance to help households deal with health crises
- Preventing child malnutrition
- Enabling investment in education and physical capital for those with few assets
- Addressing the exclusion of disadvantaged groups

These findings also highlight the importance of improving our knowledge and understanding of who the world’s poorest and hungry are. It is only with carefully collected, context-specific, and time-relevant data that it is possible to correctly design, monitor, and evaluate policies and interventions for improving the welfare of the most deprived.