

Global Poverty and the New Bottom Billion: Three-Quarters of the World's Poor Live in Middle-Income Countries

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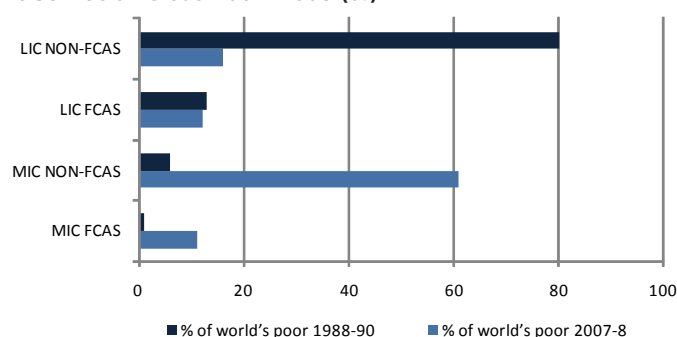
1. Where Do the Poor Live? In 1990, 93 per cent of the world's poor people lived in poor countries—that is, low-income countries (LICs). For 2007–2008, our estimates suggest three things. First, three-quarters of the world's poor, or almost 1 billion poor people, now live in middle-income countries (MICs). Second, just a quarter of the world's poor live in 39 LICs. Third, in contrast to earlier estimates that a third of the poor live in fragile states, our estimate is about 23 per cent if one takes the broadest definition of fragile and conflict-affected states (FCAS) by combining FCAS lists (43 countries); these countries are split fairly evenly between fragile LICs and fragile MICs.

2. What Questions Does This Raise for Policy and Research? *The future of country classifications* – Important questions arise. Are the original formulas for LICs/MICs in the early 1970s still relevant in 2010? Is the LIC/MIC threshold line consistent over time if the average inflation rates of LIC/MIC groupings are used instead of international inflation in rich countries? There is growing recognition that definitions of FCAS are conceptually redundant. FCAS are too heterogeneous and the issues they face probably differ if they are LICs or MICs.

The future of poverty reduction in heterogeneous contexts – How do the extent, nature and causes of poverty vary in different countries (and thus how might policy responses differ)? Why is poverty still high in MICs? Is a focus on inequality more important than a focus on immediate poverty reduction? What about demographics? What is happening to the labour force? Why has growth led to MICs with high poverty and little societal change? Does educational poverty really differ from monetary and nutritional poverty in terms of LICs/MICs distribution and, if so, why? Growth without social, economic or political transformation might begin to explain the continuing levels of absolute poverty in MICs. This needs more exploration.

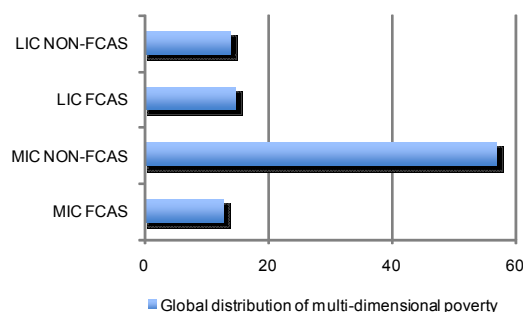
The future of aid – We have some fundamental questions. What forms of aid are appropriate for different types of countries? What indicators of aid effectiveness make sense in different countries? As a goal of aid, is poverty reduction achieved at the expense of societal change and thus emancipation from aid in the future? If the poor live in stable MICs, do those countries need aid flows or are domestic resources available? Who is “responsible” for the poor in MICs: donors or governments or both? If most stable MICs do not need aid (judging by their aid dependency ratios), should aid flows be redirected to LICs, FCAS LICs and/or to global public goods?

Global Distribution of World's Poor by Country Type, 1988–1990 versus 2007–2008 (%)



Source: Data processed from World Development Indicators.

Global Distribution of World's Poor (%) by Multidimensional Poverty Index, 2000–2008



Source: Data processed from Multidimensional Poverty Index database.

What should be the donor-recipient partnership/strategy and aid instruments for MICs? Do we need new/different aid objectives and new/different aid instruments?

In sum, if most of the world's poor live in MICs, a considerable research agenda is required to address the implications of this for research and policy geared to global poverty reduction.

Reference:

Sumner, A. (2010). 'Global Poverty and the New Bottom Billion: What if Three-Quarters of the World's Poor Live in Middle-Income Countries?' *IPC-IG Working Paper 74*. Brasília, International Policy Centre for Inclusive Growth.

