

# **Policy Brief # PB-54-2019**

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**Half of the World's Poor Live in Just Five Countries**

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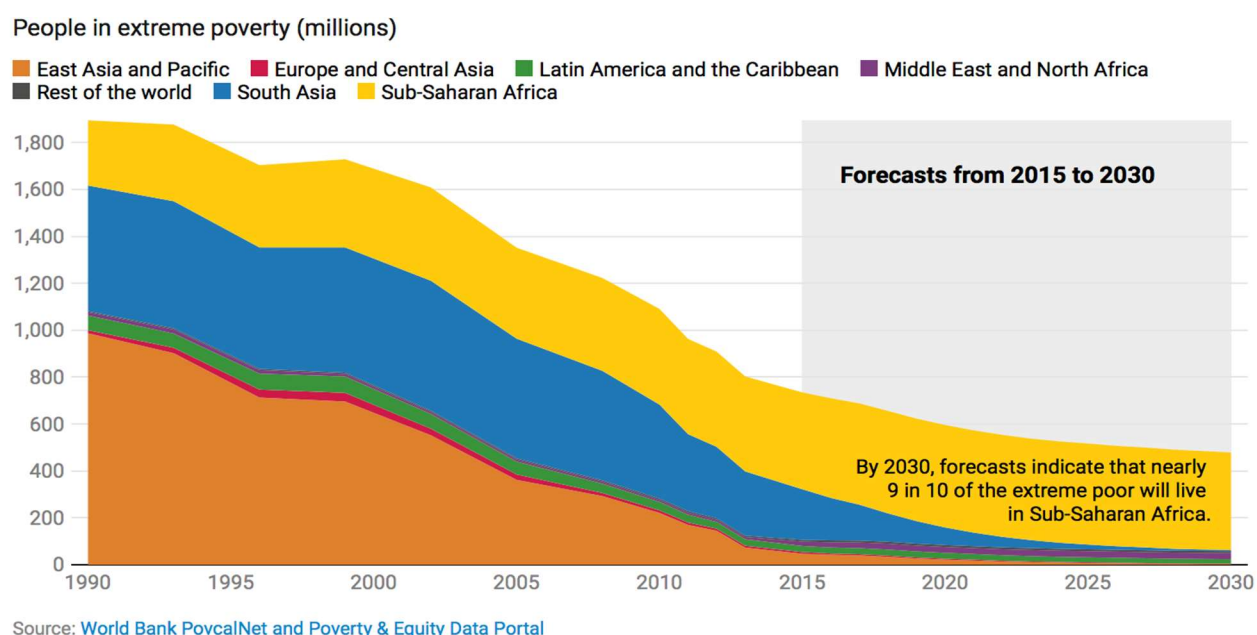
Historically, poverty was defined in monetary terms. Poverty meant to live in scarce conditions that make it impossible to be able to afford simple necessities such as shelter, food and clothing. Today, poverty is much more than being considered penniless. We now consider social discrimination, hunger and malnutrition, lack of education as well as the lack of decision making opportunities. The World Bank defines extreme poverty in absolute terms; living below US\$ 1.90 a day (See: <http://www.worldbank.org/en/news/press-release/2008/09/16/new-data-show-14-billion-live-less-us125-day-progress-against-poverty-remains-strong>). Despite this, there is much ambivalence as to how 'poverty' is defined and used as the meaning is influenced by different ideologies and world views. Chamber (1983) developed an ideology that poverty is multidimensional and in 1995, at the World Summit for Social Development, the United Nations stressed upon this.

With the mission of "Our Dream is a World Free of Poverty" carved at the World Bank Group's Washington headquarters, the goal of ending extreme poverty within a generation and assisting in sustainable prosperity that is shared around the globe is an issue that is reminded to everyone on a daily basis. Understandably, poverty is a complex societal issue with no one cause as results vary due to the difference concepts of absolute poverty; quantifying people living below the decided poverty line, and relative poverty; when the way of life of certain people is far worse than the decided standard of living of the region. In 2015, it was forecasted by the World Bank that 702 million people were living in extreme poverty; below \$1.25 a day, which is a stark difference from 1.75 billion people in 1990 (see: <http://pubdocs.worldbank.org/en/503001444058224597/Global-Monitoring-Report-2015.pdf>).

It was also gathered that out of the whole 702.1 million people struck by poverty, 35.2% lived in the Sub-Saharan Africa and 13.5% lived in South Asia and between 1990 and 2015, the population living in extreme poverty has dropped down to 9.6% (see: <http://www.worldbank.org/en/news/press-release/2015/10/04/world-bank-forecasts-global-poverty-to-fall-below-10-for-first-time-major-hurdles-remain-in-goal-to-end-poverty-by-2030>).

Some experts contend that a higher poverty line is needed in order for it to be considered a realistic poverty rate as this would reflect the costs of basic necessities.

When we map out the 702 million people hit with extreme poverty in 2015, half of the total lived in just five countries- India (24%), Nigeria (12%), Democratic Republic of Congo (7%), Ethiopia (4%) and Bangladesh (3%). Coincidentally, these populous countries reside within the borders of South Asia and Sub-Saharan Africa, two regions that encompass a population of 629 million of the world's poor. Even though poverty rates have declined over the recent years, it is difficult to ignore the uneven progress as East Asia and Pacific as well as Europe and central Asia have already reached their 2030 Development Goal target of reducing extreme poverty to below 3%. However, to eradicate extreme poverty on a global level by the year 2030, it is crucial to focus on these 5 countries that have previously been mentioned above as they happen to be some of the most densely populated countries of the two regions.



There is a risk of over 160 million children growing up and continuing to live a life in extreme poverty by the year 2030 as the Sustainable Development Goal is becoming harder to reach. With countries such as China and India growing at an impressive rate, poverty is becoming more entrenched in parts of Sub-Saharan Africa and areas affected by conflict around the world (see figure above). By renewing and strengthening the focus on Africa and by ensuring more investment to ensure growth, the predicted forecast can be changed. The World Bank has also understood that poverty is a multifaceted concept, which is complex and embedded in all societies and as emphasized in the Poverty and Shared Prosperity Report of 2018, the roots of this issue



should be tackled so that all people can equally share the benefits of economic development and higher standards of living.

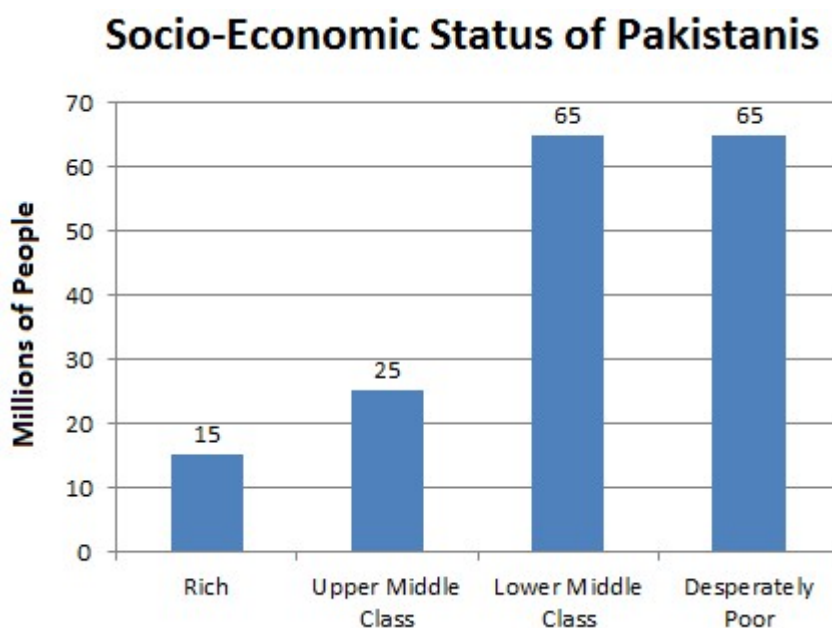
Bringing attention to South Asia, Pakistan is a developing country that is suffering from poverty while the population continues to grow. Out of the 210 million residing within the borders of Pakistan in 2017, a report that was submitted by the Ministry of Planning and Development in the National Assembly of Pakistan, 55 million people (29.5%) live below the poverty line and it also has the lowest Human Development Index of 0.550 in all of South Asia (see: [http://www.na.gov.pk/uploads/documents/questions/1470057800\\_189.pdf](http://www.na.gov.pk/uploads/documents/questions/1470057800_189.pdf)). Although poverty in Pakistan fell from 64.3% to 29.5% from 2002 to 2014, World Bank still believes there is much more room for improvement.

To understand the disparity between the standard of living of rural and urban areas in Pakistan, due to the difference in incomes, more than 30 million people are residing in rural parts (see the figure above). A major cause that is reducing the rate of decline in poverty is gender disparity. Due to traditional gender roles, female literacy in Pakistan is a mere 44.2% compared to male literacy of 69.1% in 2014 and this can slow down the development of a country as well as the opportunity to increase incomes per household

(See: <https://data.worldbank.org/indicator/SE.ADT.LITR.MA.ZS?locations=PK&view=chart> ).

Feudalism is rampant, and landlords take advantage of their power and exploit the labour abilities of the poor. A government that is struggling with economic deficits as well as vulnerability caused by corrupt government officials results in many of the citizens to suffer. In recent years, redistributive policies such as subsidies, land reforms and high tax rates have become more popular and as a result, updated studies on poverty have also emerged.

World Bank has devoted all their efforts into ensuring an effective and safe way to slowly but surely minimise poverty to no more than 3% by 2030. Countries like Pakistan need to grow in a labour-intensive manner which is benefiting to households, resulting in a rise in income per-head. Developing countries should take advantage of their large population and Pakistan should focus and invest in the human capital of its citizens and also ensure that those who are not able to work



due to old age, pregnancy and illness should be given other alternatives, so they can partake in the overall growth of the country.

By investing in education, healthcare, sanitation and provide job security will not only provide sustainable growth but will also end the enormous income gaps that persist on a large scale in the country. The poorer countries need to focus on their priority development programs and resource allocation around poverty alleviation by investing in human capital formation and skills development, education, health and income generation in order to attain the Sustainable Development Goals of poverty eradication by 2030. While giving time to making informed policy choices and decisions, these countries should establish robust and reliable database and statistical systems to more precisely define, identify, map and characterize poverty and come up with sustainable prescriptive solutions.

It may be added that the Sustainable Development Goals (SDGs) were universally adopted in 2015 at the UN summit as a consensual collective development agenda of the humanity. While all the Goals potentially contribute to poverty alleviation, Goals 1 (No Poverty), 2 (Zero Hunger), 3 (Good Health), 4 (Quality Education), 5 (Gender Equality), 6 (Clean Water and Sanitation), 7 (Affordable and Clean Energy), 8 (Decent Work and Economic Growth) and 10 (Reduced Inequalities) in particular directly link to poverty. To further sensitize and create awareness among the people United Nations has declared October 17<sup>th</sup> as the 'International Day for the Eradication of Poverty', adopted in 1992 through the resolution 47/196 (see: <http://www.un.org/en/sections/issues-depth/poverty/>).

Understandably, there is a long road when it comes to ending extreme poverty and so sustainable growth will be a slow process. Improvements in the decline of poverty can be hindered due to natural disasters, changes in governments, economic shocks alongside world affairs and can have a negative impact on the livelihoods of people. Nonetheless, it is important for Pakistan to introduce policies that focus on education, security and for the government to work on eradicating extreme poverty and to allow the growth of better standards of living for its citizens. This will, a priori, entail reducing the vulnerability and augmenting the livelihood assets of the poor and marginalized through a combination of policies, institutions and processes that enhance the capabilities of the poor to exercise and expand their choices.