Poverty in the World

Poverty refers to a condition when members of a household are unable to provide their basic needs of food, water, clothing, shelter, sanitation, medicine, education, and security. Using the “modest” international poverty line of less than $2 a day, over 2.6 billion people live in poverty. When we apply the “extreme” poverty measure of less than $1.25 a day, the number of people living in poverty falls to 1.4 billion.¹

In many countries, households are trapped in a vicious circle of poverty. Accordingly, members of a household who cannot provide sufficient food (stage A) suffers from an inadequate diet (stage B) and poor health (stage C). The household’s production function, employing such a weak workforce, exhibits low productivity (stage D) and generates a insufficient income (stage E). Then, the circle starts all over again with a situation where the household does not have enough money to provide an adequate supply of food (stage A).²

¹ These figures are in 2005 Purchasing Power Parity, which indicate that - in absence of transaction costs and trade barriers - identical goods will have the same price in different markets when prices are expressed in terms of one currency.

Many poor households have not been able to shatter the poverty trap. Tragically, about 41 percent of the world population lives on less than $2 a day. In Sub-Saharan Africa, nearly 70 percent of the people are poor. In South Asia, about 67 percent of the population earns less than $2 a day. The percent of people living in poverty averages 42 percent in East Asia and the Pacific, 31 percent in Eastern Europe and Central Asia, 18 percent in Latin America and the Caribbean, and 17 percent in the Middle East and North Africa.

By and large, a main cause of poverty is the disparity between the rich and the poor. In poverty-stricken regions of the world, the degree of income disparity averages a staggering number as the income share of the top 20 percent of the population is 11.5 times greater than that of the bottom 20 percent. In Sub-Saharan Africa, where poverty is rampant, the disparity degree is 18 fold. In Latin America and the Caribbean, the income share of the rich is nearly 20 times more than the income share of the poor. In South Asia, the wealthy has an income share 5 times greater than that of the deprived. In Eastern Europe and Central Asia, the income share of the rich is 6 times more than that of the poor. In East Asia and the Pacific and in the Middle East and North Africa, the income disparity degree is almost 10 fold.

In poor regions of the world, public policies of human-capital investment (nutrition, education, and health), income redistribution (progressive taxation and transfer payments), and sustainable development (investment in land, environment, and appropriate technology) help close the income gap and reduce poverty. Such policies implemented effectively in a lawful and peaceful environment by honest government officials would help low-income families to break the vicious circle of poverty.
Many international agencies and non-governmental organizations have been involved in programs of poverty reduction. In particular, the United Nations Development Programme has established a set of eight anti-poverty Millennium Development Goals (MDGs) to be achieved by 2015. The MDGs provide a framework for the entire international community to work together toward a common end, making sure that human development reaches everyone and everywhere. If these goals are achieved, poverty will be cut in half; tens of millions of lives will be saved; and billions more people will have the opportunity to benefit from the global economy. The MDGs are:

- **Goal One: Eradicate Hunger and Extreme Poverty** - Providing support in cash and kind for the world’s poor and provide a framework for coordinating development efforts.

- **Goal Two: Achieve Universal Primary Education** - By raising family income, parents would be able to send children to school rather than to work. Education, particularly for girls, prepares children to take advantage of economic opportunities.
• **Goal Three: Promote gender equality and empower women** - Eliminating gender disparity in primary, secondary, and higher education so that educated and skilled women find better opportunities to earn income.

• **Goal Four: Reduce Infant Mortality** - Improving agricultural production is a reliable and sustainable intervention to improve nutrition and reduce child malnutrition and mortality. More children die before the age of five in rural areas than in urban ones. About half of these deaths are due to malnutrition.

• **Goal Five: Improve Maternal Health** - Reducing the maternal mortality ratio by three-quarters by 2015. Giving birth is especially risky in Southern Asia and Sub-Saharan Africa, where most women deliver without skilled care.

• **Goal Six: Combat HIV/AIDS, Malaria, and Other Diseases** - Reducing the spread of HIV/AIDS and preventing the incidence of malaria and other major diseases.

• **Goal Seven: Ensure Environmental Sustainability** - Integrating the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. Reducing the proportion of people without sustainable access to safe drinking water and basic sanitation by 50 percent in 2015.

• **Goal Eight: Develop a Global Partnership for Development** - Developing an open, rule-based, predictable, non-discriminatory trading and financial system to address the special needs of poor countries.

The international community has been able to alleviate poverty. Shown the following chart, the percentage of people living on less than $2 a day dropped steadily from 70 in 1980 to 41 in 2005. Likewise, the percentage of world population living on less than $1.25 a day declined persistently from 40 in 1990 to about 25 in 2005.
Nevertheless, the risk of falling into poverty is on a rising trend. Illustrated in the chart below, the risk factor increased from 18 percent in 1980 to over 30 percent in 2005. Several factors have contributed to this rising trend, including insufficient investment in agriculture, massive rural-urban migration, inadequate food storage and distribution facilities, rising food prices, war and civil strife, corrupt government, and the on-going global recession. Recently, The World Bank has estimated that the global recession and rapidly rising food prices have pushed some 100 to 150 million people into poverty in 2008 and will continue to do so in the foreseeable future.

All and all, poverty need not exist. The problem is that poor people are trapped in poverty. National governments with assistance from the international community must create an environment in which people become productive enough to sustain themselves. They must acquire the necessary tools of education and self-confidence to generate steady streams of income to satisfy their needs and wants.
Source:
Poverty Reduction and Equity, The World Bank

United Nations Development Programme Millennium Developmental Goals
http://www.undp.org/MDG/basics.shtml


Wikipedia, List of countries by percentage of population living in poverty