A sixth of the world's people produce 78 percent of its goods and services and receive 78 percent of world income—an average of $70 a day. Three-fifths of the world's people in the poorest 61 countries receive 6 percent of the world's income—less than $2 a day. But their poverty goes beyond income. While 7 of every 1,000 children die before age five in high-income countries, more than 90 die in low-income countries. How do we bridge these huge and growing income gaps, matched by similar gaps in social living standards? Can the nations of the world work together to reduce the numbers in extreme poverty? This is the fundamental challenge of the 21st century.

Recent trends in poverty

New data from the World Bank suggest that the number of people in extreme poverty (living on less than $1 a day) has been relatively stable in the past decade, rising in the early 1990s to a peak of 1.3 billion and then falling slightly to 1.2 billion in 1998—roughly the same as in 1987 (table 1a).[1] But the regional picture is varied. In East Asia and the Pacific the number in poverty fell sharply from 452 million in 1990 to 278 million in 1998, mainly because of progress in China, with the rest of East Asia cutting its numbers by a third. Almost all other regions had their number in poverty increase. South Asia's rose from 495 million to 522 million, and Sub-Saharan Africa's from 242 million to 291 million.

The proportion of people living in extreme poverty—the poverty rate—went down modestly from 29 percent in 1990 to 24 percent in 1998. Here again East Asia took the lead, reducing its rate from 28 percent to 15 percent. South Asia, home to the largest number of the world's poor, saw a modest decline of four points to 40 percent over the same period. Sub-Saharan Africa (46 percent) and Latin America and the Caribbean (16 percent) had barely discernible reductions.

Some regional trends:

- While the overall trend in **East Asia and the Pacific** is impressive, much of this gain was made before 1997. The financial crisis of 1997–98 checked the strong momentum of growth. Data from national surveys, based on national poverty lines, suggest that Indonesia, the Republic of Korea, and Thailand had sharp increases in poverty. Vietnam seemed the exception—its poverty continued to decline. In China, where growth slowed but was still high, the pace of poverty reduction slowed sharply after 1996, and the numbers in poverty may even have increased.

Table 1a

Poverty in developing and transition economies, selected years, 1987–98

	Population covered by at least one survey	People living on less than PPP $1 a day					Headcount index				
		millions					%				
	%	1987	1990	1993	1996	1998[a]	1987	1990	1993	1996	1998[a]
East Asia and the Pacific	90.8	417.5	452.4	431.9	265.1	278.3	26.6	27.6	25.2	14.9	15.3
Excluding China	71.1	114.1	92.0	83.5	55.1	65.1	23.9	18.5	15.9	10.0	11.3
Europe and Central Asia	81.7	1.1	7.1	18.3	23.8	24.0	0.2	1.6	4.0	5.1	5.1
Latin America and the Caribbean	88.0	63.7	73.8	70.8	76.0	78.2	15.3	16.8	15.3	15.6	15.6
Middle East and North Africa	52.5	9.3	5.7	5.0	5.0	5.5	4.3	2.4	1.9	1.8	1.9
South Asia	97.9	474.4	495.1	505.1	531.7	522.0	44.9	44.0	42.4	42.3	40.0
Sub-Saharan Africa	72.9	217.2	242.3	273.3	289.0	290.9	46.6	47.7	49.7	48.5	46.3
Total	88.1	1,183.2	1,276.4	1,304.3	1,190.6	1,198.9	28.3	29.0	28.1	24.5	24.0
Excluding China	84.2	879.8	915.9	955.9	980.5	985.7	28.5	28.1	27.7	27.0	26.2

Note: The estimates in the table are based on data from the countries in each region for which at least one survey was available in 1985–98. Where survey years do not coincide with the years in the table, the survey estimates were adjusted using the closest available survey for each country and applying the consumption growth rate from national accounts. The number of poor in each region was then estimated using the assumption that the sample of countries covered by surveys is representative of the region as a whole. This assumption is obviously less robust in the regions with the lowest survey coverage. The headcount index is the percentage of the population below the poverty line. For more details on the data and methodology see Chen and Ravallion forthcoming.

a. Estimated.

Source: Chen and Ravallion forthcoming.

- **South Asia** continued to record solid per capita GDP growth. But the pace of poverty reduction slowed considerably, particularly in India, reflecting the drag on its overall performance from the populous and poorest states of north India (Bihar, Madhya Pradesh, and Uttar Pradesh). Bangladesh's performance has been much better, while Pakistan's low growth rates throughout the 1990s made poverty worse.
- The gains in growth recorded in **Sub-Saharan Africa** in the mid-1990s were reversed by lower commodity prices and reduced export demand, reflecting both the slackening of growth in world trade and increased competition from countries that had sharp exchange rate depreciations. Africa's aggregate performance conceals wide variations between the handful of steady reformers (Côte d'Ivoire, Ghana, Mauritania, Tanzania, and Uganda) and the countries in severe conflict (Burundi, the Democratic Republic of the Congo, Rwanda, Sierra Leone, and countries in the horn of Africa). In between lie a large number of countries having difficulty in making the transition to a path of sustained economic reform. Those enjoying good growth have seen poverty decline; the others have seen worsening income poverty and social indicators.
- While extreme poverty is confined to a relatively small share of the people in **Latin America and the Caribbean** (15 percent living on less than $1 a day, 36 percent on less than $2 a day), both the share and the numbers in poverty remain stubbornly stagnant, apparently immune to the growth in the 1990s because of high levels of inequality. There are exceptions. Data for Brazil suggest that the Real Plan helped poverty drop 30 percent in two years after the 1994 launch. But the global financial crisis wiped out a third of these gains.
- The economic depression in most transition economies in **Europe and Central Asia** through much of the 1990s may have hit bottom. But the combination of falling output and rising inequality led to large increases in the numbers in poverty, including those in extreme poverty. In 1990 very few in this region lived on less than $1 a day. Today there may be more than 24 million, 5 percent of the population—and as many as 93 million, or 20 percent of the population, now live on less than $2 a day.
- In the **Middle East and North Africa** only 2 percent of the population live on less than $1 a day, and some 22 percent on less than $2. Poverty has declined in the 1990s, helped in recent years by rising oil prices and stronger growth.

Halving poverty by 2015

What are the prospects for attaining the international development goal of halving the proportion of people in extreme poverty between 1990 and 2015?

Much depends on the pace and quality of growth, according to the World Bank's *Global Economic Prospects 2000*. With slow growth and rising inequality there likely will be little progress in reducing the total number of poor—much like the experience of the last decade. In the next decade the number of people living in poverty would remain virtually unchanged, with more than a billion people still living on less than $1 a day. Only with inclusive growth—only if the right combination of policies and interventions leads to sustained growth without increases in inequality—can we stay on track to reach the target.

This brighter picture requires policies that encourage economic stability and direct new resources toward poverty reduction, so that countries can grow out of extreme poverty. That should make it

Box 1a

The international development goals

An OECD–United Nations–World Bank conference (held in Paris on 16–17 February 1998) identified 6 social goals and 16 complementary indicators to be monitored by the development community as part of a new international development strategy. (The table numbers show where these indicators appear.)

Reduce poverty by half
- Headcount index (table 2.7)
- Poverty gap index (table 2.7)
- Income inequality: share of income accruing to poorest 20 percent (table 2.8)
- Child malnutrition (table 2.17)

Provide universal primary education
- Net primary enrollment ratio (table 2.10)
- Progression to grade 5 (table 2.11)
- Illiteracy rate of 15- to 24-year-olds (table 2.12)

Improve gender equality in education
- Gender differences in education and literacy (tables 1.3 and 2.13)

Reduce infant and child mortality
- Infant mortality rate (table 2.18)
- Under-five mortality rate (table 2.18)

Reduce maternal mortality
- Maternal mortality ratio (table 2.16)
- Births attended by skilled health staff (table 2.16)

Expand access to reproductive health services
- Contraceptive prevalence rate (table 2.16)
- Total fertility rate (table 2.16)
- HIV prevalence in pregnant 15- to 24-year-olds (table 2.17)[1]

1. These data are not yet available, but table 2.17 shows comparable indicators.

possible to reduce the number of people living on less than $1 a day to about 700 million by decade's end.

The fundamental message is that only with substantial policy change will the world achieve the goal. Now only East Asia and the Pacific is poised to meet the goal. With more inclusive growth the poverty reduction goal is attainable in South Asia as well. But only with even better growth effort and stronger reductions in inequality will Latin America and Sub-Saharan Africa be likely to attain it.

What of the social development goals?

Social development indicators generally improve as incomes rise. And most indicators continued to improve between 1990 and 1998. But progress does not warrant confidence that the international development goals can be attained (box 1a). Moreover, health gains are being eroded in countries suffering the AIDS epidemic, many of which are experiencing sharp reductions in life expectancy (Tanzania, Uganda, Zambia, and Zimbabwe). And the countrywide averages that are the focus of the international development goals conceal considerable differences in health and education—with the poor systematically having higher mortality rates and lower enrollment ratios.

Mortality rates

The international development goals call for a two-thirds reduction in infant and child mortality rates and a three-fourths reduction in maternal mortality ratios from 1990. Neither is likely on current trends. Infant mortality rates fell by 13 percent in South Asia, 9 percent in Sub-Saharan Africa—and 10 percent in developing countries as a group. Under-five mortality rates declined by 3 percent for Sub-Saharan Africa and 10 percent for all developing countries. To be on track for attaining the goals, mortality rates should have come down by roughly 30 percent.

These national averages conceal wide disparities between rich and poor families in some countries. Generally, children born into poor families have a higher chance of dying before their fifth birthday than children born into better-off families, but inequality varies by country. In Ghana and Pakistan the rates for the top and bottom fifths vary only slightly, with the poor having 1.1–1.2 times the rate of under-five mortality. But in South Africa the poor have twice the rate of the rich—and in Northeast Brazil 10 times (table 1b).

Equally difficult for the majority of developing countries is achieving the maternal mortality reduction target. This is especially so for countries with levels above 300 per 100,000 live

Table 1b

Under-five mortality rate in poorest and richest quintiles

Per 1,000 live births

	Period	Average	Poorest quintile	Richest quintile	Ratio of poorest to richest
Brazil[a]	1987–92	63	116	11	10.4
Ghana	1978–89	142	155	130	1.2
Pakistan	1981–90	147	160	145	1.1
South Africa	1985–89	113	155	71	2.2

a. Data refer to the Northeast and Southeast.

Source: Wagstaff 1999.

births in 1990 or later.[2] Countries can make a dent in maternal deaths with safe motherhood initiatives, such as those preventing and managing unwanted pregnancies. The most effective intervention is having personnel trained in midwifery attend the delivery, which can substantially reduce the number of women who remain at risk.

But the poor have a smaller percentage of births in the presence of trained health professionals. Evidence from 10 developing countries studied between 1992 and 1997 shows that only 22 percent of births were attended by medically trained health staff for the poorest fifth of the population, while for the richest fifth 76 percent of births were attended by trained staff (figure 1a). There were undoubtedly large variations in the quality of trained staff for the two groups.

A big factor in mortality in many developing countries: HIV/AIDS. In some countries in Sub-Saharan Africa infant and child mortality, after years of steady decline, has begun to rise again. And analysis by Hanmer and Naschold (1999) indicates that HIV/AIDS is strongly and positively correlated with maternal mortality.

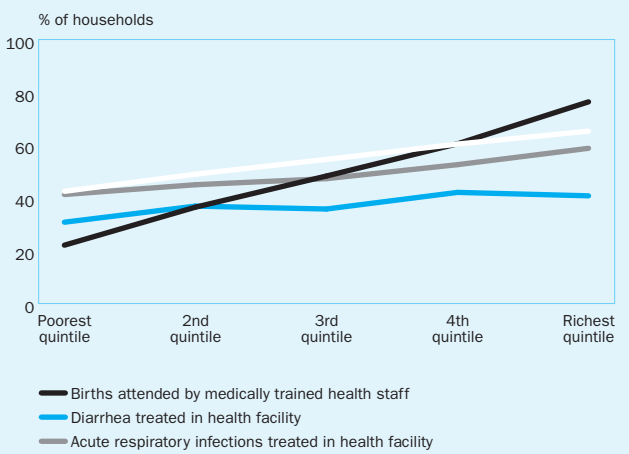
Does this mean that the international development goals for health outcomes are unlikely to be attained? Much depends on containing the HIV/AIDS epidemic, improving delivery of health services to those in need, and realizing the benefits of continuing technological progress. Hanmer and Naschold's study suggests that in the best case the infant mortality target could be met for developing countries as a whole, with South Asia almost making the target and Sub-Saharan Africa reducing its rate by 44 percent. Even without improvements in health service delivery, all regions other than South Asia and Sub-Saharan Africa could still reach the target. But if HIV/AIDS continues to spread as projected by various epidemiological models, no regions except East Asia and the Pacific would meet the goal of a two-thirds reduction.

For under-five mortality, all regions other than Sub-Saharan Africa could reach the target if HIV/AIDS is contained and health services continue to improve. Without improved services, East Asia and the Pacific, Europe and Central Asia, and Latin America and the Caribbean could still meet the target. In the AIDS pandemic scenario East Asia and the Pacific and Europe and Central Asia would still make the target, but the developing world as a whole would see only a 23 percent reduction in under-five mortality, far short of two-thirds.

None of the regions would achieve the maternal mortality target, even assuming that 80 percent of births are attended by medically trained staff. Starting from its high current maternal mortality ratios, Sub-Saharan Africa could get close to the target under the better health services scenario, but the scenario's assumptions may be too optimistic for the region.

Figure 1a

The poorest have least access to maternal and child health services



Note: The data are from 10 developing countries (Bolivia, Chad, Côte d'Ivoire, India, Malawi, Morocco, Peru, the Philippines, Tanzania, and Vietnam) for years between 1992 and 1997. Households are grouped into quintiles by assets.
Source: Analysis of demographic and health surveys conducted by the World Bank and Macro International.

Education outcomes

The international development goals aim at 100 percent net enrollment in primary school by 2015, and equal enrollment for boys and girls in primary and secondary school by 2005. Neither is likely. The exhaustive Oxfam study *Education Now* (Watkins 1999) estimates that 125 million children of primary school age were out of school in 1995. Of these, two-thirds were girls. In 1995 girls made up only 43 percent of those enrolled in primary school in low-income countries. By 2005 they are expected to make up only 47 percent of primary enrollment. While girls' enrollment in secondary school is rising faster than boys', they will make up only 47 percent of secondary enrollment by 2005. That last 3 percent is difficult to achieve.

The United Nations Educational, Scientific, and Cultural Organization (UNESCO) is more optimistic, suggesting that East Asia and the Pacific will meet the target, and that Europe and Central Asia and Latin America and the Caribbean are likely to (figure 1b). Progress will be slower in South Asia, Sub-Saharan Africa, and the Middle East and North Africa. Oxfam projects gradual progress, with 96 million still out of school in 2005 and 75 million in 2015, two-thirds of them in Sub-Saharan Africa.

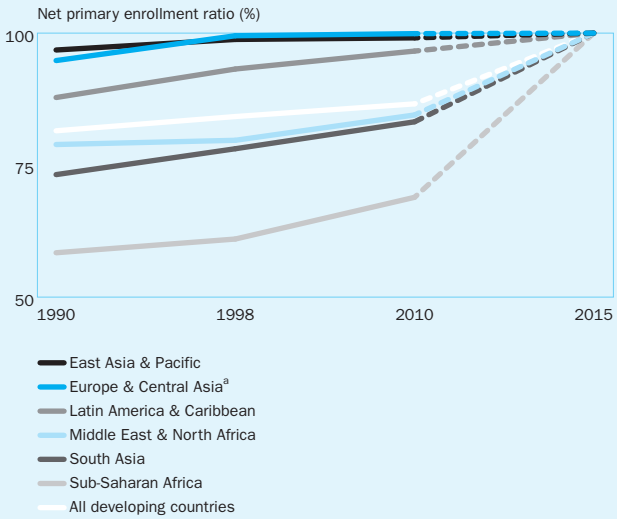
Within countries the poor are systematically worse off than the rich. In many countries few children from poor households have schooling. In Benin, India, Mali, and Pakistan the majority of 15- to 19-year-olds from the poorest 40 percent of households have zero years of schooling. In India, by contrast, 15- to 19-year-olds from the richest 20 percent of households have an average of 10 years of schooling. In Brazil, where almost all children from the poorest households attend some school, only 15 percent actually complete primary school.

Responding to the challenge

Slow progress has led to growing consensus on what is needed to scale up and accelerate the efforts to attain the ambitious targets.

Figure 1b

Some developing regions are well on their way to meeting the enrollment target



a. Data for 1998 refer to 1997.
Source: UNESCO and World Bank staff estimates.

This consensus is based on general agreement that:

- Multidimensional societal transformation is the ultimate goal of development.
- We need to ensure that such transformation is country led rather than donor led.
- We need to work together through strategic partnerships to support countries anxious to move ahead.
- We need to focus such efforts on a clear set of monitorable development outcomes.

Building on this consensus, the annual meetings of the World Bank and the International Monetary Fund in Washington, D.C., in September 1999 set two priorities for action. First, greatly expand the debt relief granted to reforming heavily indebted poor countries and link such relief to their efforts to reduce poverty. Second, help indebted countries and all other recipients of concessional aid develop clearly articulated poverty reduction strategies in close consultation with civil society and their development partners.

Such strategies would:

- Aim at a better understanding of the nature and locus of poverty.
- Identify and implement public policies that have the greatest impact on poverty.
- Set clear goals for progress in poverty reduction, tracked in a participatory manner through carefully selected intermediate and outcome indicators.

Early candidates for this approach would be the heavily indebted poor countries pursuing policy and institutional reforms, most of them in Sub-Saharan Africa, the region with the farthest to go. The underlying premise of this new approach is that governments can measurably increase the efficiency of their poverty reduction efforts by improving the policy and institutional environment. Much research now shows this. As policies and institutions improve, the cost of poverty reduction falls, so that for a given volume of resources more people can be lifted out of poverty.

The same research shows that donors can double the poverty reduction efficiency of their aid by targeting poorer countries, particularly those pursuing good policies and institutional environments (see Collier and Dollar 1999). The new approach to poverty—supporting countries willing to fight poverty—raises hopes that the international development goals can be reached.

Notes

1. These estimates are based on purchasing power parities (PPPs), which take into account differences in the relative prices of goods and services between countries. The poverty line for extreme poverty was estimated as the average of the 10 lowest poverty lines of 33 countries for which poverty lines were available in 1990. That average in 1993 dollars—converted using PPPs—is $1.08 a day. In the text this poverty line is loosely referred to as $1 a day.
2. Achieving the maternal mortality goal has different implications for countries with different mortality levels. By 2005 countries with intermediate levels of mortality should aim to lower the maternal mortality ratio to less than 100 per 100,000 live births, and by 2015 to less than 60. Countries with the highest levels of mortality should aim to achieve a maternal mortality ratio of less than 125 per 100,000 live births by 2005, and less than 75 by 2015.