Part 1

Understanding Ultra Poverty and Hunger: Theory and Measurement

This first collection of chapters considers the measurement and understanding of poverty and hunger. Although there is broad agreement within the development community that, as Sen (1999) puts it, "Poverty must be seen as the deprivation of basic capabilities" (87),[1] there is less agreement about how to identify the world's poorest and determine where they live. As Deaton (2006) notes, it is often easy for an individual to say whether or not he or she is poor and whether individuals in his or her village are poor, but it is not so easy to determine how many people in a country are poor and almost impossible to determine who in the world is poor.

The first set of chapters in Part 1, Chapters 2–4, focus on this measurement issue and describe trends in global poverty and hunger using the most common poverty and hunger measurements. The subsequent three chapters concentrate on the ultra poor, suggesting ways to identify them, distinguish their main characteristics, and track their progress. The final chapter looks more explicitly at the causes of ultra poverty and the mechanisms that perpetuate it.

Measuring Poverty and Hunger

How poverty is measured affects people's understanding of the characteristics and causes of poverty and their decisions about what actions are needed to reduce it. The way poverty is measured also determines who is identified as poor and influences any assessment of the extent of poverty and progress in reducing it.

In measuring national and global poverty, the development community tends to focus on one dimension—income poverty, measured as the per capita expenditure of a household. Establishing a measure of global poverty, however—even using just this one dimension—poses challenges. It is difficult to define one poverty line that is comparable across countries. A global poverty line must accurately compare standards of living in one currency with another, and data need to be frequently and accurately collected in a comparable way across many different countries. Using the

convergence of the poverty lines of the poorest countries in the developing world as a basis, Shaohua Chen and Martin Ravallion have established a global poverty line roughly equal to a dollar a day adjusted for purchasing power through purchasing power parity (PPP) exchange rates. As pointed out in Chapter 1, in August 2008 Chen and Ravallion revised the poverty line from US$1.08 using the 1993 PPP to US$1.25 using the 2005 PPP. In Chapter 2 the two authors use the revised line of US$1.25 at 2005 PPP to discuss estimates of global poverty and trends in reducing it since 1990. They also present evidence on the recent urbanization of poverty. The chapter focuses on measures of poverty incidence and so does not consider the degree of severity of the poverty of those counted as poor. As discussed later, Chapters 5 and 6 disaggregate those living on less than a dollar a day to consider trends in different levels of poverty.

The focus on income poverty arises largely because this indicator is seen to correlate with other dimensions of poverty. There is some basis for this argument; as Sen (1999) has written, "Inadequate income is a strong predisposing condition for an impoverished life" (87). As Deaton (2006) notes, however, "The fact that income tends to be positively correlated with other aspects of well-being also alerts us to the fact that poor people in the world are poorer, and rich people are richer, than we would recognize on the basis of their incomes alone. Africans not only have less money than Europeans and Americans, they also have lower life expectancy and less chance of ever going to school" (11). Additionally, in cases in which households are not income poor but are poor in health, education, or another dimension, a focus on income poverty increases the risk that these people will be missed. Focusing on income poverty alone also makes it easier to ignore the role that improving other areas—for example, improving health care, increasing the number of children going to school, or strengthening people's ability to participate in the political process—can play in reducing poverty.

To get at the multidimensionality of poverty, the international community uses other indicators, such as child mortality, primary school enrollment rates, or hunger. Indexes such as the Human Development Index and the Global Hunger Index (GHI; see Chapter 1 for a discussion of the GHI) have each been successful at focusing attention on more than one dimension of development and hunger. Nonetheless, although aggregating different measures into one index is invaluable in focusing policy and public opinion interest, it has methodological problems (see, for example, McGillivray and White 1992) and has been the subject of considerable debate within the profession. In Chapter 3, Sabina Alkire and James Foster address this debate and introduce a new methodology for multidimensional poverty measurement that is free from some of the problems indexes have faced in the past. As noted in Chapter 1, in recent years progress in measuring standardized, subjective

well-being has allowed useful comparisons of welfare across continents (McGillivray 2006). These measures, although not discussed in this collection, can serve as useful indicators of relative poverty.

In Chapter 4 Peter Svedberg provides a closer look at hunger. He considers the two dimensions of hunger—nutrient deficiencies and calorie deficiencies—focusing on the two largest developing countries, China and India, whose progress greatly influences global poverty and hunger trends. The chapter compares their contrasting experiences in reducing child malnutrition and highlights the link between child malnutrition and mortality. Svedberg also notes the disturbing paradox of development in South Asia, where despite increases in income and remarkable improvements in child malnutrition, the region still has the highest prevalence of underweight children in the world—higher even than in poorer Sub-Saharan Africa.

Ultimately, these first chapters in Part 1 point to the fact that a multidimensional analysis is important for measuring poverty or hunger, but the development community will have to invest much more in collecting, aggregating, and standardizing data before such measures can be used to understand the location of the world's poorest households or to assess global progress in reducing the incidence of extreme poverty.

Identifying and Characterizing the Ultra Poor

Chapters 5 and 6 look more closely at the ultra poor, at who they are, where they live, and the extent of deprivation they suffer, by focusing on two measures: income poverty and hunger. In Chapter 5, Ahmed, Hill, and Wiesmann use a new and unique methodology, based on disaggregating the incomes of those living on less than a dollar a day, to better identify the poorest households and improve assessments of whether the very poorest are being reached.[2] Relying on a global poverty database, they distinguish three groups among those living on less than a dollar a day, identifying the poorest group, the ultra poor, as those living on less than 50 cents a day.[3] The authors look at the progress achieved in terms of poverty reduction for each of the three groups and find that progress against poverty has been slowest among the ultra poor (those living on less than 50 cents a day). The income poverty analysis in the chapter is supplemented with an assessment of trends in a multidimensional measure of hunger, the GHI.

In Chapter 6, Ahmed, Hill, Smith, and Frankenberger use household datasets and the existing literature to better understand the characteristics and trends of extreme poverty and hunger in 20 developing countries across the globe. They identify characteristics of poor households, which in many ways reflect the other

dimensions of poverty: lack of education and assets, remoteness, and membership in an excluded group. The subsequent chapter by Benson, Epprecht, and Minot further examines one of these characteristics—remoteness. The authors highlight the importance of studying the spatial distribution of the poor for an improved understanding of where the poor live and the characteristics of these locations. They outline the methodology behind a poverty map—the main tool used today to look at the relationship between poverty and geographic factors—which provides estimates of the incidence and severity of poverty for relatively small geographic areas (for example, a subdistrict or community). They illustrate the usefulness of the technique for understanding the relationship between ultra poverty and remoteness using three country examples—Malawi, Mozambique, and Vietnam—where poverty mapping was conducted on the basis of estimated area-specific poverty lines. For example, in Malawi the poverty line used incorporates the cost of daily food and nonfood requirements (Benson, Chamberlin, and Rhinehart 2005), whereas in Mozambique it is based on consumption levels (MPF, EMU, and IFPRI 1998; Simler and Nhate 2005) and in Vietnam on household food (2,100 calories per person per day) and nonfood expenditures (Minot, Baulch, and Epprecht 2006).[4] Benson, Chamberlin, and Rhinehart also illustrate the policy relevance of poverty maps for better design and targeting of interventions in the three countries. Later in the book Domingo Panganiban (Essay 3) also takes on the topic, describing how mapping has enabled the implementation of poverty alleviation programs in the Philippines. Nevertheless, as noted by Tarozzi and Deaton (forthcoming), it is important to keep in mind that poverty maps, although they are a useful analytical and policy tool, cannot identify the location of poverty as precisely as might first be assumed.

The Causes and Dynamics of Poverty

In the final chapter of this part of the book, Partha Dasgupta takes as his prime question not the measurement of extreme poverty and hunger but their causation. He argues that much of the research in the past 30 years has focused on describing the lives of the world's poorest rather than explaining their poverty. Although description can be worthwhile—indeed, it is an important part of starting to understand causal relationships and highlighting the presence of relationships one might not have anticipated—description alone does not provide guidance for action. It does not highlight what is a cause and what is an effect of deprivation or what causes may be mutually reinforcing (with the result that alleviating just one cause results in little material difference). Nor does it specify what causal processes involve positive feedback, trapping individuals in extreme poverty and hunger. Dasgupta considers two poverty traps: a hunger trap in which lack of nutrition results in continued

lack of nutrition and a population-response poverty trap in which households with little access to natural resources become larger, putting more pressure on natural resources. This chapter highlights the tendency for extreme deprivation to persist across an individual's lifetime and within communities across many generations. As such it provides an explanation of the finding presented by Ahmed, Hill, and Wiesmann that at the global level, ultra poverty has proved persistent. Dasgupta's chapter is a theoretical exposition of a dynamic that underpins an increasing empirical literature on poverty traps (Barrett and Carter 2006) that is the subject of some dispute (see, for example, Jalan and Ravallion 2002). For a further discussion of this topic, see the introductory chapter.

Notes

1. An individual's capabilities are defined as "the substantive freedoms he or she enjoys to lead the kind of life he or she has reason to value" (Sen 1999, 74).

2. Other recent analyses have disaggregated poor households by looking at how long they have stayed in poverty, reflecting the reality that whereas some individuals have faced persistent or chronic poverty (Chronic Poverty Research Centre 2004), others have moved in and out of poverty (Baulch and Hoddinott 2001; Krishna, this volume, Chapter 33).

3. The dollar-a-day line of US$1.08 at 1993 PPP is used for this analysis. The three groups are those living on between US$0.81 and US$1.08 a day, those living on between US$0.54 and US$0.81 a day, and those living on less than US$0.54 a day, all at 1993 PPP.

4. The various surveys underlying the maps were undertaken at different times. In Mozambique the poverty lines ranged from 3,359 MT (US$0.29) to 8,714 MT (US$0.75) per person per day in late 1996 (see MPF, EMU, and IFPRI 1998 for more details). In Vietnam the poverty line was set at 1,789,871 VND per person per year in 1999 (which at the time roughly corresponded to US$0.37 per person per day), with adjustments made for regional differences in prices (see Minot, Baulch, and Epprecht 2006 for more details).

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Chapter 2

The Changing Profile of Poverty in the World

Shaohua Chen and Martin Ravallion

Assessing the world's progress against poverty calls for frequent and careful measurements using multiple data sources, including household surveys, national accounts, and price data. Fortunately, the task of measuring poverty is becoming easier, and the results are probably becoming more accurate over time.[1] The best data for assessing progress against poverty come from surveys of the living standards of nationally representative samples of households. In the past 25 years there has been enormous progress in designing, implementing, and processing such surveys for developing countries, thanks in large part to the efforts of national statistics agencies throughout the world and the support of the donor community and international development agencies. These data provide key information about global and regional progress in alleviating poverty (see Box 2.1).

Signs of Progress in Reducing Global Poverty

The number of people in the developing world living on less than US$1.25 a day fell from 1.9 billion in 1981 to 1.4 billion in 2005. The choice of poverty line matters,

This chapter draws on S. Chen S. and M. Ravallion, The developing world is poorer than we thought, but no less successful in the fight against poverty, Policy Research Working Paper 4703, World Bank, Washington, DC <http://econ.worldbank.org/docsearch>, and M. Ravallion, S. Chen, and P. Sangraula, New evidence on the urbanization of global poverty, *Population and Development Review* 33, no. 4 (December 2007): 667–701. This chapter provides some updates to the estimates in the latter piece.

Box 2.1 Measuring poverty

The World Bank's "global" poverty measures have been based mainly on an international poverty line that is intended to be representative of the national poverty lines found in the world's poorest countries. The latest version of that line that we use here is US$1.25 a day and US$38.00 a month at 2005 purchasing power parity (PPP) for the consumption of households. This is a conservative definition of poverty because richer countries tend to have higher lines. We also use a line set at US$2.00 a day (or US$60.83 a month at 2005 PPP), which is the median poverty line of all low- and middle-income countries for which data are available.

These international poverty lines were converted to local currencies using the same PPP exchange rates and updated over time using the best available consumer price index. The poverty lines were then applied to data on household consumption or income per person from the available household survey data to determine how many people in each country fall below the lines. The poverty measures in this chapter were developed using almost 700 household surveys spanning 115 countries to estimate a time series of measures at roughly three-year intervals from 1981 to 2005.

In estimating an urban–rural breakdown, a key issue is how to deal with the fact that the cost of living is generally higher in urban areas than in rural ones. The existing PPP exchange rates used to convert the international poverty lines into local currencies do not distinguish rural areas from urban ones, so this information was drawn from the World Bank's country-specific poverty assessments (PAs), which have now been completed for most developing countries. These PAs, which describe the extent of poverty and its causes in each country, are the best available source of information on urban–rural differentials for setting international poverty lines.

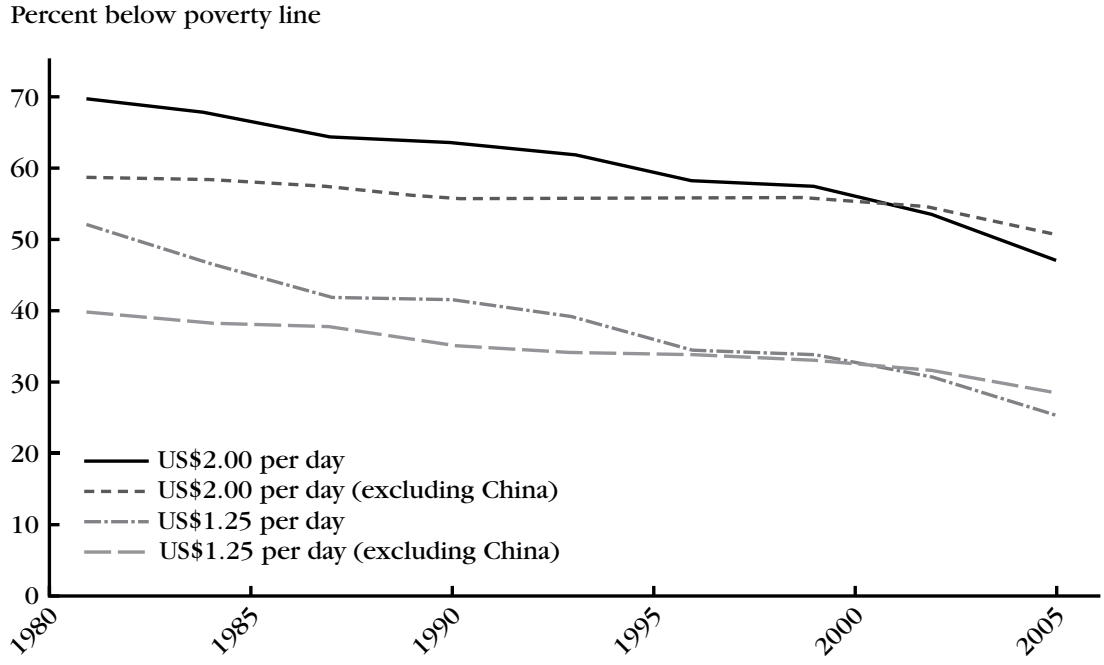
In measuring urban versus rural poverty, the international line is considered the national poverty line, and we then unpack the implicit urban and rural poverty lines consistent with the ratio of the national urban poverty lines to rural ones from the PAs and the fact that the national PPP from the 2005 International Comparison Program (ICP) is based on expenditure-weighted prices. (There are some exceptions when the 2005 ICP sampling information suggests that the international poverty line is best interpreted as an urban poverty line.)

however. The number living on less than US$2.00 a day actually rose by about 20 million over this period, to 2.56 billion in 2005.

As a share of the population, the global poverty rate for those living on less than US$1.25 a day fell from 52 percent in 1981 to 25 percent in 2005, and that for people living on US$2.00 a day fell from 69 percent in 1981 to 47 percent in 2005 (Figure 2.1). For those living below both poverty lines, the trend of poverty reduction was about 1 percentage point per year over 1981–2005. This rate exceeds the rate of poverty reduction of 0.8 percentage point per year that would be required to halve the number of people living under the 1990 poverty rate of US$1.25 a day by 2015. So, in the aggregate, the world is on track to achieve the first Millennium Development Goal (MDG 1).

But there is no reason for complacency. There are four important caveats. First, even achieving MDG 1 will leave a great many very poor people in the world. Poverty reduction over 1981–2005 resulted in a yearly decrease of about 21 million people living on less than US$1.25 a day. At this rate of decline, by 2015, even though the 1990 poverty rate will have been halved, more than 1 billion people will still live on less than US$1.25 a day. Even factoring in the prospects for more rapid growth in some developing countries, there will still be more than 900 million people living on less than US$1.25 a day in 2015.

Figure 2.1 Poverty measures over time, 1981–2005



Source: S. Chen and M. Ravallion, The developing world is poorer than we thought, but no less successful in the fight against poverty, Policy Research Working Paper 4703, World Bank, Washington, DC, 2007.

Second, progress has been slower in reducing poverty for those living on US$2.00 a day. The number of people living below the US$2.00-a-day line actually rose over most of the period 1981–1994, falling since the end of the 1990s. A linear projection forward to 2015 leads to the prediction that then about 2.6 billion people will be living on less than US$2.00 a day (with about 1.6 billion living on between US$1.25 and US$2.00). The population share for this line would be about 42 percent in 2015, well short of the 32 percent figure needed to halve the 1990 index. But one should be wary of such linear projections. There are signs that the number of people living on less than US$2.00 a day has been falling since about 2000, but it is too early to call this trend a sustained reversal.

It is clear, however, that the projected success in achieving MDG 1 critically depends on where the poverty line is drawn. The relatively slow progress in reducing the US$2.00-a-day poverty count reflects, of course, the rising numbers of people living on between US$1.25 and US$2.00 a day. That is not too surprising; those escaping extreme poverty will not rapidly enter the global middle class. Yet the number of people living on more than US$2.00 a day has expanded even more rapidly.

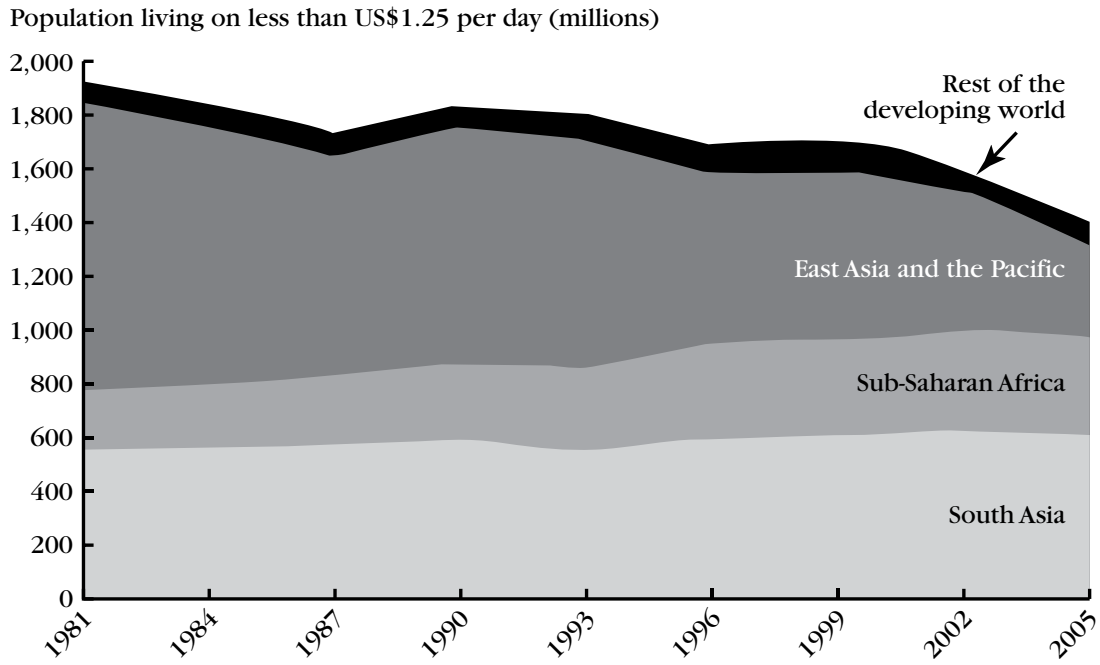
Third, China naturally carries the greatest weight in these calculations given its population size. The trend rates of decline in the percentage living in poverty are roughly halved when one focuses on the developing world outside China (see Figure 2.1). Excluding China, if the trend rate of decline in poverty over 1981–2005 for those living on less than US$1.25 a day continues until 2015, the index will fall to 17 percent—more than half of its 1990 value. Similarly, when China is excluded, the number of people living on less than US$1.25 a day is fairly static, with no clear trend. Moreover, there was a trend increase in the number of people living on less than US$2.00 a day in the developing world outside China over 1981–2005, though the number declined again after 1999.

Fourth, given the lags in survey data, our estimates do not include the impacts of the spike in food prices in 2007–08 and the global financial crisis (GFC) that followed. Elsewhere we have argued that the GFC added about 1 percentage point to the headcount index for US$1.25 a day in 2009.[2]

Mixed Regional Results in Reducing Poverty

The geographic profile of poverty in the world is changing, in part because of the striking differences in the evolution of the poverty measures across regions (Figure 2.2). The number of poor people fell sharply in East Asia (as measured by both poverty lines). Both the number and the proportion of poor people generally increased in Eastern Europe and Central Asia in the 1990s, after which there was a marked decline. In Latin America the number of poor generally increased, with some reduction after 2002, but the percentages fell. The Middle East and North

Figure 2.2 Poverty measures by region, 1981–2005



Source: S. Chen and M. Ravallion, The developing world is poorer than we thought, but no less successful in the fight against poverty, Policy Research Working Paper 4703, World Bank, Washington, DC, 2007.

Africa showed a declining trend in the percentage of people under the US$1.25 line. In South Asia the percentage of poor people fell, but the number of poor living on less than US$1.25 a day was fairly static and the number living on less than US$2.00 a day rose.

The poverty counts rose in Sub-Saharan Africa for both poverty lines, although with encouraging signs of a reduction in the percentage below both lines after 2000, in keeping with what was seen in other regions. The rate of decline of poverty among those in Sub-Saharan Africa living on less than US$1.25 a day was about 1 percentage point a year from 1999 to 2005. Using the US$2.00 line, Sub-Saharan Africa has continued to show progress since the 1996, although the rate of decline in the incidence of poverty there lags behind the developing world as a whole.

The regional composition of poverty has thus changed dramatically. The decline in poverty between 1981 and 1984 was largely due to China, so this discussion will focus on the period 1984–2005. In 1984 the region with the highest share of the world's US$1.25-a-day poor was East Asia, with 52 percent of the total. One-third of the world's poor were in China. By 2005 East Asia's share had fallen to 23 percent (15 percent in China). This drop was made up largely by the rise in the share of the poor in South Asia (from 30 percent in 1984 to 43 percent in 2005) and, most strikingly, Sub-Saharan Africa, whose share of the number of people liv-

ing on less than US$1.25 a day increased from 13 percent in 1984 to 28 percent 20 years later. Projecting these numbers forward to 2015, Sub-Saharan Africa's share of those living on less than US$1.25 a day will be almost 40 percent.

New Light Shed on Urban and Rural Poverty

The urban–rural profile of poverty in the world is also changing. There is a widespread perception that poverty is urbanizing rapidly in the developing world; indeed some observers believe that poverty is now mainly an urban problem, although, as we will see, this view is exaggerated.

The majority of the poor still live in rural areas. Despite the rapid urbanization of the developing world's population, it remains true that more than three-quarters of the developing world's poor live in rural areas, even allowing for the higher cost of living facing the poor in urban areas. The rural poverty rate of 40 percent for those living on less than US$1.25 a day in 2002 was more than double the urban rate (Table 2.1). Similarly, though almost 70 percent of the rural population lived on less than US$2.00 a day, the proportion in urban areas was less than half that figure. Of those living on less than US$1.25 a day, 79 percent were still in rural areas in 2002, and this was true of 76 percent of those living on under US$2.00 a day.

The rural poverty count fell more than the urban count. From 1993 to 2002, the number of people living on less than US$1.25 a day fell by 230 million—the net effect of a decline of 294 million in the number of rural poor and no change in the number of urban poor. The lack of a trend in the urban poverty count implies that the main proximate causes of the overall decline in poverty have been urban population growth and declining poverty within rural areas.

Poverty is becoming more urban. The share of people living on less than US$1.25 a day in urban areas rose from 18 percent to 21 percent over 1993–2002, whereas the urban share of the population as a whole rose from 38 percent to 42 percent over the same period. Even so, it will be many decades before a majority of the developing world's poor live in urban areas. If poverty urbanizes in the future in a way consistent with how it has urbanized in the past, fewer than half the poor will live in urban areas by 2030, even though the UN predicts that the urban population share of the developing world will reach 60 percent by then. Using the US$2.00-a-day poverty line gives a slightly higher share of the poor living in urban areas, but this share has been rising at a slower pace than has the share of the poor measured using the US$1.25-a-day line. Since the late 1990s, the urbanization of poverty has decelerated.

The poorest are also urbanizing faster than the population as a whole. For those under the US$1.25-a-day poverty line, the ratio of urban poverty incidence to total

Table 2.1 Urban and rural poverty measures, 1993 and 2002

		Number of poor (millions)			Percent below poverty line			Urban share of the poor
Poverty line	Year	Urban	Rural	Total	Urban	Rural	Total	(%)
US$1.25 a day	1993	291.3	1,341.2	1,632.5	18.3	51.5	38.9	17.8
	2002	291.2	1,111.4	1,402.6	14.5	40.2	29.4	20.8
US$2.00 a day	1993	594.1	1,967.3	2,561.4	37.3	75.5	61.0	23.2
	2002	604.5	1,904.8	2,509.3	30.0	69.0	52.5	24.1

Source: The authors' calculations.

poverty incidence has risen with urbanization, implying that the poor have been urbanizing slightly faster (in proportionate terms) than the population as a whole. The urban share of the poor under the US$2.00-a-day line has risen at a slower pace than that under the US$1.25-a-day line.

Conclusion

The data presented here show that the world is on track to meet MDG 1. Yet roughly 900 million poor people will remain mired in extreme poverty in 2015 if the pre-GFC trends are restored soon.

The profile of global poverty is changing both regionally and between urban and rural areas. The dramatic decrease in the poverty numbers in East Asia has come with much slower progress in South Asia and especially Sub-Saharan Africa, which is not on track to achieve MDG 1. Meeting that goal will require a dramatic increase in Africa's rate of progress against poverty.

Poverty is also becoming more urban. About one-fifth of the developing world's poor now live in urban areas. Looking forward, the recent pace of urbanization and current forecasts for urban population growth imply that a majority of the world's poor will still live in rural areas for many decades to come.

To some observers, the urbanization of the developing world's population is the unwelcome forebear of new poverty problems, with urban slums blossoming in congested cities. Others see urbanization as a positive force for development, with the economy gradually shifting out of agriculture to more remunerative activities.

There is no denying that new urban problems can emerge in poor and rapidly urbanizing countries. The experiences of countries over time, however, are generally consistent with the view that an increasing share of the population living in urban areas plays a positive role in overall poverty reduction, largely through the higher levels of economic growth associated with more rapid urbanization.

Notes

1. Throughout this chapter measurements of poverty are based on household consumption expenditures per capita or income per capita when data on consumption were not available.

2. See S. Chen and M. Ravallion, The impact of the global financial crisis on the world's poorest, VOX, Portal of the Centre for Economic Policy Research, 2009, <http://www.voxeu.org/index.php?q=node/3520>.

For Further Reading

Chen, S., and M. Ravallion. The developing world is poorer than we thought, but no less successful in the fight against poverty. Policy Research Working Paper 4703. World Bank, Washington DC: 2008. <http://econ.worldbank.org/docsearch>.

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