



The Multiple Faces of Poverty and Its Future

Poverty has many similarities wherever it is found, not least the degradation and limiting of options that it brings. Yet character and patterns of poverty differ widely across space and time. Past chapters have explored poverty at the global and continental region levels, with attention also to interventions for continental subregions. This chapter drills down to the country level, albeit focusing on selected larger countries, providing a transition to and foundation for the 182-country forecasts in the tables accompanying this volume. Given the complications of making generalizations about the more than 1 billion people each in India and China, however, the chapter also explores variation within the two demographic giants.

Ideally, poverty analysis and forecasting should range from aggregate and macro analysis to the microlevel characteristics of individuals. In doing so it should give attention to subpopulations determined by age, sex, urban or rural residence, ethnicity and religion, and much

more. The distinction in Chapter 2 between chronic and transient poverty, for instance, depends on such disaggregation. In reality, the gap between micro analysis, mostly undertaken with surveys and case studies, and aggregate analysis, done primarily with models, remains wide. Macro studies of global poverty have generally been undertaken at the aggregate regional or continental level, with some attention also to the Indian and Chinese giants.

Moving to the country level creates both challenges and opportunities. A key challenge is representation of the many features of individual countries that shape their variable prospects for addressing poverty. Potentially important country-specific features include demographic and economic structures, governance characteristics and quality, financial strength, whether a country is landlocked, natural resource levels (for better or for “resource curse” worse), and stocks of human capital. Yet scarcity and quality of data, especially for the poorest and smallest countries, plague analysis at the

● **Drilling down to the country level further enhances exploration of poverty and the leverage for reducing it.** ●

country level. So, too, does the possibility of tipping points, at which countries may actually move between progress and deterioration based on idiosyncratic elements such as the personality of specific leaders. Analysis at the continental level allows the sweeping of many such issues into the aggregations.

With respect to opportunities, differentiating countries by such features allows more subtle, path-dependent investigation of historically important driving forces. On balance, although the challenges of moving to subcontinental and country-specific analysis are great and those of moving inside countries to provinces or states are even greater, the potential payoffs are substantial.

Scanning Poverty Across Countries

Tables 8.1 and 8.2 provide an initial scan of country-specific patterns of income poverty.¹ Table 8.1 shows the eight countries of the world that have or may before 2055 come to have 25 million or more citizens living below \$1 per day. Clearly, Afghanistan, Bangladesh, China, the Democratic Republic of the Congo, Ethiopia, India, Nigeria, and Uganda require special attention. If the threshold were dropped to 10 million people or more, the number would rise to twenty-three countries, and the list would include Brazil, Ghana, Indonesia, Kenya, Madagascar, Myanmar, Nepal,

Niger, Pakistan, the Philippines, Somalia, Sudan, Tanzania, and Zimbabwe.

The forecasts demonstrate multiple different patterns. Bangladesh, China, and India show declining numbers of the extremely poor over time, largely eliminating such poverty in each case over the next fifty years. In a mirror image, Afghanistan shows increasing numbers through midcentury. In contrast, the base case forecast for the Democratic Republic of the Congo, Ethiopia, and Uganda shows increasing numbers of the poor for some or many years and then decreases in their numbers. And in still a fourth pattern, numbers initially decrease in Nigeria, as a result of a forecast for higher oil revenues and positive use thereof that historical experience may well contradict, but then reverse and climb as the peak of production and export earnings is passed.

Table 8.2 shows six countries in which more than 65 percent of the population may live at some time in the first half of the century on less than \$1 per day: Cambodia, Central African Republic, Eritrea, Nigeria, Uganda, and Zambia. If the threshold for inclusion were lowered to just 50 percent, the number of countries would rise to twenty-two, adding Afghanistan, Burundi, Ghana, Guinea-Bissau, Haiti, Liberia, Madagascar, Nicaragua, Niger, Rwanda, São Tomé and Príncipe, Sierra Leone, Somalia, Tanzania, Togo, and Zimbabwe. Again, different patterns are evident, with increasing frequency of poverty

Table 8.1 Countries with 25 million people living on less than \$1 per day

Year	Millions living on less than \$1 per day							
	Afghanistan	Bangladesh	China	DR Congo	Ethiopia	India	Nigeria	Uganda
2000	9.416	53.24	208.7	23.83	13.89	359.1	87.26	20.43
2005	11.05	48.65	147.2	25.18	12.84	307.2	82.51	23.36
2010	13.26	42.35	71.83	24.52	16.39	244.9	60.57	25.89
2015	15.28	36.53	38.18	28.54	23.64	197.5	36.12	29
2020	17.38	29.76	23.19	31.33	26.73	137.5	22.91	32.73
2025	19.99	22.98	11.36	32.5	25.12	77.97	17.42	35.44
2030	23.04	17.66	4.875	35.65	10.83	43.34	13.55	35.81
2035	26.53	13.52	2.692	41.07	12.88	28.22	13.85	30.02
2040	30.74	9.378	1.795	44.11	7.339	16.56	20.27	20.82
2045	35.92	5.894	1.09	53.05	3.686	7.094	34.52	14.66
2050	40.44	3.646	0.668	49.56	1.157	2.189	56.17	10.72
2055	43.08	2.294	0.467	34.5	0.099	0.712	62.19	7.711

Note: The table shows 25 million or more in bold.

Source: Base case forecast of IFs Version 5.47.

in the Central African Republic and Eritrea, but generally decreasing rates in all other countries. The contrast in patterns for Nigeria between increasing numbers of poor toward midcentury (see, again, Table 8.1) and a significant decrease in the rate of incidence over most of the period reinforces again the important impact on poverty of absolute population size and its growth.

Two important qualifications apply to Tables 8.1 and 8.2, with implications for all the forecasts. First, the initial rates and numbers of the poor are not actually known for some of the countries shown or named. The World Bank's database of countries in which surveys have been done since 2000 does not include Afghanistan, the Central African Republic, the Democratic Republic of the Congo, Djibouti, Eritrea, Guinea-Bissau, Myanmar, São Tomé and Príncipe, Sierra Leone, and Somalia. The very fact that estimation and forecasting places so many of these data-poor countries into the highest categories, however, suggests the importance of not only including them in this analysis but giving them some prominence. Chapter 4 discussed the process for the IFs model that uses the results of a cross-sectionally estimated function with income levels and income distribution to estimate initial values for such countries.² Second, the forecasts are, as always, subject to a high level of uncertainty.

Income poverty at these extreme levels has a broad range of consequences and correlations, something to which Chapter 9 will return. For instance, it is of interest to note the relationship between the countries with the highest numbers and, especially, rates of poverty and the incidence of what is sometimes called state failure, a complex syndrome of attributes. The Fund for Peace defines the characteristics to include "loss of physical control of its territory or of a monopoly on the legitimate use of force."³ Indicators of it include high levels of corruption and criminal behavior, economic decline, demographic pressures, and frequent violence. In its 2007 study in association with *Foreign Policy* magazine, the list of thirty-two countries considered to be in critical condition by the Fund for Peace included many of those named above, specifically (from worst to less bad) Somalia, Zimbabwe, Democratic Republic of the Congo, Afghanistan, Central African Republic, Haiti, Pakistan, Myanmar, Bangladesh, Ethiopia, Burundi, Sierra Leone, Liberia, and Niger.

What, then, are the different faces of poverty in countries around the world and of prospects for its reduction? The remaining sections of this chapter explore that question by continent and regions within them. We begin with Africa, the continent facing the greatest rates of income poverty and by far

● High poverty and state failure often coincide. ●

Table 8.2 Countries with 65 percent living on less than \$1 per day

Year	Percent living on less than \$1 per day					
	Cambodia	Central African Republic	Eritrea	Nigeria	Uganda	Zambia
2000	72.42	63.46	38.79	74.19	84.04	71.04
2005	62.65	64.27	42.92	61.77	80.88	66.04
2010	48.67	64.5	56.88	40.23	75.73	62.17
2015	44.47	65.99	61.85	21.42	72.1	61.98
2020	39.35	68.28	60.53	12.2	69.8	61.96
2025	27.46	68.47	62.39	8.371	65.52	58.99
2030	18.57	69.34	67.14	5.905	58.13	55.7
2035	13.39	74.83	63.79	5.508	43.41	44.76
2040	8.57	75.68	64.02	7.405	27.26	32.37
2045	5.468	63.22	66.91	11.68	17.69	24.13
2050	3.785	52.28	64.56	17.74	12.12	18.31
2055	2.858	58.07	60.89	18.5	8.295	15.1

Note: The table shows poverty rates above 65 percent in bold.

Source: Base case forecast of IFs Version 5.47.

the greatest number of countries in extreme poverty. By the mid-1990s, gross domestic product (GDP) per capita in sub-Saharan Africa as a whole had fallen back to 1960s levels. Growth has only begun to return to the region, and because it is so dependent on raw materials, uncertainty about prospects remains very high.

Africa *Scanning the continent*

There are fifty-one countries in the United Nation's definition of Africa. Analysts traditionally group them into regional clusters that carry some basic information about geography and thereby, perhaps, also some very broad similarity with respect to topology and climate. Because it is so widely adopted, this chapter uses the UN regionalization, despite its many limitations (see Map 8.1).⁴ Table 8.3 shows poverty in those regions. The descending order for contemporary poverty rates across them is Western,⁵ Eastern, Middle, Southern, and Northern Africa. Nigeria, Ethiopia, and the Democratic Republic of the Congo demographically dominate the first three of those regions, respectively, and those three high-poverty countries require much of our attention here. South Africa similarly dominates its region demographically, and although it is not as large or poor, also merits special attention.

Other regional groupings are possible and potentially useful. Julius Gatune has divided the continent into eight cultural regions, which overlap with the five standard geographic ones but helpfully further extract the clusters of states in the Horn of Africa, African Oceania, and the Sahel.⁶ Removing the Horn from East Africa makes sense culturally and in terms of leaving the rest of the region roughly comparable in membership to the proposed East African Federation; again, however, we will stay with the UN regionalization.

Perhaps the best-known alternative disaggregation is that of Paul Collier and his colleagues. It builds on two dimensions related to countries' distinctive positions in the global system, namely whether they are landlocked and whether they are resource rich or poor. Collier has argued (2006a; 2007) that it is resource poor, landlocked states that suffer the greatest disadvantages.⁷

Clearly, having either a coastline or extensive natural resources positions a country to participate in global trade. Yet the two characteristics can proffer quite different advantages and, in the case of natural resources, some potential disadvantages. Although resource wealth offers at least the possibility of escape from poverty (as Botswana's good management of diamonds has shown), many analysts have stressed the syndrome of problems known as the **resource curse**, including the propensity

Table 8.3 Extreme poverty rates in African regions

Year	Percent living on less than \$1 per day				
	Eastern	Middle	Northern	Southern	Western
2000	42.8	40.89	7.333	14.77	54.13
2005	38.25	32.09	6.13	11.75	47.06
2010	36.6	25.09	4.192	9.428	36.39
2015	37.61	24.68	2.674	8.704	28.3
2020	35.86	24.19	2.026	8.761	23.71
2025	31.17	22.68	1.721	8.791	20.71
2030	24.61	22.68	1.503	6.701	18.64
2035	21.72	24.34	1.279	4.446	18.26
2040	16.45	23.29	1.084	2.923	18.3
2045	12.51	22.78	0.99	2.213	17.98
2050	10.02	18.39	0.898	1.895	18.97
2055	8.371	12.34	0.533	1.651	17.42

Source: Base case forecast of IFs Version 5.47.

of plentiful resources to support corruption within elites and to support exchange rates high enough to choke off the development of more diversified export capabilities. Price fluctuations of materials on world markets also cause macroeconomic volatility that weakens growth potential (Addison and Wodon 2007).

Focusing on the impact of being landlocked, Figure 8.1 shows extreme (less than \$1) poverty rates in the coastal and landlocked states of sub-Saharan Africa as defined by Paul Collier and

Stephen A. O'Connell (2007: 46).⁸ The landlocked countries have a poverty rate nearly 10 percent higher than that of the coastal countries. The much more well-to-do coastal countries bordering the Mediterranean have an extreme poverty rate of only about 7 percent, reinforcing the advantage that coastal states, especially resource-rich ones, typically have. The very large, oil-rich coastal population of Nigeria, with a poverty rate of 74 percent in 2000, constitutes an important exception to that pattern. Its inclusion in coastal

Map 8.1 African regions



Figure 8.1 Extreme poverty rates in landlocked and coastal African countries

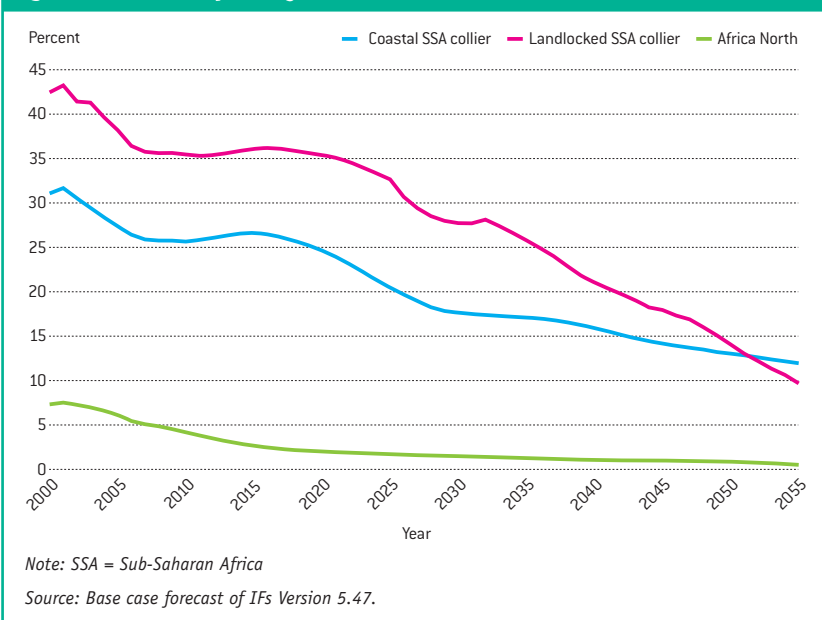
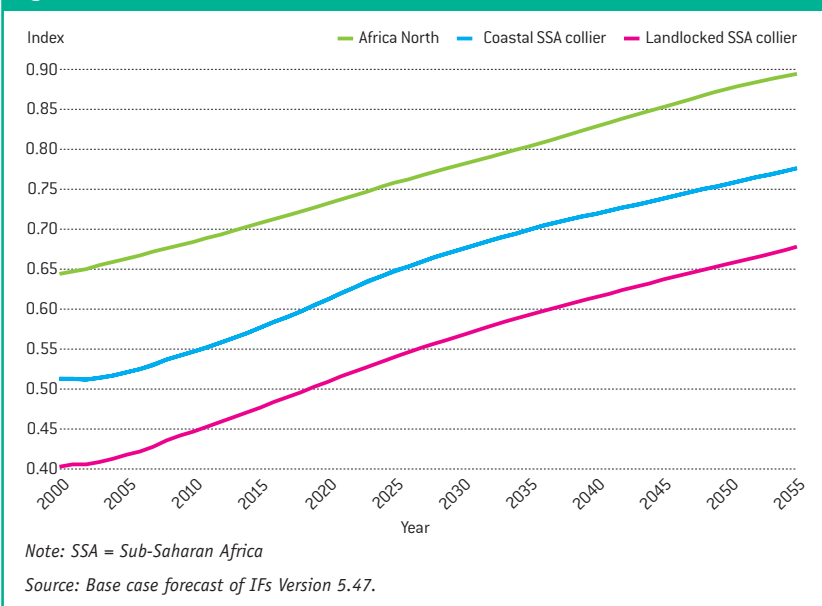


Figure 8.2 HDI in landlocked and coastal African countries



sub-Saharan Africa not only raises initial rates but also raises them midcentury because IFs forecasts some difficulties for the country as oil resources play out.

The values of the human development index (HDI) in the landlocked states even more definitively trail those of coastal states (see Figure 8.2). Life expectancy is somewhat lower in the landlocked states, and literacy is considerably lower. The low level of human

development in Ethiopia, even below that of the Democratic Republic of the Congo, tends to bring down that of the landlocked countries, just as Nigeria brings down that of the countries with ocean access. The fact that it is Ethiopia that particularly lowers the average of the human development index for the landlocked countries, however, somewhat undercuts the argument that being landlocked is a key determinant of a troubled economic situation—Ethiopia has been relatively poor for much longer than it has been landlocked (Eritrea won its long war for independence in 1991 and took away the Ethiopian coastline).

In general, a look at regions in Africa suggests that geographically differentiated analysis is important but that it must reach down to the country level, especially into the high population countries, for real insight. With 127 million people, Nigeria is the giant of both Western Africa and coastal sub-Saharan Africa. The 74 million people of Ethiopia dominate East Africa (especially its horn) and the landlocked category, as the 58 million of the Democratic Republic of Congo dominate Middle Africa and add to landlocked populations. South Africa, with 45 million people, similarly dominates southernmost Africa. Therefore looking at these four countries is particularly useful. Obviously, even though attention here is on the demographically largest states, all people of Africa are equally important in analysis of poverty reduction. This discussion will say very little about smaller countries like Botswana or Rwanda (with populations of about 2 and 9 million, respectively), but we hope that the discussion of the large-population countries can identify archetypal patterns for the entire continent. For other countries readers may turn to the forecast tables that conclude this volume.

Understanding the patterns of large countries

Figure 8.3 shows historical and forecast rates of extreme poverty in the biggest regional populations: Nigeria, Ethiopia, the Democratic Republic of Congo, and South Africa. In spite of the Congo's small outlet to the ocean, Collier characterized it as landlocked. All but Ethiopia have developed extensive natural resources, and

Ethiopia has identified very large natural gas resources in the Ogaden subregion. What might be their various prospects for poverty reduction?

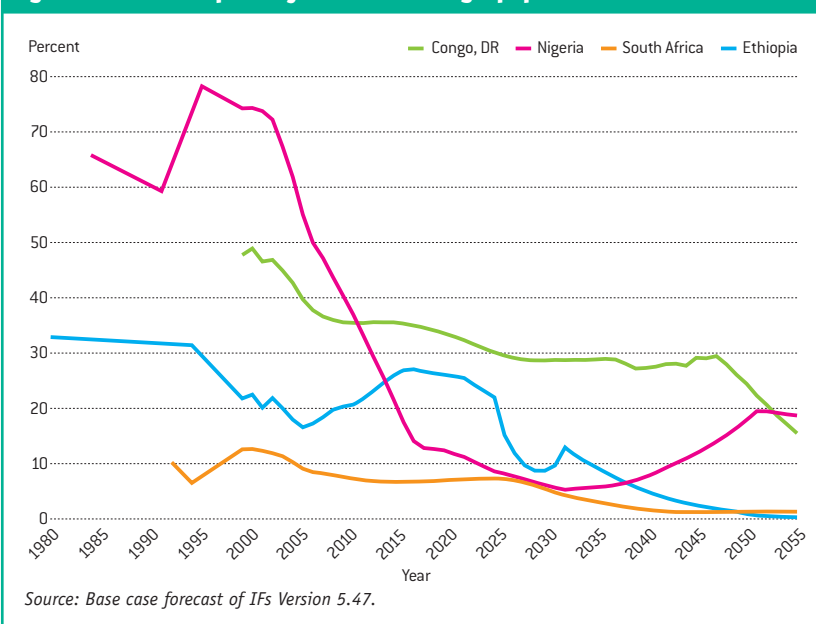
Nigeria

Many factors will shape the prospects for Nigeria, including its ethnic and religious divisions and disease burden on the negative side, and relatively strong educational system on the positive side. The emergence of a very strong film industry, increasingly known as Nollywood, also testifies to a strong entrepreneurial culture and capability. Two factors, however, generally and appropriately receive special attention. The first is the availability of oil revenues. The second is the quality of governance, including the country's ability to use those revenues well.

Although OPEC member Nigeria is not an energy giant in the category of Saudi Arabia, Iraq, Iran, or Kuwait, its oil and natural gas reserves are both substantial, in the range of 25–30 billion barrels of oil equivalent, or approximately 3 percent of global totals. Its oil production, climbing up toward 1 billion barrels per year, provides a very substantial portion of its government budget and GDP. With the sharp rise in energy prices since 2004, that financial foundation has grown especially fast.

With the increases in oil production and prices, Nigeria has a window of opportunity for the effective use of revenues to tackle poverty and many other problems. Although ultimately, depletion of energy resources will close that window, troubles with rebels in the delta subregion could significantly interrupt production even earlier. In the base case of IFs, peak oil and gas production occurs in the period between 2025 and 2040, and Nigeria ceases being a net energy exporter before 2050. Future global energy prices probably will remain quite high through the period of global energy transitions associated with peaking oil and gas production around the world. Both the International Energy Agency (IEA) and the Energy Information Administration (EIA) of the U.S. Department of Energy make annual forecasts of longer-term energy prices, and in 2007 looked through 2030. Even in their low price scenarios, both organizations foresee prices through 2030 that are well above those of the 1990s (International Energy Agency 2007; U.S. Department of Energy 2007).

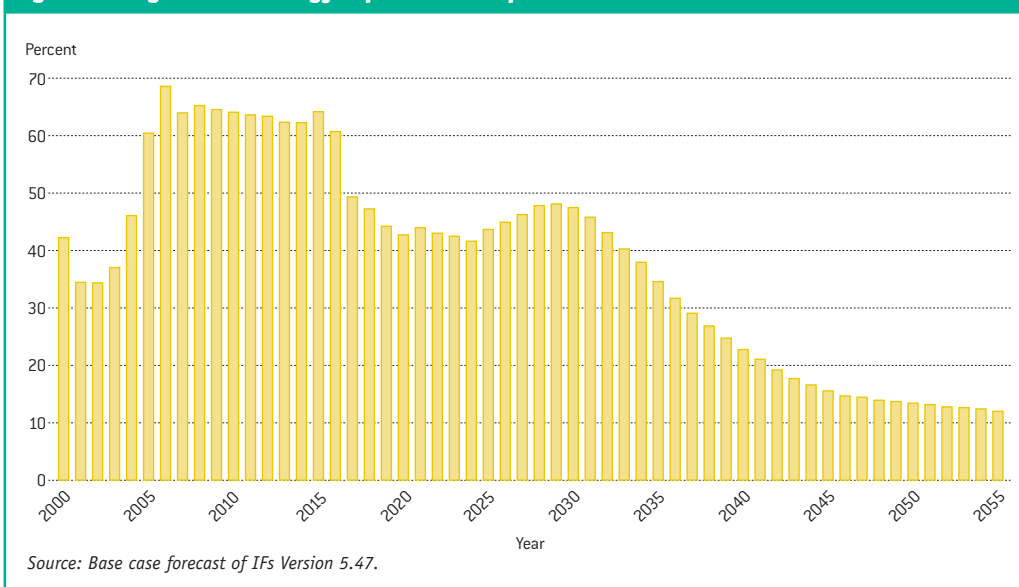
Figure 8.3 Extreme poverty rates in four high-population African countries



How substantially might this windfall help Nigeria? Figure 8.4 indicates a base case forecast of very substantial net export revenues as a portion of GDP. Nigeria used the windfall in 2006 to settle its remaining Paris Club debt of about \$4.6 billion (debt relief of \$18 billion had been provided) and quite quickly to pay back most of its London Club debt of \$2.4 billion in 2006 and early 2007. In 2006 Nigeria was able to obtain ratings from Standard & Poor's and Fitch.

As important as the debt settlements, in 2003 Nigeria put in place a substantial anticorruption effort in the form of its Economic and Financial Crimes Commission (EFCC), which after decades of general mismanagement and theft of oil revenues began to prosecute and convict even high officials, including state governors and the vice president.⁹ Nigeria also managed in 2007 to hold a third civilian election for the presidency, in spite of very great irregularities in the process. Unfortunately the reassignment at the end of 2007 of the EFCC's crusading head, Malam Nuhu Ribadu, threw a heavy cloud over anticorruption efforts. Nigeria, long one of the most corrupt countries of the world, thus faces great political and financial uncertainty. The sharp and substantial reduction in extreme poverty forecast in Figure 8.3 depends on success in changing such patterns. And even with reasonable growth, it is likely to take Nigeria until about 2015 simply to recover its

Figure 8.4 Nigerian net energy export value as percent of GDP



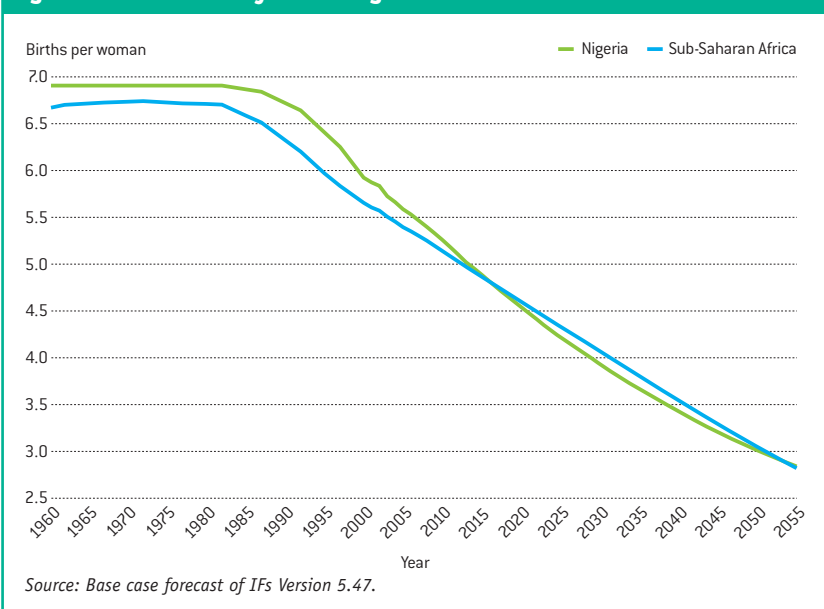
per capita GDP levels (at purchasing power parity, or PPP) of the late 1970s.

In the longer run, many other challenges face Nigeria. For instance, like the continent as a whole, total fertility rates (TFR) in Nigeria have dropped from around 7.0 in 1960 to near or below 5.5, and the trend is clearly downward. Yet even if the pattern follows the base case forecast in Figure 8.5 and reaches a TFR of near 3.0, the population of Nigeria will nearly triple between 2000 and 2050 to a total of about 320 million

people; the population of the continent might exceed 1.7 billion. Compared especially to Asia, most of Africa has been very slow to aggressively promote lower birth rates. There are indications of change. After the loss of 800,000 people in the genocide of 1994, Rwanda's population growth accelerated sharply, a common pattern after war or other disruption. In 2007 it began to explore mechanisms to reduce the fertility rate quickly from 6.1 to 3.0. Barring such substantial changes, however, the transition to such rates might well stretch to midcentury.¹⁰

Nigeria also must cope with high income inequality. A rebound like that in Figure 8.3 in the percentage of Nigerians living in extreme poverty could occur after 2030 as a result of either deterioration in income per capita or in income distribution.

Figure 8.5 Total fertility rate in Nigeria and sub-Saharan Africa



South Africa

South Africa has the longest colonial history and most European institutions of all African countries. It is rich in resources and further substantially blessed by geography. In spite of the history of apartheid, South Africa has a much lower rate of extreme poverty than Nigeria and most of the rest of Africa (see, again, Figure 8.3). Yet around 30 percent of its population still lives on less than \$2 per day. The key determinants of economic growth and poverty reduction may well, as with Nigeria, depend heavily on two factors. The first of

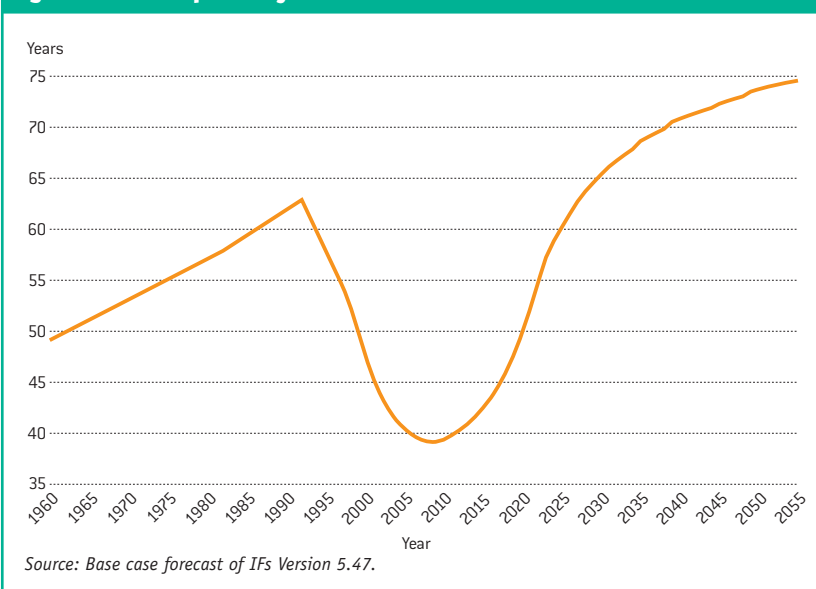
those, the challenge of HIV and AIDS, presents a window of threat rather than opportunity. The second is again governance, including the continued ability of the still-new postapartheid government to manage both the social and economic foundations of growth.

As in much of the southern region of Africa, the plague of HIV and the growing rate of AIDS-related deaths have very considerably reduced life expectancy. Figure 8.6 shows the historical pattern in South Africa and a forecast of recovery from the catastrophe in the IFs base case (tied to UNAIDS estimates).¹¹ It appears that a number of African countries have reached or nearly reached the peak year of HIV infection rates and have begun to reduce those rates. Uganda is often cited as such a success story, having reduced rates from perhaps 15 percent in the early 1990s to a UNAIDS estimate (2007: 17) of 7.5 percent among women and 5 percent among men in 2004–2005.

There remains very great uncertainty about the impact of HIV/AIDS on economies and broader societies. The costs of the epidemic include direct ones, such as prevention and treatment programs, and indirect ones, such as reduced labor force size and productivity and broader disruption to the social fabric. The United Nations Department of Economic and Social Affairs reviewed a substantial number of studies of the aggregate economic impact and found a wide range of calculations even for the same country, ranging “from ‘small’ to annual GDP growth rates of 2–4 percentage points lower than in the absence of AIDS” (UN ESA 2004: 89); on a per capita basis some studies have actually suggested accelerated growth.

Specifically for South Africa, the estimates of impact by two different studies ranged from a loss of less than 0.5 percent of annual GDP growth to a loss of 2.5 percent or more, as the country moves through the probable peak years of AIDS deaths (UN ESA 2004: 85). Although AIDS is almost certainly hurting South African growth, many other factors influence the probable future growth of the economy, including the price of various commodities, infrastructure adequacy, the impact of investments in human capital, the relationship among its various subpopulations, and, again, the quality of its governance. The IFs base case forecast is slightly higher than the historical pattern.

Figure 8.6 Life expectancy in South Africa



Ethiopia

Ethiopia was the only country in Africa not colonized; in fact, it conquered other peoples.¹² It has a long and proud cultural history. It is also now landlocked and resource-poor, exemplifying the challenges of growth that Collier and others have associated with such characteristics.

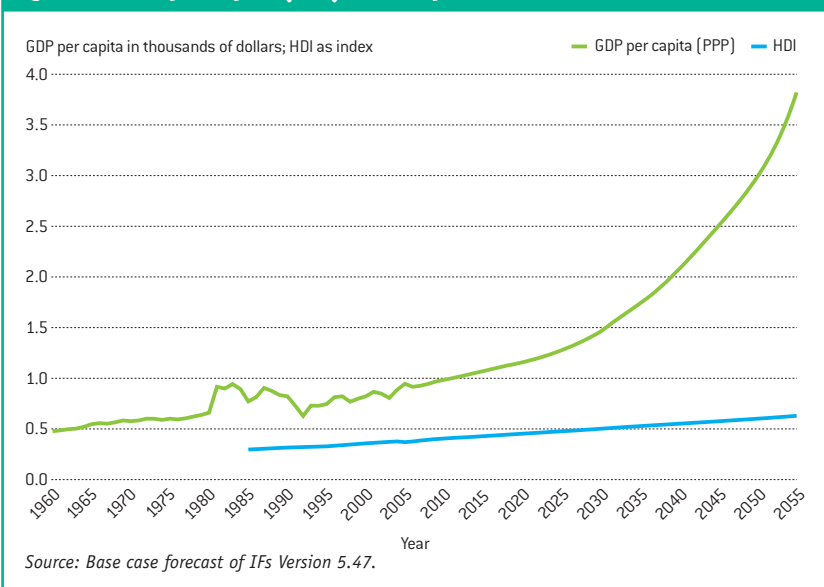
It entered the modern period with a divine monarch and feudal system, not particularly amenable to processes of modernization.

A socialist system replaced that after 1974, and government land ownership remains a debilitating issue. It now faces a number of internal and external armed conflicts in the north, east, and south. In spite of its potential agricultural strength, drought has ravished it often. It may therefore not be surprising that its GDP per capita (PPP) is less than one-half that of sub-Saharan Africa as a whole.

The bases upon which economic growth might build are not obvious. Although the country is nearly twice the size of Texas, its population is nearly four times as large and overwhelmingly agricultural. The success of the struggle for independence by Eritrean rebels in 1991 not only eliminated the Ethiopian coastline, it set the stage for a long-term border dispute with its new neighbor, one that was especially bloody in 1998–2000.

Figure 8.7 shows that, despite all its problems, Ethiopia has posted slow economic growth since 1960 and some progress on the

Figure 8.7 GDP per capita (PPP) of Ethiopia

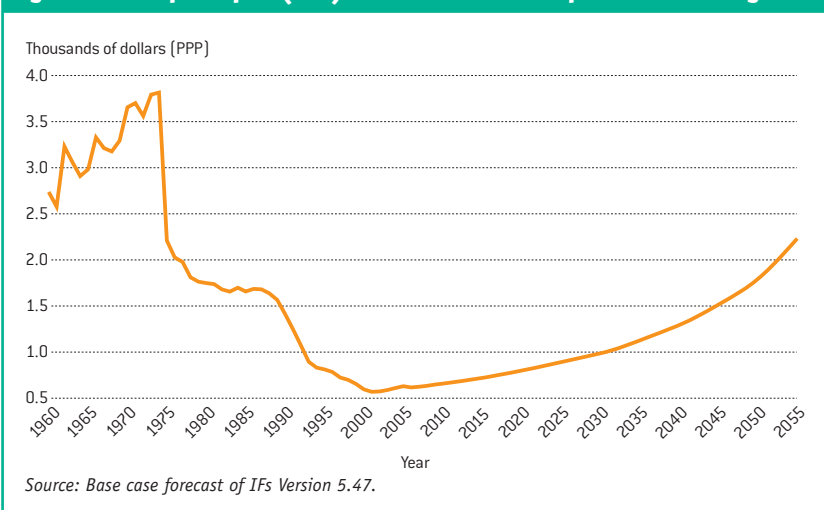


human development index. The base case of IFs continues that pattern. Moreover, the forecast suggests a gradual emergence of an industrial economy in the coming decades, facilitating a possible acceleration of economic growth through midcentury.

Democratic Republic of the Congo

In contrast to Ethiopia, the Democratic Republic of the Congo (DRC) had a colonial history among the most brutal and disruptive of the continent. When it gained independence from Belgium in 1960, it had a miserable legacy on which to build, and unfortunately Colonel Joseph Mobutu

Figure 8.8 GDP per capita (PPP) of the Democratic Republic of the Congo



raped rather than built. His overthrow in 1997 overlapped with a period of civil war, ultimately involving interventions by most of the country's neighbors. It is not surprising that the DRC has qualified for various lists of failed states in recent decades. The two top determinants with respect to its future progress might well be governance and conflict resolution, both of which interact closely with the high-priority issue of security sector reform.

After the election of 2006, violence died down enough to inspire hope, although it is far too early to judge whether that can truly be justified. Although UN forces entered in 1999, in 2007 some fighting continued, and there were still an estimated 1.1 million internally displaced persons. The vast geographic scope of the country, especially in the face of poor infrastructure, combined with both a wide range of ethnic groups and richness of natural resources, easily supports local conflict entrepreneurs (as among the Luba in Katanga) who can benefit from carving out their own strongholds. Figure 8.8 shows the historical collapse of GDP per capita (PPP), along with a base case scenario that only manages to regain the levels of the mid-1970s by 2055.

The experience of all four of these countries illustrates the great range of possible futures that Africa faces. Levels of GDP per capita have fluctuated sharply over the fifty years since the first of Africa's colonized regions gained independence. Promise appears substantial for some countries in the next fifty years, especially in the southern triangle of the continent. Risks appear huge for others, especially in the Horn of Africa. Look for more detailed forecasts on these and other countries in the volume appendixes.

Improvement in governance, an end to military conflicts, control of disease, and improvements in human capital and infrastructure look to be essential foundations for progress. The role of outside actors in making some of those possible or difficult may well also be substantial. For instance, China's push for secure access to raw materials has helped raise prices and economic growth rates, but created real anxiety around its impact on governance and other domestic foundations of long-term growth.

Extending the analysis

Returning to more integrated analysis of the continent, the United Nations Economic Commission for Africa (UN ECAF 2005) reviewed Africa's overall progress toward the Millennium Development Goals (MDGs). With respect to poverty, it calculated that the percentage of those in sub-Saharan Africa living in extreme poverty rose from 45 percent to 46 percent between 1990 and 2000, with absolute numbers climbing from 217 million to 290 million (UN ECAF 2005: 1). It also calculated that the completion rate for primary education fell from 57 to 55 percent between 1990 and 2000 (although attendance rose from 50 percent to 61.2 percent), and life expectancy declined from fifty to forty-six years. Although progress toward some of the MDGs did occur, including an increase in gender equity in education, a fall in infant mortality, and an increase in access to clean water, the overall prospects for meeting most MDGs in most African countries remain bleak. The UN ECAF did suggest (using primarily extrapolative methods) that Algeria, Botswana, Burkina Faso, Cameroon, Egypt, Ghana, Lesotho, Libya, Mauritius, Morocco, South Africa, Tunisia, and Uganda are likely to meet the first goal of halving the number in extreme poverty. The countries of Northern and Southern Africa obviously dominate that group.

What do the IFs scenarios suggest with respect, not just to 2015, but midcentury? Global progress toward the poverty target of the first MDG has been dominated by the great reduction in poverty within China. In somewhat analogous fashion, the discussion above has emphasized that what happens in Nigeria, Ethiopia, and the Democratic Republic of the Congo will heavily influence the extent of progress toward cutting the rate of extreme poverty by half within Africa.

There may be particular hope for two of the large-population countries and the regions they dominate. The earlier discussion indicated both the extreme level of poverty in Nigeria and the potential, which may not be fulfilled, for a substantial assault on it by 2030 with energy revenues. Gross governance failures and emergence of conflicts have created base case conditions so abysmal in the DRC that it is easy to imagine considerable bounceback in coming years. Table 8.4 shows how progress

in the broader regions of these two countries could reverse the continent's slight increase in extreme poverty during the 1990s. In fact, the commodity boom of the early twenty-first century has begun to do that for many countries. If such progress is maintained and spreads, the base case of IFs actually foresees the possibility that extreme poverty in sub-Saharan Africa could drop to 30 percent by 2015, well short of the reduction called for in the first MDG but still very meaningful. The 2015 goal for extreme income poverty might be met by 2025.

The per capita growth rates (PPP) underlying such a base case are hardly astonishing. In fact, after the losses in the 1990s, they involve very slow increases to about 2 percent annually in the late 2020s (with a continuing increase in the base case to about 3 percent by midcentury). Should such early growth be accomplished, the poverty gap would decline even more rapidly than would the percentage rate of extreme poverty, cutting the gap for sub-Saharan Africa as a whole from nearly 20 percent in 2000 to less than half that before 2025. Given the experience of the continent since independence and the failed hope of the commodity boom in the 1970s, caution is warranted in putting forward the possibility that this time might be different and that significant progress might be made against extreme poverty.

It seems quite likely that the setting of poverty goals globally beyond 2015 will begin shifting attention from \$1 to \$2 per day. Slightly more than three-quarters of the population of sub-Saharan Africa now lives below \$2, and that percentage is unlikely to drop below 65 percent by 2015. Over 600 million people may still live on less than \$2 per day, and the number will likely be rising. Table 8.4 suggests how slowly that higher level of poverty may decline. And when the spotlight does shift to \$2, Egypt will fall within the beam. Although only about 2 percent of its population live on less than \$1 per day, more than 40 percent live on less than \$2, and the IFs base case places that number at 22 percent even in 2015.

Conceptualizations of poverty repeatedly emphasize that much more than income is involved. In particular, Sen has emphasized human capabilities. The second MDG calls for universal primary education completion, redundantly but usefully emphasizing that the

Table 8.4 Poverty and development indicators in African regions						
Extreme Poverty Rate	Eastern	Middle	Northern	Southern	Western	SSA
2000	42.8	40.9	7.3	14.8	54.1	44.5
2015	37.6	24.7	2.7	8.7	28.3	30.2
2050	10.2	18.4	0.9	1.9	19.0	14.6
Moderate Poverty						
2000	77.8	77.9	34.5	35.3	84.1	76.8
2015	72.1	57.2	17.7	24.2	70.8	66.1
2050	23.0	54.3	4.4	6.8	54.9	40.1
Poverty Gap						
2000	18.8	16.7	2.3	5.9	25.9	20.1
2015	15.8	9.8	0.7	3.2	10.4	12.0
2050	4.1	6.5	0.2	0.6	6.9	5.4
GDP per Capita (PPP)						
2000	950	1,076	3,718	8,326	1,089	1,611
2015	1,258	1,339	5,072	9,856	1,899	1,458
2050	5,065	2,352	14,360	24,110	3,026	4,525
Net Primary Enrollment						
2000	54.8	51.2	80.7	88.2	56.8	54.4
2015	66.4	60.9	90.7	97.1	68.1	68.1
2050	88.5	83.1	98.3	99.7	89.4	88.2
Life Expectancy						
2000	44.8	43.5	66.9	47.5	46.9	45.6
2015	51.6	44.6	68.9	42.3	47.9	48.5
2050	67.6	60.3	80.4	73.8	63.8	65.0
HDI						
2000	0.44	0.45	0.65	0.65	0.43	0.45
2015	0.53	0.48	0.71	0.66	0.48	0.51
2050	0.73	0.64	0.88	0.91	0.66	0.70
HPI-1						
2000	42.8	41.0	26.3	27.5	43.5	41.6
2015	37.1	39.5	19.5	30.4	39.6	38.0
2050	22.7	26.3	10.1	14.9	27.6	24.9

Note: SSA = sub-Saharan Africa; HPI = human poverty index.

Source: Base case forecast of IFs Version 5.47.

goal applies to boys and girls alike. The UN ECAF (2005: 13) suggested that Algeria, Botswana, Cape Verde, Egypt, Gabon, Mauritius, Namibia, Rwanda, São Tomé and Príncipe, Seychelles, South Africa, Togo, Tunisia, and Zimbabwe are likely to meet the goal. Gross enrollment rates for that set of countries, including older than appropriated age students in primary school, are already at or above 100 percent, theoretically making it “only” necessary for them to bring

net, of-age enrollments to 100 percent to accomplish the goal.

That list, however, excludes three of the four large countries in Africa that this chapter has explored in most depth. Thus it is not surprising that, as is now widely understood, the universal goal never was reasonable for Africa by 2015. In fact, Table 8.4 makes clear that it will be a real challenge for several regions of the continent even by 2050. Michael A. Clemens (2004)

has pointed out that developing countries today are, in fact, making considerably more rapid progress toward 90 percent completion of primary education than did the currently developed countries a century earlier—and the last 10 percent is particularly difficult.

Life expectancy captures many capabilities and aspects of well-being fundamental to poverty. Beneath the numbers in Table 8.4 are three very different historical trajectories in African regions in the coming years. First, Northern Africa has been essentially unscathed by the AIDS epidemic and is on track to see life expectancies essentially converge with those of the world's richest countries. Second, Southern Africa, with a life expectancy above sixty in the early 1990s (roughly comparable to Northern Africa), has fallen back dramatically. The South may have difficulties reclosing the gap even if the epidemic wanes as anticipated in the IFs base case, but should regain considerable momentum. Third, life expectancy in most of the rest of Africa, although less devastated by HIV/AIDS, has never reached very high levels.

The human development index summarizes the state of human capabilities across health, knowledge, and income dimensions. The human poverty index (HPI-1) focuses on the portion of the population especially disadvantaged in terms of measures such as illiteracy and lack of access to clean water. In spite of the devastation of AIDS, the gap in Africa on these two broader measures of capabilities definitively separates the North and South from the rest of sub-Saharan Africa. The high income and life expectancy advantages of the North are offset by its significant disadvantage in literacy rates, which are quite comparable to those of Eastern, Western, and Middle Africa. As emphasized repeatedly, poverty is a many-faceted phenomenon.

Scenario analysis and African poverty

Chapter 7 explored a substantial series of interventions, domestic and international, that might have potential for reducing poverty, and it created a combined intervention scenario. The scenario included a large range of interventions involving both domestic and international action. In short, the scenario explored a “big push” with respect to global poverty reduction, but with interventions at regional levels that

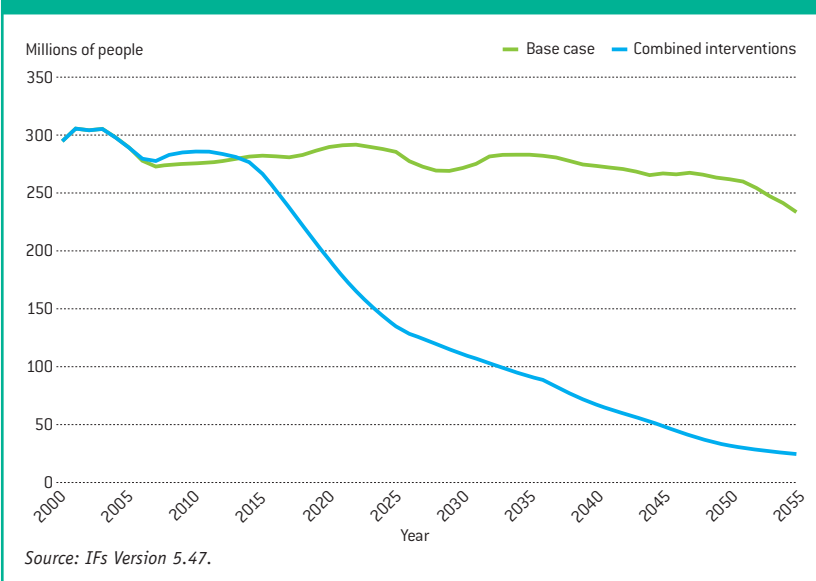
were generally tailored to shortfalls relative to the benchmark levels of specific interventions based on GDP per capita.

The scenario demonstrated potentially significant power to reduce extreme global poverty faster than the current, already substantial course of reduction. Figure 8.9 shows the implications for Africa specifically. Through the horizon of the Millennium Development Goals, the scenario does not materially reduce poverty, for three primary reasons. First, the scenario introduced interventions relative to the base case only in 2007—the MDG horizons, as this volume has repeated stressed, are nearly upon us. Second, the scenario phased in interventions because it takes time to introduce policies and structures that are substantial changes from past patterns. Finally, change is disruptive and sometimes even costly; most notably, increasing investment rates in the scenario came with some midterm cost with respect to consumption levels, a key driver of poverty.

In the longer term, however, the scenario greatly reduces the forecast of extreme poverty in Africa below the relatively stable numbers of the base case. By midcentury, more than 200 million fewer people live in poverty.

There are, of course, an infinite number of possible future scenarios for Africa (Sall 2003 developed four important ones). Some might

Figure 8.9 African poverty reduction: Base Case and Combined Intervention Scenarios



■ **Current expectations make pleasant surprises in Africa and unpleasant ones in Asia more likely than the reverse.** ■

help accelerate poverty reduction even relative to the combined intervention scenario. For instance, should the planned movement toward an East African Federation in 2013 (to include Kenya, Uganda, and Tanzania and possibly of Rwanda and Burundi) succeed on the foundation of the East African Community Customs Union and a Common Market planned for 2010, advocates believe that the region would experience accelerated growth. Other regional integrative efforts are in various stages of planning and implementation, including the Southern African Development Community to which Tanzania also belongs. Historical experience with regional integration schemes among developing countries has, however, often found that economic spillback effects (concentration of benefits in already richer countries) compete with positive spillover effects, making it difficult to know whether such efforts can persist politically and succeed economically.

The acceleration of economic growth in Africa in the second half of the 1990s has raised hope that more positive scenarios for Africa, like the combined intervention scenario, could come to pass. Jean-Claude Berthélemy and Ludvig Soederling (2001) explored the possibility that six countries (Burkina Faso, Côte d'Ivoire, Ghana, Mali, Tanzania, and Uganda) might become African versions of emerging countries, adding 2–3 percent to their growth rates in coming years. Unfortunately, internal developments in some have already put such possibilities at risk.

We should also remember that some wild card scenarios could actually make poverty worse than in the base case. The IFs project has explored the possible implications for numbers living in poverty in South Africa in the base case and in a scenario positing a major failure to control HIV and AIDS, possibly as a result of adverse mutations in the virus. The specific assumptions in the scenario pushed the peak of the global epidemic from 2015 to 2035 and doubled the growth rate in infections in Africa. Instead of the numbers living in extreme poverty falling from 300 million at the start of the century as in the combined intervention scenario, they rise very substantially.

It might be reasonable to argue, nonetheless, that the African base case explored in this section is more likely to have erred on the side

of pessimism than of optimism. Simon Johnson, Jonathan D. Ostry, and Arvind Subramanian (2007) explored the possibility that a number of African countries have in place the fundamentals, including improvements in governance, to support takeoffs to sustained growth. The initial conditions and parameters of all models come from historical patterns, which have not been good for Africa in recent decades. As the next section will discuss with respect to Asia, the reverse might be the case there—rapid economic growth, especially in China and more recently in India, has led to very optimistic expectations for future poverty reduction, giving rise perhaps to more downside risk than upside potential relative to many contemporary forecasts.

Asia

Scanning the continent

There are fifty countries or political units in the UN's Asia region and forty-six in the IFs representation of Asia and the Pacific. Some in IFs, notably Hong Kong, Taiwan, and Palestine, have complicated political statuses and are not traditionally defined nation-states with sovereignty that the entire global community recognizes. Partly for this reason, our analysis uses the word "country" rather than "nation-state." These less well-defined entities, whatever their label, contain significant populations that merit our attention.

Together the countries of Asia and the Pacific contain nearly 4 billion of the world's people. They are also home to approximately two-thirds of those living in extreme poverty. In addition, nearly three-fourths of those who live on less than \$2 per day are in Asia. Although poverty may be declining considerably more rapidly in Asia than in Africa, global poverty remains a heavily Asian phenomenon in terms of numbers.

The regions of Asia are, like those of Africa, not a fully fixed and universally recognized set. Four regions are nearly standard. See Map 8.2 for three of them: South-Central Asia, Southeast Asia, and East Asia. South-Central Asia includes not only the countries of the Indian peninsula but those that emerged from the Turkic republics of the former Soviet Union. The latter make up Central Asia. In terms of extreme poverty, the Indian Peninsula of South-Central Asia contains the greatest concentration of all

Map 8.2 Asian regions



global regions, with especially large numbers in India, Bangladesh, and Pakistan. Indonesia is the demographically largest country in Southeast Asia. Although considerably smaller in population, Burma/Myanmar has a roughly comparable number of people living in extreme poverty. China dominates East Asia in population.

Western Asia, the least poor portion of Asia, contains the countries of the Middle East and the Caucasus.¹³ Demographically, it is the smallest of the Asian regions, and Turkey is the largest of its countries. Asia and the Pacific (as opposed to Asia itself) contains another potential region of importance, namely Oceania, with Australia, New Zealand, and the small Pacific states. Populations and poverty numbers in that region are so much smaller than the rest of Asia that it will not be considered separately here.

Are there other important categorizations of countries in Asia like those that Collier and his colleagues defined for Africa? Only about 120 million of the nearly 4 billion people in the region live in landlocked countries, and some of those, in Central Asia, possess substantial oil and natural gas resources. The set of landlocked, resource-poor countries is small: Afghanistan, Armenia, Kyrgyzstan, Laos, Mongolia, Nepal, and Tajikistan. A number of them, especially Afghanistan, illustrate the development perils of that status. In contrast, however, Mongolia, although poor, demonstrates that geography has a complicated relationship with destiny.

Countries that have been racked by conflict, including Afghanistan, Cambodia, Indonesia, Palestine, and Sri Lanka, also could perhaps more productively be separated from the larger set for some special attention, but this analysis has not done so.

Thus Table 8.5 shows the percentage living in extreme poverty for the standard four Asian regions. The percentage within South-Central Asia is about twice that of East Asia, and the base case forecast is for it to decrease more slowly. Because the population of both those regions is near 1.5 billion, the number in extreme poverty in South-Central Asia was also nearly twice as high as that in East Asia early in this century, and, over time, that ratio is likely to increase considerably. The poverty percentages in the other two regions are lower, and the populations are much lower. Table 8.5 thus makes even clearer what we already knew: the study of poverty in Asia especially requires that we drill down into South-Central Asia and East Asia, looking especially at India and China.

Understanding the historical patterns of large Asian countries

Although China and India dominate the extreme poverty headcount in Asia, Bangladesh takes a clear third place. In terms of the numbers of poor, all three stand in a class by themselves in spite of great differences across them. At the beginning of the twenty-first century, IFs estimates the number in extreme income poverty in Bangladesh to have been nearly 50 million, that in China to have been over 200 million, and that in India to have been over 350 million. Other countries in Asia with more than 10 million people living in extreme poverty are Myanmar, Indonesia, Pakistan, and the Philippines. Except for Pakistan with 20 million, the others all have 15 million or fewer in that condition. Thus, in spite of the importance of poverty everywhere, this discussion will focus heavily on the big three.

China has the highly enviable status of being the country with the most rapid reduction of poverty in the world since the 1980s, bringing those in extreme poverty down from 33 percent of the population in 1990 to 10 percent in 2004 (World Bank 2008: 46), thereby already having greatly exceeded the first Millennium Development Goal. Although income distribution

Table 8.5 Extreme poverty rates in Asian regions

Year	Asian regions			
	Eastern	South-Central	Southeast	Western
2000	14.6	31.2	10.6	6.5
2005	10.0	25.3	8.5	4.1
2010	4.8	19.4	6.3	2.3
2015	2.7	15.5	5.4	1.7
2020	1.7	11.1	4.2	1.6
2025	1.0	6.9	3.4	1.7
2030	0.5	4.8	2.9	1.9
2035	0.4	4.0	2.4	1.3
2040	0.3	3.3	1.8	0.7
2045	0.2	2.7	1.4	0.4
2050	0.1	2.4	1.1	0.4
2055	0.0	2.2	0.8	0.4

Source: Base case forecast of IFs Version 5.47.

has deteriorated, the growth of GDP has been so rapid that the rate of poverty has plummeted. Thus before turning to the future of poverty in China and elsewhere in Asia, it bears asking how China has accomplished this remarkable feat.

One standard explanation for the success of China is the quality of its governance. A second and related one is the specific nature of the policies its government has adopted, including (1) the development of human capital and (2) China's economic openness to the outside world. Table 8.6 helps historically compare China to India and Bangladesh on these dimensions.

With respect to governance, the World Bank's project on Governance Matters has compiled six measures of governance for 213 countries from 1996 through 2006. The project facilitates comparison with other countries globally and in the same income category, which for China is lower-middle. China's percentile calculation on those measures varies from a low of 6.3 percent on voice and accountability (compare with an average of 40 percent for its income group) through 30.5 percent on control of corruption (compare with 39.1 percent) and 40.6 percent on the rule of law (compare with 38.6 percent) to a high of 52.2 percent on government effectiveness (compare with 39.9 percent).¹⁴ In addition to the democratic deficit indicated by China's score on voice and accountability, it is this last measure, government effectiveness, on which China stands out from countries at comparable levels of income.

The definition of governance effectiveness includes such seemingly important attributes such as "the quality of public services, the quality of the civil service ... [and] the quality of policy formulation and implementation."¹⁵ Table 8.6 shows that China does, in fact, exceed the performance of its large and poor Asian neighbors on this measure. Yet the relative performance shortfall of India has narrowed substantially since the 1990s, perhaps one of the reasons for India's more recent acceleration of economic growth (and China's high score in 1996 should be considered in the context of a score of 48.3 in 1998).

The measure of governance that normally receives the greatest analytical and policy attention is corruption, the misuse of public office for personal gain. Corruption is not easily measured, but perceptions of it can be obtained

from those who interact with a government. The most widely known measure of corruption perceptions is that of Transparency International (TI), which correlates very highly with that of the World Bank but offers a longer time series. Table 8.6 therefore uses the TI measure to show corruption perceptions (higher numbers are less corrupt) for the three high-poverty Asian countries. Note that China scores at very much the same level as India, both of which are well above Bangladesh. The World Bank also shows a substantial deterioration for China on this measure, with a fall from 52.5 percent in 1998 to 44.2 percent in 2000 and scores below 40 percent thereafter.

Table 8.6 Development drivers in Asian regions

Effectiveness of governance	China	India	Bangladesh
1996	66.80	50.70	27.00
2000	55.50	52.60	38.40
2006	55.50	54.00	23.70
Corruption perception			
1983	5.1	3.7	0.8
1996	2.4	2.6	2.3
2006	3.3	3.3	2.0
Life expectancy			
1962	54	46	41
1982	69	61	58
2005	72	64	64
Adult literacy			
1970	53	33	25
1990	78	49	34
2006	91	61	43
Economic freedom			
1980	3.8	4.9	3.1
1990	4.2	4.8	4.2
2007	5.9	6.7	5.8
Trade openness			
1970	3.7	8.1	20.8
1990	31.9	15.7	19.7
2005	69.3	44.7	39.6
FDI inflows as % of GDP			
1980	0.03	0.04	0.05
1990	0.98	0.08	0.01
2003	3.78	0.71	0.20

Source: Base case forecast of IFs Version 5.47.

■ Chinese advantages relative to India are limited in governance but are dramatic in foreign investment. ■

Thus overall, China's advantage in governance quality is not strikingly obvious, especially relative to India, unless that advantage is, in fact, authoritarian leadership by very progrowth elites (as in Singapore and Malaysia). A more obvious and less controversial advantage may be seen in some of China's policies. Table 8.6 shows the results of very strong emphasis in China after the communist revolution on the development of human capital. Life expectancy surged in China during the 1960s and 1970s, and literacy rates were already high and climbing in the 1970s, when economic growth accelerated sharply.

In addition to the investments that China made in human capital as a foundation for its recent economic success, it has become perhaps even more common to point to the transition that China made, especially since 1978, in its economic policies. Deng Xiaoping and other pragmatists began at about that time to structure "socialism with Chinese characteristics." Economic liberalization involved many elements of reducing the state role in the economy, such as allowing farmers to market surplus crops and opening China to the outside world. Table 8.6 shows the progression of all three of the highest-poverty Asian states toward economic freedom, defined by the Fraser Institute to emphasize the ability to acquire, use, and exchange property.

Interestingly, the shift toward economic freedom in China, as measured by the Fraser Institute and reinforced by the Heritage Foundation's measure of economic freedom, does not appear any more pronounced than that of India.¹⁶ What is more clear-cut with respect to China is trade openness. The table therefore shows a standard measure of economic openness to the world, namely exports plus imports as a percentage of GDP. On that measure, China's transition from the most closed of the three countries to the most open is dramatic in magnitude and speed. It is also interesting that the levels that Bangladesh and India reached by 2005 were reached by China only in 1999 and 2000, respectively. That is, India and Bangladesh appear on a similar track, less than a decade behind.

If China's relative advantage in trade is striking, it is dramatic with respect to foreign direct investment. The Chinese began to distinguish themselves from India and Bangladesh in the early 1980s, very quickly after the initiation of economic reform, and thereafter

greatly widened their lead. Taxes on foreign direct investment (FDI) that give it preferential treatment relative to domestic firms certainly has explained part of the attractiveness of China to external funds (and also has somewhat distorted the accounting by encouraging round-tripping of funds from China through Hong Kong and back to China). On this measure, Bangladesh and India lag behind China by twenty years.

In summary, the answer to the question of how China managed to greatly accelerate its economic growth and reduce poverty since 1980 is almost certainly more complex than sometimes suggested. Clearly, general economic reforms and governance quality have played roles. So, too, however, did attention to human capital development and some very specific policy initiatives.

Exploring Future Asian Poverty: The Case of India

What about the future of poverty in China, India, Bangladesh, and other Asian countries? Figure 8.10 continues the focus on the three Asian countries with the highest numbers of those living in extreme poverty and shows three quite different patterns in base case forecasts. In the case of China, the very rapid reduction of recent decades is likely to continue, driven by high economic growth rates. In the case of Bangladesh, the numbers living in poverty also may drop, but at a considerably slower rate. Still, even in Bangladesh, the goal of cutting the rate of income poverty in half before 2015 appears quite feasible.

In many respects, the most important and complicated case is India. It is fundamentally important because close to half of those living in extreme poverty in Asia and the Pacific are in India and because its poverty rate at the turn of the century was among the very highest in the region. It is complicated because (1) economic growth has accelerated considerably in recent years, but it has not yet established a pattern of longer-term high growth that provides high confidence in its continuation; and (2) India is, in essence, a continent of its own, with a population that will likely pass China to become the largest in the world by about 2050. India also is highly heterogeneous on many dimensions, so that it is especially difficult to explore poverty futures for the country as a whole.

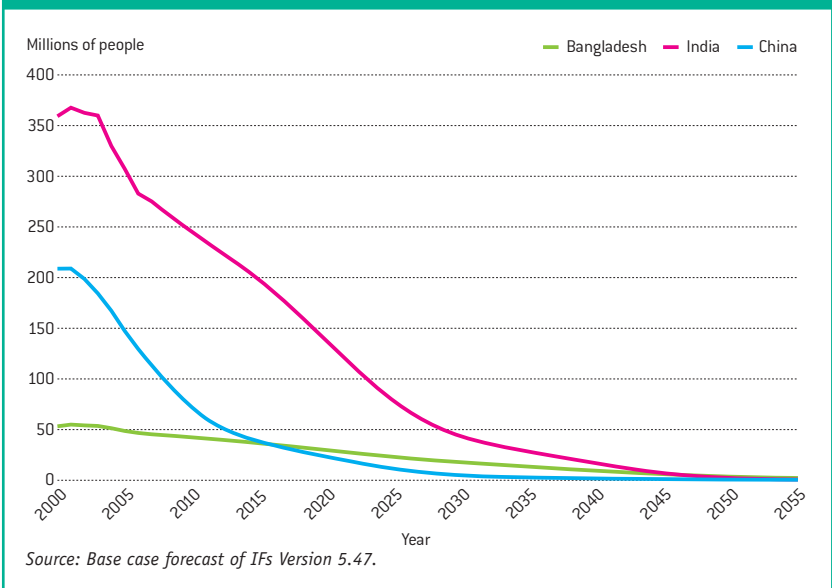
India thus merits special attention as a case study on the future of poverty. Map 8.3 shows its states and union territories. One common aggregation of those (used, for instance, in the *Human Development Reports* for India) is into Middle India, North-Central India, Northeast India, Southern India, West Bengal, and West India. Middle India is of special interest to us. It contains the states of Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, and Uttar Pradesh.¹⁷

The largest of the subregions, Middle India contains more than 400 million of India's more than 1.1 billion people. It contains about 190 million (more than half) of India's citizens living in extreme poverty, thereby accounting for more than one-fourth of the extreme poverty in Asia and the Pacific and about one-sixth of that globally.¹⁸ Moreover, it has been growing less rapidly economically and more rapidly demographically than the rest of India.

The IFs base case forecasts for poverty across all subregions (see Table 8.7) shows that these various characteristics of Middle India also make it likely that, in contrast to all other subregions of the country, poverty numbers may be relatively unchanged through the MDG target year of 2015. In fact, by 2015 the subregion could account for about 45 percent of all extreme poverty in Asia and the Pacific, and by 2030 it could account for 50 percent.

There are a variety of reasons for the difficult situation of Middle India. The area is more agricultural than the rest of India but has a very high population density (more than 11 people per hectare of cropland, about twice that of India as a whole and seven times that of the United States). Its urban population is less than 20 percent of the total, compared to 30 percent nationally. The literacy rate of Middle India is about 50 percent, compared to over 60 percent for the country as a whole. Life expectancy is about three years less than India as a whole. Both the gender empowerment measure and the human development index are about 0.5 in Middle India, compared to 0.6 for all of India. Access to safe water is available to under 60 percent of region, more than in the Northeast or the North Mountainous areas, but about 6 percent below the national average.

Figure 8.10 High-poverty Asian countries



Map 8.3 States and Union Territories of India



Table 8.7 Poverty numbers in subregions of India

Year	Millions of people living on less than \$1 per day						
	Middle	North-Central	Northeast	Mountainous	Southern	West Bengal	West
2000	192.9	22.0	17.8	0.7	53.3	28.8	36.6
2005	186.7	17.6	14.9	0.6	43.3	23.3	23.7
2010	176.6	12.2	10.5	0.3	29.8	16.0	14.4
2015	174.6	8.3	7.1	0.2	19.8	10.5	8.8
2020	164.7	4.8	4.0	0.1	11.8	6.0	4.5
2025	134.3	2.1	1.8	0.0	5.9	2.8	1.6
2030	98.5	0.8	0.7	0.0	2.8	1.2	0.6
2035	73.0	0.3	0.3	0.0	1.2	0.5	0.2
2040	57.6	0.1	0.1	0.0	0.5	0.3	0.1
2045	43.2	0.0	0.0	0.0	0.2	0.1	0.1
2050	20.1	0.0	0.0	0.0	0.0	0.0	0.0
2055	6.3	0.0	0.0	0.0	0.0	0.0	0.0

Source: Base case forecast of IFs Version 5.47 (Special India Release).

● **Middle India is the hard core of Indian poverty.** ●

Although the analogy should be treated very cautiously, there are some similarities between the states of Middle India and the landlocked countries of sub-Saharan Africa. Like those countries in Africa, the Indian states are sometimes resource-rich but generally suffer relative to coastal areas from access to global markets. Moreover, transportation infrastructure weaknesses and even interstate border controls disrupt the free flow of goods to the rest of India.

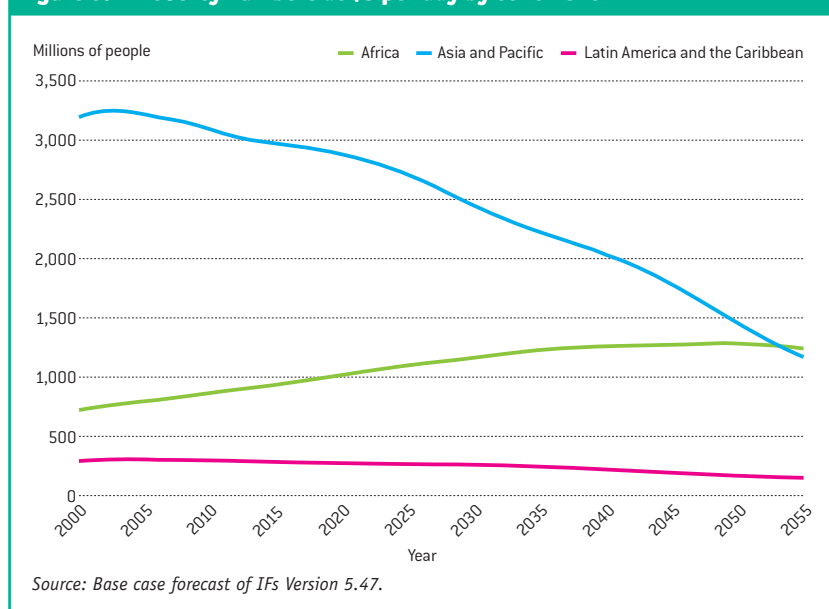
Asian poverty: Now you don't see it, now you do

Even Middle India appears likely to experience diminishing extreme poverty after about 2015–2020. Relative to Africa, the fight against poverty in Asia has been and appears likely to continue to be a success story. The base case forecast of IFs shows extreme poverty numbers in Asia and the Pacific dropping below those of Africa before 2020. Many therefore consider the discussion about the future of poverty to be a discussion primarily of Africa.

Yet even if the superior economic performance of Asia relative to Africa prevails through midcentury, the populations in Asia are so large that the center of gravity with respect to global poverty may well remain there. Over time it is very probable that the focus on poverty among the poorest will shift from \$1 and \$2 per day to \$2 and \$5 or even \$5 and \$10 per day. Figure 8.11 forecasts the count of those living on less than \$5 per day in Asia, Africa, and Latin America. Asia is likely to have the largest number of those living on less than \$5 until midcentury. Even the crossover point for those living on less than \$2 per day is unlikely before 2035.

Moreover, even the battle against extreme poverty will likely rage through midcentury in some parts of Asia. For example, Afghanistan and Pakistan are two of the most challenging countries in the continent. They have some of the most rapidly growing populations in the

Figure 8.11 Poverty numbers at \$5 per day by continent



Source: Base case forecast of IFs Version 5.47.

world. In the case of Afghanistan, the return of refugees has added to the weight of population, but both countries have total fertility rates near 5.0. In addition, both countries have youth bulges (the portion of population between fifteen and twenty-nine years of age) that exceed 45 percent. Both have suffered substantial internal conflict and governance problems that have often disrupted economic growth and have led them to be labeled either failed states or in danger of being such. The base case posits gradually accelerating growth in GDP per capita, assumptions that many observers might argue are overly optimistic. Nonetheless, the numbers in extreme poverty in Afghanistan climb steadily until 2030 and then stabilize, and those in Pakistan begin to fall only after 2020. The reader will find more details on these and other countries in the forecast tables that conclude this volume.

Scenario analysis and Asian poverty

The earlier discussion of Africa turned our attention back to the combined intervention scenario of Chapter 7, comparing its forecast for continental reduction in extreme poverty with that of the base case (see Figure 8.9). The combined intervention scenario has relatively little impact on the long-term profile of those living in extreme poverty in Asia because the numbers by midcentury are fewer than 100 million in either case. The combined intervention scenario does substantially reduce so-called moderate poverty in Asia relative to the base case, leaving nearly 250 million fewer people at \$2 or below by midcentury.

Yet overall, the combined intervention scenario clearly has much less relative impact on Asia than it does on Africa, for straightforward reasons. The scenario interventions in Chapter 7 were built so as to bring performance of regions on a wide range of policy levers up to reasonable “good practice” values, given the levels of GDP per capita of the regions. In the case of much of Asia, performing at fairly high levels already, that meant considerably less aggressive assumptions for potential change than in Africa.

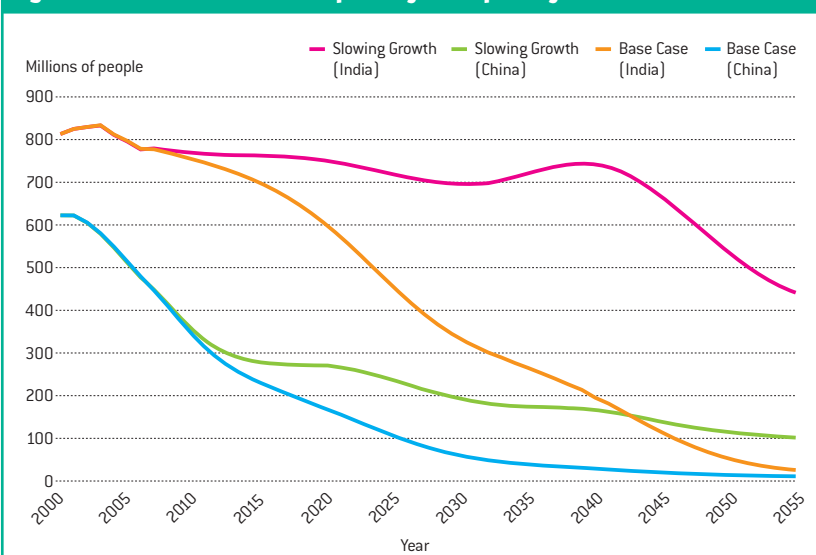
For the same reasons, the risk of error in the base case forecasts for Asia is to a greater degree being overly optimistic than it is for Africa, where it was argued that the base case might be overly pessimistic given the poor performance

of the continent in recent decades and therefore the substantial headroom for improvement.

How badly might the base case scenario itself overestimate the eventual course of poverty reduction for Asia? That is impossible to know, of course, but GDP per capita seldom grows for countries at more than about 2.5 percent per year for very long. China has been turning in rates closer to 7–9 percent for many years. The base case brings those rates down gradually to about 3 percent by midcentury. What if they were to drop much more precipitously, say to 2.5 percent by 2025? Similarly, India has moved its per capita growth rates (at market exchange rates, or MER) up toward 6 percent, and the base case allows those to stay near or above 6 percent until midcentury (per capita growth rates at PPP in the IFs base case are closer to 4 percent). What if, again, they were to decline to 2.5 percent by about 2025? A variety of forces that have operated historically, including domestic instability, international conflict, environmental problems, energy constraints, and plagues could function not only to bring rates down in such a fashion but even to push them down substantially faster or lower.

Figure 8.12 shows the quite dramatic implications of such assumption differences, especially for India. It looks at numbers living on less than \$2 per day in the base case and what would happen if per capita growth in

Figure 8.12 Chinese and Indian poverty at \$2 per day in two scenarios



Source: Base case and reduced growth scenarios of IFs Version 5.47.

both countries were to slow to 2.5 percent by 2025. China's growth momentum and lower initial poverty gap (not shown) would allow poverty reduction to continue, albeit at a somewhat slower rate. In the case of India, however, numbers in poverty might essentially not change. Thus it bears repeating that if the IFs base case proves incorrect (which forecasts almost always are), the reality may prove to be more like the slow growth case than the combined intervention scenario.

The Americas *Scanning the continent*

The geography of the Americas makes division of the continent into regions somewhat easier than is the case for Africa or Asia. An obvious and very common division is into North America, Central America, South America, and the Caribbean. For example, the United Nations divides the forty-one countries of the Americas into these groups.¹⁹ For the purposes of analysis, one undesirable consequence of such partition is the common placement of Mexico with Central America, thereby overwhelming the demographically smaller members of the isthmus (Mexico's population is 2.5 times that of the other countries combined). For that reason, and because of the increasing integration of Mexico with the United States and Canada via the North American Free Trade Agreement (NAFTA), the analysis here uses the same basic four-part division but combines Mexico with North America (see Map 8.4).

Development-oriented international organizations like the United Nations and World Bank focus on Latin America and the Caribbean and generally exclude the United States and Canada from their analysis completely. That is the approach of the UN Economic Commission for Latin America and the Caribbean (ECLAC), whose analysis distinguishes the Caribbean countries from the rest of Latin America, treated often as a single region.

Are other potential divisions of the Americas of use in analysis of poverty? A focus on landlocked countries versus those with ocean access makes little sense, because only Bolivia and Paraguay lack direct access. There might be some basis for pulling out Bolivia, Ecuador, and Peru as poorer Andean countries, but Chile is both Andean and

relatively rich. There are, however, two divisions that observers inside and outside the region often see as important, especially when considering the future of poverty: (1) the size of indigenous populations, which tend to be most deeply mired in that poverty, and (2) the extent of foreign debt.

Indigenous populations make up about 10 percent of the total population of Latin America and the Caribbean, and poverty rates are considerably higher in the indigenous subpopulations of the region than in the larger population. For example, in Mexico predominantly indigenous municipalities were found to have a poverty incidence 4.5 times that of largely nonindigenous municipalities (Hall and Patrinos 2006). At the country level, ECLAC has estimated that the rate of poverty among indigenous peoples and Afro-descendants in Paraguay is 7.9 times that of the rest of the population (UN ECLAC 2005: 49). The multiples are 5.9 in Panama, 3.3 in Mexico, and 2.8 in both Guatemala and Chile. Across fourteen countries reviewed, only Costa Rica and Haiti have multiples at or near 1.0.

Although statistics on the size of indigenous populations are not very reliable, the rates are highest in Bolivia, Ecuador, Guatemala, Mexico, and Peru, each of which has more than 30 percent indigenous peoples, and all of which, except Mexico, are 44 percent or more indigenous. That set of countries does merit special attention. At the same time, however, many other countries in Latin America, including Chile, Colombia, the Dominican Republic, El Salvador, Nicaragua, Panama, Paraguay, and Venezuela, have high percentages of partly indigenous populations.

The second grouping of countries that may require special attention is that of heavily indebted poor countries (HIPC). Bolivia, Honduras, and Nicaragua have reached the completion points of the HIPC process, established to relieve some of that burden, and are therefore eligible for the full debt-relief available through it and also for further consideration under the newer Multilateral Debt Relief Initiative (MDRI). Haiti has reached the decision point in the HIPC process and is eligible for interim relief.

Scanning the poverty levels of the continent, regardless of how divisions of it are

Map 8.4 American regions



made, requires that attention extend beyond the extreme level of \$1 per day. Although 35 percent of Africans live on less than \$1 per day, and 20 percent of Asians do so, only 6 percent in the Americas are at that level (10 percent when the United States and Canada are excluded). In its analysis of the region, the UN's ECLAC has chosen to use two alternative

thresholds that it characterizes as indigence and poverty (see Table 8.8). The indigence line is defined in terms of the cost of a basic food basket. The poverty line has been defined as that income plus other resources for basic non-nutritional needs of households, estimated at 2 times the indigence line for urban areas and 1.75 times that line in rural areas (UN ECLAC

Table 8.8 UN ECLAC analysis of poverty

Percentages of poor and indigent population, measured by the International Line and National Lines (ECLAC), around 2000 ^a								
Countries	Populations living on less than US\$ 1 per day		Indigent population		Population living on less than US\$ 2 per day		Poor population	
Latin America	9.5	2001	18.5	2001	24.5	2001	43.2	2001
Argentina	3.3	2001	10.9	2001	14.3	2001	30.1	2001
Bolivia	14.4	1999	36.5	1999	34.3	1999	60.6	1999
Brazil	8.2	2001	13.2	2001	22.4	2001	37.5	2001
Chile	<2	2000	5.7	2000	9.6	2000	20.6	2000
Colombia	8.2	1999	26.8	1999	22.6	1999	54.9	1999
Costa Rica	2.0	2000	7.8	1999	9.5	2000	20.3	1999
Ecuador	17.7	1998	31.3	1999	40.8	1998	63.5	1999
El Salvador	31.1	2000	22.1	2001	40.8	2000	48.9	2001
Guatemala	16.0	2000	30.3	2002	37.4	2000	60.2	2002
Honduras	20.7	1999	56.8	1999	44.0	1999	79.7	1999
Mexico	9.9	2000	15.2	2000	26.3	2000	41.1	2000
Nicaragua	50.5	2001	42.3	2001	79.9	2001	69.4	2001
Panama	7.2	2000	10.7	1999	17.6	2000	30.2	1999
Paraguay	14.9	1999	33.9	1999	30.3	1999	60.6	1999
Peru	18.1	2000	22.4	1999	37.7	2000	48.6	1999
Dominican Republic	<2	1998	24.8	2000	<2	1998	46.9	2000
Uruguay	<2	2000	1.8	1999	3.9	2000	9.4	1999
Venezuela (Bolivarian Republic of)	15.0	1998	21.7	1999	32.0	1998	49.4	1999
Caribbean								
Grenada	4.7	1999						
Guyana	3.0	1998			11.2	1998		
Haiti	55.0	2001			76.0	2001		
Jamaica	<2	2000			13.3	2000		
Saint Lucia	25.4	1995			59.8	1995		
Saint Vincent and the Grenadines	5.6	1996						
Trinidad and Tobago	4.0	1992			20.0	1992		

Notes:

^a The sources for the poverty estimates calculated using national and international lines are ECLAC and the World Bank, respectively (with the exception of the figures for some Caribbean countries).

Source: UN ECLAC, 2005, 27.

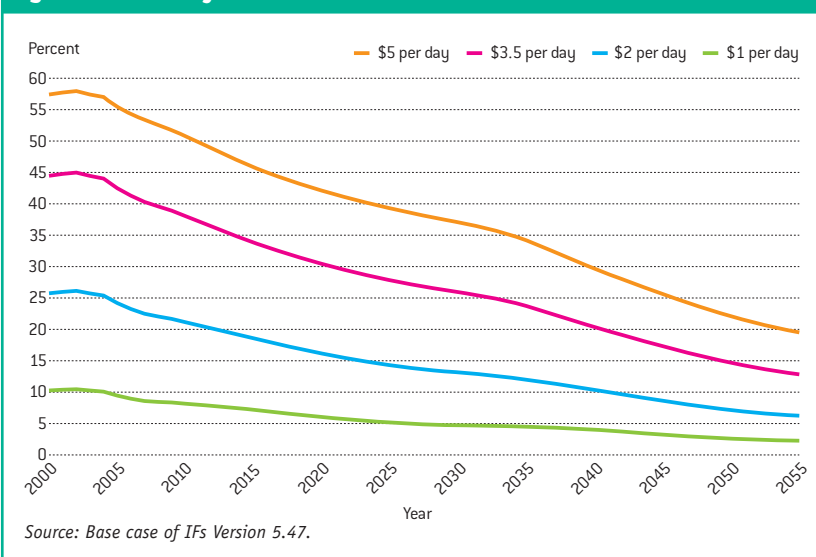
2004: 51). The numbers listed as indigent in Table 8.8 make clear that the indigence line is higher than the extreme poverty value of \$1 per day. IFs calculates that a consumption level of about \$1.55 per day produces the regionwide percentage of indigence reported by ECLAC and that \$3.50 produces ECLAC's percentage that lives in poverty in 2000.

UN ECLAC is monitoring the progress of the region and its individual countries toward the MDGs, including that of reducing poverty rates as it defines them by one-half relative to 1990. As of 2004, fifteen of seventeen countries had made progress, the exceptions being Argentina and Venezuela. Unfortunately, UN ECLAC estimated the region as a whole to have progressed only 34 percent of the distance to the goal for 2015 while using 56 percent of the time period. The countries on target to reach the goal were Brazil, Chile (already having attained it), Ecuador, Mexico, Panama, and Uruguay. Countries lagging far behind the needed progress rate include Bolivia, Colombia, Honduras, Paraguay, and Peru (UN ECLAC 2005: 36). World Bank data, used in analysis with its PovcalNet tool, yield very similar results for the more common measure of extreme poverty. Given the nearness of 2015, this overall pattern is unlikely to change dramatically.

What about the longer-term future? Figure 8.13 shows the IFs base case forecasts through 2055 for the percentage living in poverty in Latin America and the Caribbean at \$1, \$2, \$3.50, and \$5 per day. All exhibit generally the same pattern of reduction. By midcentury the percentage living below \$5 per day could well be reduced to about the level of those living at or below \$2 in 2000.

Are the forecasts reasonable? In 2015 the base case of IFs anticipates that about 7 percent of the region will still be living in extreme income poverty compared to 10 percent in 1990 (World Bank 2008: 46). That is, the forecast is that the first MDG will not be met for the continents as a whole. Instead, about three-quarters of the distance toward cutting rates in half will have been traversed. That is generally comparable with the estimates above made by the UN ECLAC for progress through 2004, showing that progress through that year was about 61 percent of that needed to be on track to the goal. The IFs base

Figure 8.13 Poverty forecasts for Latin America and the Caribbean



case is therefore anticipating an acceleration of progress relative to the 1990–2004 period. Given the economic disruptions of those years, such a forecast may be optimistic but certainly not unreasonably so.

Table 8.9 disaggregates the continents, and the results are striking. Progress in South America is anticipated to be very substantial. In North America the \$1 income poverty level only really picks up Mexico, but progress there, too, will likely be significant.²⁰ In sharp contrast, the forecasts for Central America and the Caribbean are for little change in poverty

Table 8.9 Forecasts of poverty by region of the Americas

Year	Percent living in extreme income poverty			
	Caribbean	Central	North	South
2000	21.0	17.3	1.4	9.4
2005	20.7	18.1	1.4	8.2
2010	22.9	19.6	1.1	6.3
2015	22.3	20.3	0.9	5.0
2020	17.1	17.9	0.7	4.2
2025	15.4	15.0	0.6	3.5
2030	15.0	14.9	0.5	3.0
2035	15.2	15.8	0.3	2.7
2040	15.8	14.1	0.3	2.1
2045	15.0	10.8	0.2	1.5
2050	12.6	9.2	0.2	1.0
2055	11.5	8.7	0.1	0.7

Source: Base case forecast of IFs Version 5.47.

rates through 2015. These forecasts contrast distinctly with the situation in the 1990s. During that decade, the percentage of those living in poverty in Central America dropped considerably, while the percentage in South America was relatively stable overall, actually climbing somewhat near the end of the decade, in part because of the loss of ground in Argentina and Venezuela.

Central America and the Caribbean contain a substantial number of the countries in the Americas with high levels of indigenous population and with high historical indebtedness. Earlier discussion noted the relatively high poverty rates in indigenous populations. It did not emphasize, however, that those poverty rates also appear especially resistant to change with GDP levels, whether GDP increases or decreases. World Bank analysis found that between 1994 and 2004, ironically identified as the Indigenous Peoples' Decade, "virtually no reduction occurred in the share of indigenous people in poverty" in four of five countries studied (World Bank 2006a: 4).

In addition, of course, high levels of indebtedness tend to lessen growth prospects and also mean that countries will endure structural reforms that often weaken household incomes relative to the overall size of the economy. For these reasons, the analysis here will focus especially on these two regions of the Americas.

The future of poverty in Central America and the Caribbean

Based on head counts and annual rates of income poverty for Central America and the Caribbean, the countries that require special attention when thinking about the future of poverty are Nicaragua, El Salvador, Guatemala, Honduras, and Haiti, especially the first and the last. Table 8.10 shows the IFs base case forecast for the number in extreme poverty in those five countries. Although the percentages living in poverty are likely to decrease significantly for all five before 2055, the absolute numbers living in poverty could well increase in all countries in coming years and, except for El Salvador, be worse or little improved by midcentury.

There are several reasons that these countries may fail to make greater strides against poverty. One is that population growth rates remain quite high. Although the rates are now coming down fairly rapidly, Central America is growing at just over 2 percent each year, and Nicaragua's rate is near 2.4 percent. In the Caribbean as a whole, the rate is closer to 1 percent, but Haiti is growing at about 2 percent. Per capita GDP growth in the last two decades of the twentieth century was quite weak.

The forecasts of IFs are, however, for generally stronger per capita growth in the first two decades of the twenty-first century. Among the sources of relative optimism for the region is the debt relief that has been put into place in recent years. At the turn of the century, the external debt burden of Honduras was near 100 percent of GDP and that of Nicaragua was an astounding 175 percent of GDP (by 2006 these numbers had fallen to 66 and 70 percent, respectively).²¹ Haiti's debt burden is significant but not so large (22 percent in 2006), but that is because, as the poorest country in the Western Hemisphere and one that often is placed on lists of failed states, lending to it has been more limited.

Optimism with respect to the positive implications of debt relief might be somewhat misplaced, however, because such relief by itself will not significantly address the root problems of the two regions. Although calls for structural adjustment by the International Monetary Fund (IMF) and others may not be popular with the opponents of what they often term neoliberalism, there are some structural issues of

Table 8.10 Poverty in selected Central American and Caribbean countries

Year	Number in extreme income poverty (millions)				
	El Salvador	Guatemala	Haiti	Honduras	Nicaragua
2000	1.2	1.2	4.2	1.2	2.3
2005	1.3	1.5	4.7	1.5	2.7
2010	1.5	1.8	5.3	1.8	3.4
2015	1.5	2.1	6.0	2.1	4.2
2020	1.3	2.0	6.4	2.0	4.2
2025	1.2	1.8	6.4	1.9	3.8
2030	1.2	1.8	6.3	2.2	4.2
2035	1.1	1.9	6.8	2.4	5.2
2040	0.9	1.7	7.5	2.0	5.3
2045	0.8	1.4	7.3	1.7	4.2
2050	0.7	1.1	6.2	1.6	3.8
2055	0.6	1.0	5.8	1.3	4.1

Source: Base case forecast of IFs Version 5.47.

significance for the region, in addition to rapid demographic growth, that require attention.

Among those structural problems are imbalances in trade and government accounts. Trade deficits are significant for many countries, with the resulting holes in external accounts traditionally filled by foreign aid, worker remittances, and borrowing. At the beginning of the twenty-first century, trade balances for the five countries of focus here ranged from a deficit of 11 percent in Guatemala to a deficit of 28 percent in Nicaragua. Similarly, in 2000 government revenue, excluding aid receipts, was in surplus relative to expenditures only in El Salvador and otherwise ranged from a deficit of 1.1 percent in Haiti to a deficit of 10.7 percent in Nicaragua. With aid receipts, most government balances were in surplus, but much of that aid was helping to cover payments on external debt, and provision of it may well be less generous in a future after debt relief. Household consumption ranged from 73 percent of GDP in Honduras to 87 percent in El Salvador, averaging 78 percent for the Caribbean and 76 percent for Central America, whereas South American countries as a whole averaged 63 percent. Such high household expenditure rates leave relatively little room for government spending and investment.

When structural imbalances such as those begin to correct, as they must either in agreements structured around debt relief or as foreign aid flows decline, all expenditure components can be squeezed and households almost invariably lose consumption power. Because the calculation of poverty in Table 8.10 is tied to consumption expenditures (as it is more generally in the analysis of this volume), the adjustment processes that are now or will soon be underway can give rise to lower consumption and greater poverty, even as GDP continues to grow. That is exactly the situation in the midrange forecasts presented here for much of Central America and the Caribbean. In the base case, the number of Central Americans living in extreme income poverty actually grows through 2015.

Yet, not all is bleak for the region. In contrast to the numbers living in extreme income poverty, the trajectory of the human poverty index (HPI-1) is steadily downward. Even in the base case, the forecast is for

considerable improvement as the rate of death under forty declines, illiteracy falls, and access to safe water increases.

One substantial uncertainty with respect to the future of economic growth and poverty reduction in the region is the impact of the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA), committing Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and the United States to free trade. An analysis by the World Bank's Central America Department and Office of the Chief Economist for the Latin America and the Caribbean Region (undated) concludes that it will enhance growth and reduce poverty in the region, even in the near term. The analysis recognizes, however, a variety of structural adjustments that will inevitably occur and acknowledges the complications of understanding the dynamics of their unfolding, especially in interaction with substantial government budget constraints and therefore uncertain policy responses. The analysis here places more weight on the cost of the structural adjustments but also sees them as inevitable, with or without DR-CAFTA.²²

Other stratifications that affect poverty in the Americas

Prominent among other important stratifications is the urban-rural division. Many who travel from richer to poorer countries and see the massive slum areas that often grow up around cities in developing countries conclude that poverty is primarily an urban phenomenon and that the urban poor would certainly live better in rural areas, with land to grow food and to support themselves. The reality is different. Very often urban slum dwellers have escaped from even greater rural poverty, where they had no land of their own or labored to eke out a living from small, poor-quality plots, to an environment in which they frequently have greater opportunity. Statistics bear out the urban-rural contrast. UN ECLAC (2005: 42) calculated the ratio of rates of indigence in rural to urban areas in thirteen Latin American countries and found them to range from 1.4 in Chile to 5.2 in Peru, with an unweighted average of 2.6. Clearly, this dimension of stratification interacts with the reality that the indigenous population tends more frequently to be rural.

■ ***Structural imbalances and the status of indigenous peoples pose a continuing threat to poverty reduction in Central America.*** ■

Another social stratification of great importance is sex. UN ECLAC (2005: 44–45) reports that, in rural areas of Latin America, 37 percent of women have no independent source of income, compared to 20 percent of men. In urban areas the percentages are 21 and 22, respectively, but other data show that women suffer greater poverty in urban areas as well, presumably as a result of lower incomes. A substantial climb in the workforce participation rate of women in the 1990s did occur, and further climbs could ameliorate income differentials.

Still another stratification of relevance to poverty is age. Poverty rates for children, for young adults between fifteen and twenty-four years of age, and for the elderly are substantially higher than for adults at the peak of their working years (UN ECLAC 2005: 45–48). Poverty among children often sets up a vicious cycle, as they move prematurely out of education and into efforts to earn a living, thereby impairing future prospects for themselves and their own children.

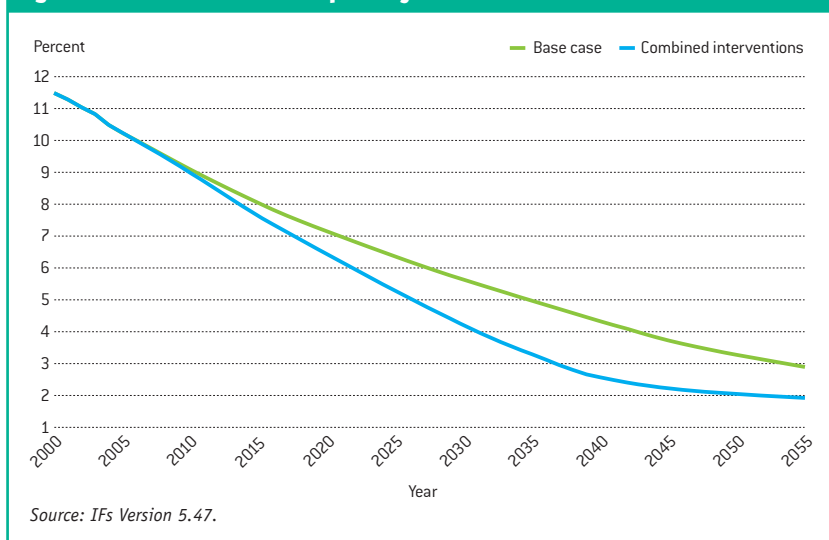
More generally, social stratifications, particularly those that are inherently persistent, like the distinction between indigenous and other populations, give rise to the chronic forms of poverty that Chapter 2 juxtaposed with more transient poverty. The importance of such stratification in Latin America might mean that forecasts of poverty reduction made using formulations that do not explicitly differentiate population subgroups (like those in Figure 8.13 and Table 8.9) are overly optimistic.

Foundations for future poverty reduction and the potential for acceleration

Although there are many factors, especially in Central America and the Caribbean, that may work to slow down the process of poverty reduction, there are also many factors at work that will facilitate it. For instance, a heavy emphasis on education throughout the Americas is building a base for higher productivity. In South America, the average years of education of those twenty-five years of age and older is likely to climb from about 5.6 years in 2000 to 7.1 in 2015 and 8.7 in 2030, a rapid rate of increase. Gains in Central America and the Caribbean will be somewhat slower, still adding about 1.1 years of education to the average by 2015. Health conditions have improved fairly steadily in the Americas, with life expectancy, a good summary indicator, having reached at least sixty-eight years in all regions. The human development index has been climbing across the regions of the Americas.

Overall, the HPI-1 is declining (see Figure 8.14 for values and the annual *Human Development Reports* for details of index construction). The combined intervention scenario could bring it down even more rapidly. The combined interventions could also considerably accelerate reduction in extreme poverty relative to the base case, cutting it about two-thirds by 2040 and removing an additional 20 million people from that condition. It could similarly reduce the percentage of those living on less than \$2 daily and lift 40 million above that threshold.

Figure 8.14 Alternative HPI-1 poverty forecasts for Latin America



Europe

Scanning the continent

As for other continents, the basic regionalization of Europe adopted here is that of the United Nations, which allocates forty-seven political entities into Eastern, Northern, Southern, and Western Europe (see Map 8.5). Eastern Europe consists entirely of formerly communist countries and former republics of the Soviet Union; Russia accounts for nearly one-half its people. Northern Europe includes the Baltic republics and Scandinavia, but the United Kingdom accounts for more than 60 percent of its population. Italy and Spain have two-thirds of the population in Southern Europe. Germany and France make up three-fourths of the Western European population.

Map 8.5 European regions

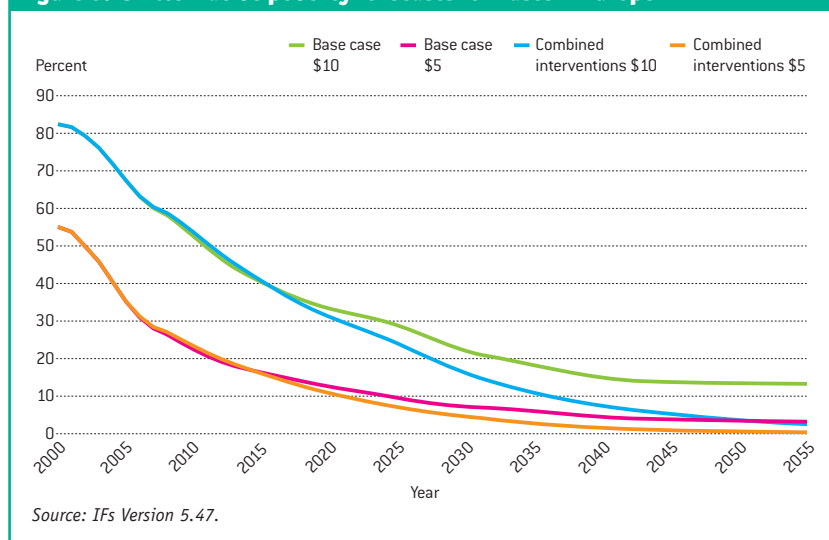


Table 8.11 Poverty in European regions

Europeans living on less than \$5 per day (millions)				
Year	Eastern	Northern	Southern	Western
2000	168.0	4.8	16.8	0.1
2005	105.8	3.9	16.3	0.1
2010	66.5	3.2	16.2	0.1
2015	47.6	2.6	15.3	0.0
2020	36.0	1.6	13.4	0.0
2025	26.8	1.1	12.3	0.0
2030	19.8	0.8	11.3	0.0
2035	16.2	0.5	8.0	0.0
2040	11.7	0.3	5.6	0.0
2045	9.7	0.2	5.3	0.0
2050	8.6	0.1	4.2	0.0
2055	7.6	0.0	3.0	0.0

Source: Base case forecast of IFs Version 5.47.

Figure 8.15 Alternative poverty forecasts for Eastern Europe



Source: IFs Version 5.47.

Relatively few Europeans survive on less than even \$2 per day, much less \$1 per day. World Bank surveys therefore do not even cover most of the European countries, primarily providing information on Eastern Europe and the formerly communist countries of Southern Europe. So for most of the European countries, we rely on estimates of IFs based on data for GDP per capita and income distribution, along with the presumption that income is distributed lognormally.²³

With the exception of Albania, Bosnia, and Serbia in Southern Europe, almost all Europeans

who live on less than \$2 are in Eastern Europe. Russia has dominated the total European headcount of those below \$2 per day, with 23 of 50 million in 2000.

The big story with respect to income poverty in Europe, however, is the rapidity with which it has declined in recent years as the transition economies of Eastern Europe have bounced back from the economic shocks that accompanied the end of communism. Table 8.11 shows that decline as calculated in IFs. There are, however, many elements of rebound that are far from complete. Russian life expectancy, which had reached sixty-five years in 1987, fell to under sixty years by 2000. Although it may have reached sixty-six in 2005 (UN Population Reference Bureau), it remains far below that of most other European countries.

Scenario analysis and Eastern European poverty

The rapid reduction anticipated in poverty in Eastern Europe at \$5 per day is echoed by the likely reduction in poverty at \$10 per day. Most of the region's countries have now joined the European Union and have already begun to enjoy the economic benefits of doing so. Russia has extraordinary energy wealth and most likely also has the governance capacity to manage many of the problems that such wealth has brought to the weaker states of Africa. Figure 8.15 shows the possible path of poverty reduction in both the base case and the combined intervention scenario. The latter could somewhat further accelerate poverty reduction, but the incremental leverage it offers is not nearly that seen earlier for countries in Africa, Asia, or Latin America.

The formerly communist countries of the Balkans may have somewhat more difficulty and are the countries that require attention. While Croatia is negotiating its entry and Macedonia is a candidate member, Albania, Bosnia and Herzegovina, Montenegro, and Serbia are only potential candidates for the European Union. Very great steps have been taken in the Balkans toward resolution of the conflicts that followed the breakdown of the former Yugoslavia, but ethnic relations throughout the region are not yet stable. The region has long been said to have had more history than it could absorb on its own, and its affairs still spill over widely throughout Europe.

Yet the per capita economic growth rates anticipated within the base case for the Balkan region are higher than those for Southern Europe as a whole, even if they are lower than those expected for Eastern Europe. Thus income poverty reduction is likely to continue relatively steadily across Europe.

Conclusion

Each of the regions reviewed in this chapter faces rather different poverty reduction challenges. The forecast tables at the end of this volume help elaborate not only regional, but country-specific aspects of development patterns.

In Africa, issues of governance belong high on the list of those that need to be addressed, as the New Partnership for Africa's Development (NEPAD) initiative acknowledges the region itself to understand. A special instance of governance challenge faces many African countries in the form of the need to develop capabilities for handling the concentrated, high rents associated with natural resources, especially energy. Corruption and poor governance have plagued the region. The region also faces major challenges with respect to the development of human capital, including broad health issues well beyond HIV/AIDS and very low levels of education. Population growth rates remain unfortunately high across much of the continent. Infrastructure and technological capabilities are also substantially underdeveloped. Conflict in many areas continues to simmer or boil. As if this list were not long enough, Africa further faces challenges of strengthening its relationship with the global economy, but doing so on terms that allow it to progress with respect to all the other issues. It is not surprising that forecasts anticipate that Africa as a whole will fail to meet most of the MDGs by 2015. In fact, the first half of the century will likely be needed for truly significant progress on many of the underlying measures.

Asian countries mostly find themselves in substantially better positions as they move into the final few years of the MDG target period and position themselves for continued progress on broad fronts. The general quality of government policy in China, including its support for human capital development, infrastructure development, and active engagement with the global economy, has served it very well.

India, Vietnam, and several other countries are largely following similar paths. Within some of these very large countries and economies, intracountry differences in well-being and rates of poverty reduction offer some of the most significant challenges, as the analysis of Middle India made clear. Nonetheless, the trajectory of much of developing Asia is such that attention is increasingly likely to turn from the reduction of extreme poverty to the amelioration of it at higher development levels. Goals for the reduction of those who live on less than \$2 and \$5 per day will almost certainly follow rapid progress on the current ones. Nonetheless, all is hardly rosy for the region. Selected countries, such as Afghanistan and Pakistan, either fall into the category of failed states or easily could. And given the success of the region in recent years, surprises with respect to the pace of poverty reduction may be more likely on the negative than on the positive side.

The Americas, notably the countries of Latin America, present still a different pattern. Like Africa, it is unlikely that the region as a whole will meet the MDG for poverty reduction. Issues of governance, human capital development, and infrastructure also face countries throughout the region. But to a greater degree than either Africa or Asia, Latin America has also struggled with its role in the larger global economy and has often understood its economic interactions as harmful rather than helpful. This ambivalence, with roots in an exploitative colonial heritage, has been strongly reinforced in recent years by a complex interacting pattern of high levels of domestic inequality, high levels of international debt, and substantial external pressure for changes in domestic policies. The existence of fairly deep and not always fully acknowledged social stratifications, including those emanating from the existence of especially poor indigenous populations, interacts with these entwined issues. The emergence in much of the region of strengthened movements on behalf of those peoples and ongoing accommodations with the global political economy may be bringing some of these elements to a head. Although there is much basis on which to forecast continuing and substantial poverty reduction, economic and sociopolitical setbacks have characterized the region too often to allow complaisance.

● All global regions and countries within them face unique changes in poverty reduction. ●

Poverty in Europe has still another face. Very little of it is so deep as to be labeled extreme poverty, that which limits the ability of people to meet nutritional needs and is life-threatening. Most poverty at more moderate levels has been concentrated in the formerly communist countries of Eastern and Southern Europe, and the rebounds in GDP and income since the immediate aftermath of the transition from communism have been substantial. Yet the countries remain transition economies and

societies. Many probably yet face a long road to achieving the status of what their peoples have often referred to as being a “normal country.”

Regardless of the location of poverty around the world, the intervention set that Chapter 7 developed and labeled the combined intervention scenario has potential power to reduce rates and levels below those of the base case. The costs of poverty to individuals and their families are simply too great not to make such reduction one of humanity’s very highest goals.

- 1 The World Bank’s data and country-specific assessments are the foundation of almost all country-specific work on poverty, including that done here. See its PovcalNet web site. The large number of country-based studies are an incredible resource.
- 2 For many other countries, interpolation or extrapolation was necessary to determine values for the common base year of 2000.
- 3 See the Fund for Peace website at <http://www.fundforpeace.org/programs/fsi/fsifaq.php#q5> and the May–June 2006 issue of *Foreign Policy*.
- 4 See <http://www.un.org/depts/dhl/maplib/worldregions.htm>. The UN Economic Commission for Africa is organized also into five regions, but it uses Central rather than Middle Africa and puts the Democratic Republic of the Congo into East Africa. Except for the exclusion of Mauritania, the Economic Community of West African States (ECOWAS) has membership identical to the UN’s West Africa.
- 5 Wodon (2007) studied the history of poverty reduction in six countries of West Africa.
- 6 Gatune’s eight regions are available for analysis in IFs as African cultural groupings.
- 7 Collier and others have also drawn attention to the often overlapping distinction between countries with substantial histories of internal conflict (such as the Democratic Republic of the Congo and Angola) and those without that burden; still another typology for thinking about African states might divide those with high rates of HIV infection and those without. Still another would be between those countries with the highest continuing dependence on agriculture (Sierra Leone, Tanzania, and the Democratic Republic of the Congo rank among the highest, with Uganda, and Eritrea, Guinea Bissau, Somalia, and Uganda not far behind) and those with more diversified economies.
- 8 The figure uses Collier and O’Connell’s (undated) definition of landlocked, which includes the Democratic Republic of the Congo in spite of its very limited access to the ocean; includes the Sudan, which has access to the Red Sea and a rail line from Port Sudan to the Nile; but excludes Swaziland. The IFs system allows comparison,

however, of their country grouping with a more strictly defined landlocked one and finds the extreme poverty rates nearly identical. IFs data analysis does not, however, support their conclusion that being coastal augments growth by 1.5 percent (Collier and O’Connell 2007: 5). Looking at sub-Saharan Africa only (because the oil and gas of the Mediterranean states put them in a special category), between 1960 and 2005 the GDP per capita at purchasing power parity of landlocked countries, using the Collier and O’Connell definition, grew just 0.3 percent slower than the coastal set. Overall, the traps of being landlocked and either resource-poor or resource-rich may not be as pronounced as sometimes argued. Africa as a whole has simply not done well.

- 9 Although generally seen as targeting actual corruption, the prosecutions have also been recognized as targeting political opposition.
- 10 Patterns vary substantially across Africa. Countries like Botswana, Ghana, Kenya, Namibia, and Zimbabwe have already reduced fertility rates to near 4.0 as a group. Except for Zimbabwe, they also tended to experience faster economic growth in the 1990s (UN ECAF 2005: 131–132).
- 11 In late 2007 UNAIDS (2007) revised its infection and death numbers downward, meaning that the turnaround for life expectancy in South Africa may happen at a somewhat higher level and faster rate.
- 12 Liberia gained its independence in the mid-1800s. Semantically the returning American blacks may not have been colonizers, but they were in practice.
- 13 Because extreme income poverty in the Middle East is relatively low and because fortunes in coming years depend so much on both uncertain energy revenues and governance (Noland and Pack 2007), this discussion of Asia gives the region less attention than it deserves.
- 14 An interactive display of performance is available at <http://info.worldbank.org/governance>.
- 15 <http://info.worldbank.org/governance/kkz2005/pdf/ge.pdf>.
- 16 The Heritage Foundation series began only in 1995. In 2006 it ranked China, India, and Bangladesh

at positions 111, 121, and 141, respectively, with especially little distance in underlying scores between the first two.

- 17 Aromar Revi has created a nine-region representation of India that better divides the country by economic, cultural, and geophysical characteristics; it is also available in IFs.
- 18 State-specific poverty values were taken from India’s *National Human Development Report 2001* and normalized to World Bank values for India as a whole.
- 19 IFs represents only thirty-three of these countries; those missing are almost entirely the smaller countries of the Caribbean, such as Anguilla, Antigua and Barbuda, and Aruba.
- 20 In 2007 the official poverty line for a single person in the United States was about \$27 per day, and that for members of a family of four was just under \$14 per day per person.
- 21 Numbers for 2006 are estimates from the CIA’s online *Factbook*.
- 22 The Office of the U.S. Trade Representative, while obviously writing to convince a domestic audience of the benefits of the agreement, emphasizes that U.S. markets are largely already open to Central America and that the agreement will primarily open Central American markets to the United States, presumably reinforcing the analysis that both the interim costs of adjustments and the longer-term potential benefits might fall heavily on the smaller partners. See http://www.ustr.gov/Trade_Agreements/Bilateral/CAFTA/Section_Index.html.
- 23 The Bank has undertaken extensive individual country analyses on at least thirteen countries in Eastern and Southern Europe. See <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPOVERTY/EXTP/0,,contentMDK:20204084~menUPK:443282~pagePK:148956~piPK:216618~theSitePK:430367,00.html>. Some of the Bank’s surveys, like that for Bosnia-Herzegovina, have relied on measures that vary somewhat from the \$1 and \$2 per day categories and provide numbers that may differ from those estimated by IFs.