REF2021

Institution: King's College London	

Unit of Assessment: 14 Geography

Title of case study: The where and why of global poverty: Changing understanding of international development NGO and agency staff of the location of global poverty and the importance of national inequality in explaining its persistence

Period when the underpinning research was undertaken: 2013 – 2016

Details of staff conducting the underpinning research from the submitting unit:

Name(s):	Role(s) (e.g. job title):	Period(s) employed by submitting HEI:
Andy Sumner	Professor of International Development	From 01/10/2012

Period when the claimed impact occurred: Aug 2013 – July 2020

Is this case study continued from a case study submitted in 2014? N

1. Summary of the impact

To achieve the UN Sustainable Development Goal 1 of ending poverty everywhere, we first need to know where the poor are located. Countering previous assumptions, research at King's has demonstrated that most of the world's poorest people now live in middle-income countries rather than low-income countries. The research has changed the understanding of policy-making staff in key organisations working to end poverty, such as international NGOs, the United Nations and the World Bank, who now recognise the changing location of global poverty and the importance of addressing national inequality to end global poverty.

2. Underpinning research

Approximately 700 million people around the world are estimated to live in extreme poverty. The eradication of poverty in all its forms by 2030 is the first of the UN Sustainable Development Goals (SDG1). To eradicate poverty, it is vital to know where in the world people in poverty are living, understand the causes of persistent poverty and be able to measure it accurately. Only then can international aid organisations, NGOs and governments implement effective poverty-reduction policies.

King's research has led to a change in understanding about the location and persistence of global poverty and the importance of connecting the measurement of inequality with poverty:

(i) The location of global poverty
Countries are classified by the World Bank according to their average gross national income (GNI) per person as either low, lower-middle, upper-middle or high income. A country's classification determines (together with other indicators) how they are supported by global aid funds. In 1990 some 90% of the world's poor lived in low-income countries; this understanding of the location of poverty continued to dominate into the 2010s. Research at King's carried out a statistical analysis of the World Bank's global poverty data from 2008 to show that the majority of the world's poor now lived in countries classified by the World Bank as middle-income countries [1]. The figure was 70% for the extreme poor (defined as those living on less than USD1.25 per capita per day) and 80% for those living below the general international poverty line of USD2.00 per capita per day [1]. A key factor in this shift has been that a few countries like India and China have witnessed dramatic growth and as a consequence have been re-classified from low-income to lower-middle income countries. Despite this economic growth, King's research identified that there remain large pockets of poverty in middle-income countries. To model how these poverty distributions might change over time, King's researchers created a custom-built model of 'Growth, Inequality and Poverty' (or 'GrIP'), representing 97% of the global population in 2010 [2]. This was an improvement over previous models because it allowed for the ready comparison of national poverty distributions based on different assumptions (e.g., the use of poverty data from surveys versus national accounts, or use of varying poverty lines). Modelling future scenarios to 2030

showed that, even on the most favourable assumptions, there was no strongly compelling case for assuming poverty in middle income countries would easily disappear as countries became better off [2]. This research is significant because it means that focusing only on the poorest countries – low-income countries – will not eradicate absolute poverty [1,2,4].

(ii) The importance of national income inequality in understanding the persistence of global poverty

King's research highlighted the 'poverty paradox': namely, that when a country's average GNI per capita rises this does not automatically pull the poorest out of poverty and, in spite of rapid growth, for many countries poverty levels have not fallen substantially in absolute terms [1,2]. By demonstrating the link between persistent poverty and rising inequality between the richest and poorest people within countries, King's research spelled out the need to take into account national inequality in the study of global poverty. This suggests a reframing of the solutions to global poverty away from 'traditional aid' based on resource transfer towards policies of national redistribution [1]. Further, research at King's tested in-depth a new measure of inequality connecting inequality with poverty, called the 'Palma Ratio' after Chilean economist Gabriel Palma, who identified that differences in inequality between countries are largely about the share of national income accruing to the richest 10% and the poorest 40% (this is known as the 'Palma Proposition') [3]. King's research demonstrated that the new measure is much more sensitive to changes at the top and bottom of the distribution, and therefore more useful to policy-makers, than the Gini coefficient (the most commonly-used measure of national inequality) which partially obscures the changes in the shares of the richest and poorest within a country [3,4]. Through successfully advocating for the Palma Ratio, King's research has prompted an increased focus in the global development community on the persistence of poverty in middle-income countries and on the role of national economic inequality in poverty reduction.

3. References to the research

Supporting publications 1–3 all published in internationally recognised, peer-reviewed journals.

[1] Sumner, A. (2013). Poverty, Politics and Aid: is a reframing of global poverty approaching? *Third World Quarterly,* 34(3), 357–77. DOI: 10.1080/01436597.2013.784593

[2] Edward, P. and Sumner, A. (2014). Estimating the scale and geography of global poverty now and in the future: How much difference do method and assumptions make? *World Development,* 58, 67–82. DOI: 10.1016/j.worlddev.2013.12.009

[3] Cobham, A., Schlögl, L. and Sumner, A. (2016). Inequality and the tails: The Palma Proposition and Ratio. *Global Policy,* 7(1), 25–36. DOI: 10.1111/1758-5899.12320

[4] Sumner, A. (2016*). Global Poverty: Deprivation, Distribution, and Development Since the Cold War.* Oxford University Press; Oxford.

4. Details of the impact (indicative maximum 750 words)

King's research [1-4] has had a substantial impact on how international governmental and NGOs understand the location of poverty and the crucial role of inequality in explaining its persistence. This impact has been achieved through dissemination and engagement with policy-makers and practitioners both in person and through blogs, social media and working papers. As a result, the research has been used in flagship reports by key international development organisations such as the World Bank [F], Oxfam [H] and Save the Children [I] and has led to changes in activities in two areas:

(i) Instead of reducing their poverty alleviation activities in Middle-Income Countries, international agencies are applying more careful spatial and social targeting.

International agencies, notably the World Bank (with 10,000 staff in 120 countries) and UN agencies, are responsible for global poverty monitoring and reduction. King's research has had an impact on the way these agencies are thinking about the location of poverty and tackling poverty [A] by demonstrating that the majority of the world's poor now live in countries classified by the World Bank as middle-income countries [1,2,4]. A former World Bank board member explained that "*Our assumptions until then had been that development was about addressing the*

poorest people in the poorest countries. But, because of the work of King's researchers, we became aware that ¾ of world's poorest people are in middle-income countries. This recognition led to an immediate adjustment in the thinking of official development agencies and made us think about how we should address poverty in middle-income countries over the next 20 years" [A].

For staff at the World Bank this change in understanding led them to place greater emphasis on poverty analysis in middle-income countries (MICs) rather than pursuing strategies to reduce their development activities in MICs. As elaborated by a senior staff member, it forced the World Bank to maintain a poverty agenda in MICs: "*Ten years ago, the World Bank attitude was that when these countries graduate from low-income countries to MICs, it's no longer about poverty. King's research on the location of the poor has really changed the strategy. Now we have poverty alleviation strategies in MICs. This type of work made us focus on particular regions within MICs, like the central states of India or northern Nigeria, and think more carefully about who 'the poor' are and how best to support them*" [B].

Further, King's research which demonstrated the utility of the Palma Ratio in assessing the impact of policies on national inequalities [3,4] has contributed to the Palma Ratio being adopted in the statistical databases of international institutions. It is now used in the UN's annual UNDP Human Development report [G1], the UNU-WIDER World Income Inequality Database [G2], the UN's Food and Agriculture Organization reports [G3] and by the Organisation for Economic Co-operation and Development (OECD) [G4]. Using the Palma Ratio rather than the Gini coefficient ensures "*that national attention is more clearly focused on what is happening to the income share of the richest as compared to the poorest in the country*" [H:p15].

(ii) International NGOs refreshed their poverty reduction policy advocacy to incorporate inequality
International NGOs including Oxfam (5,000 staff in 90 countries), Action Aid (2,600 staff in 45 countries) and Save the Children (1,000 staff in 120 countries) campaign globally for policies which reduce poverty. Based on King's research [1], their approach has evolved from a focus solely on advocating policies on poverty reduction to one advocating policies to reduce national inequality to better fulfil their goal of ending poverty.

As explained by a senior staff member at Action Aid, "*Organisations needed a demonstration of the relationship between the necessity of tackling inequality and the ability to reduce poverty. The rigorous quantitative analysis undertaken by King's provided a real breakthrough in the debate and made the difference in changing the policy position*" [C]. This is exemplified by Oxfam's flagship Inequality Guide 2017 [H], which references King's research [2,3] and mirrors the 2016 World Bank report 'Taking on Inequality' (which draws on King's research [3]) and stresses "*the importance of inequality reduction in ending poverty and boosting shared prosperity by 2030*" [F].

In re-framing the debate around inequality [1-4], King's research has enabled NGOs to refine nationally-specific institutional strategies in MICs. Oxfam's ex-head of research stated, "*The Palma Ratio made us think about the different kinds of inequality and gave us a more sophisticated way to understand it, it really influenced our inequality campaigns*" [E]. Similarly, the 2016 Save the Children 'Child Poverty Report' [I] repeatedly cited King's research as evidence for its insights into the links between child poverty and inequality, using the Palma Ratio as the key inequality measure. A senior member of staff at Save the Children explained that King's research "*is used in the ongoing discussion about how to reduce poverty, and the Palma Ratio supports strategic decisions about which regions and groups (like ethnic minority children) to focus on in MICs such as India, Mexico, Nigeria and Indonesia*" [D].

5. Sources to corroborate the impact (indicative maximum of 10 references)

[A] Testimonial from: Ex-Executive Board member, World Bank.

[B] Testimonial from: Ex-Acting Chief Economist, Senior Director for Development Economics, World Bank.

[C] Testimonial from: Ex-Director of Policy, Research, Advocacy and Campaigns at Action Aid International.

[D] Testimonial from: Ex-Head of Research, Save the Children.

[E] Testimonial from: Ex-Head of Research, Oxfam.

[F] World Bank Group (2016) 'Taking on Inequality: Poverty and Shared Prosperity'. Annual flagship report providing the latest and most accurate statistics and analysis on extreme poverty and shared prosperity.

[G] Combined report of evidence of Palma Ratio uptake by international agencies: [G1] UN Human Development Indicators and Indices (2018) 'Statistical Update Reader's Guide', updated to include Palma Ratio statistics. [G2] UN (2019) World Income Inequality Database Indicators Version Note, updated to include Palma Ratio. [G3] FAO, ECLAC and IICA, 'The Outlook for Agriculture and Rural Development in the Americas: A Perspective on Latin America and the Caribbean 2017–2018'. [G4] OECD Income inequality Data webpage.

[H] Oxfam (2017) 'Inequality Guide', Special report on the drivers of inequality and how Oxfam is tackling inequality globally and in its Country Strategies. (74 pages)

[I] Save the Children (2016) 'Child Poverty: What drives it and what it means to children across the world'. Report on the Global Initiative on Child Poverty'.