

**POVERTY AND
SHARED PROSPERITY
2018**

PIECING TOGETHER THE POVERTY PUZZLE OVERVIEW



WORLD BANK GROUP

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THE POVERTY
PUZZLE
OVERVIEW**

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Foreword

Five years ago, the World Bank Group set two overarching goals: to end extreme poverty by 2030, and to promote shared prosperity by boosting the incomes of the bottom 40 percent of the population in each country.

As this year's Poverty and Shared Prosperity report documents, the world continues to make progress toward eliminating poverty. In 2015, approximately one-tenth of the world's population lived in extreme poverty—the lowest poverty rate in recorded history. This is an impressive achievement, considering that in 1990, more than a third of people on earth lived in extreme poverty. Since we last reported on global poverty two years ago, the number of poor has diminished by 68 million.

But we cannot take success for granted. Poverty is on the rise in several countries in Sub-Saharan Africa, as well as in fragile and conflict-affected states. In many countries, the bottom 40 percent of the population is getting left behind; in some countries, the living standard of the poorest 40 percent is actually declining. To reach our goal of bringing extreme poverty below 3 percent by 2030, the world's poorest countries must grow at a rate that far surpasses their historical experience. There is no room for complacency. We must intensify the effort to promote economic growth in the lagging countries and ensure that the poorest 40 percent of the population benefits more from economic progress.

Reducing extreme poverty to less than 3 percent by 2030 remains a considerable challenge, and it will continue to be our focus. At the same time, most of the world's poor now live in middle-income countries, and our research indicates that those countries tend to have a more demanding view of poverty. Drawing on national poverty lines, we now also report poverty comparisons at two higher thresholds—\$3.20 per day and \$5.50 per day—which are typical of standards in lower- and upper-middle-income countries.

These thresholds are a recognition that the concept of poverty itself is dependent on one's social circumstances. What is a luxury in one society could be a necessity in another. Even if minimum physical needs are met, people cannot be said to lead flourishing lives if they are not able to conduct themselves with dignity in the society in which they live. The societal poverty rate presented in this report gauges people's well-being by the standard of their surroundings.

Poverty encompasses a shortfall in income and consumption, but also low educational achievement, poor health and nutritional outcomes, lack of access to basic services, and a hazardous living environment. If we hope to tackle poverty “in all its forms everywhere” as the Sustainable Development Goals call for, we must understand and measure poverty in all of its manifestations. This report presents results of the World Bank’s first exercise in multidimensional global poverty measurement to account for multiple and overlapping components of poverty.

Traditionally, poverty is measured at the household level, but because there is inequality within households, there are undoubtedly people living in poverty within nonpoor households. Current data and methods do not permit us to account for inequality within households in most countries, so a chapter of the report examines select country studies where this accounting is possible, and it describes how it affects the profile of poverty, including by gender and age.

The twin goals of ending extreme poverty and boosting shared prosperity will continue to guide our work. The new suite of poverty lines and measures broadens our conception of poverty. As this report shows, taking such an expansive view only reinforces how far we still need to go to rid the world of poverty in all of its dimensions.

A handwritten signature in black ink, appearing to read 'J. Kim', with a large, stylized flourish at the end.

Jim Yong Kim
President
World Bank Group

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DEDICATED TO THE MEMORY OF JAN WALLISER

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Overview

The world has made remarkable and unprecedented progress in reducing poverty over the past quarter century. In 2015, more than a billion fewer people were living in extreme poverty than in 1990. The progress has been driven by strong global growth and the rising wealth of many developing countries, particularly in the world's most populous regions of East Asia and Pacific and South Asia. This impressive progress has brought us closer to achieving the World Bank's target of reducing extreme poverty to less than 3 percent of the world's population by 2030. Half of all countries included in the global poverty counts already have less than 3 percent of their populations living under the international poverty line (IPL), which defines extreme poverty for global monitoring.

Despite this good news, the fight against extreme poverty is far from over—and in some ways is getting harder. The number of poor worldwide remains unacceptably high, and it is increasingly clear that the benefits of economic growth have been shared unevenly across regions and countries. Even as much of the world leaves extreme poverty behind, poverty is becoming more entrenched and harder to root out in certain areas, particularly in countries burdened by violent conflict and weak institutions. Poor households are overwhelmingly located in rural areas, have a large number of children, and suffer from a lack of education.



They are ill served in essential elements of well-being such as health care and sanitation, and often are exposed to natural hazards and physical insecurity.

Back in 1990, 36 percent of the world's people lived in poverty, defined by the IPL as an income of less than US\$1.90 a day in 2011 purchasing power parity (PPP). By 2015, that share had plunged to 10 percent, down from 11.2 percent in 2013. The number of people living in extreme poverty stood at 736 million in 2015, down from nearly 2 billion in 1990 (figure O.1).

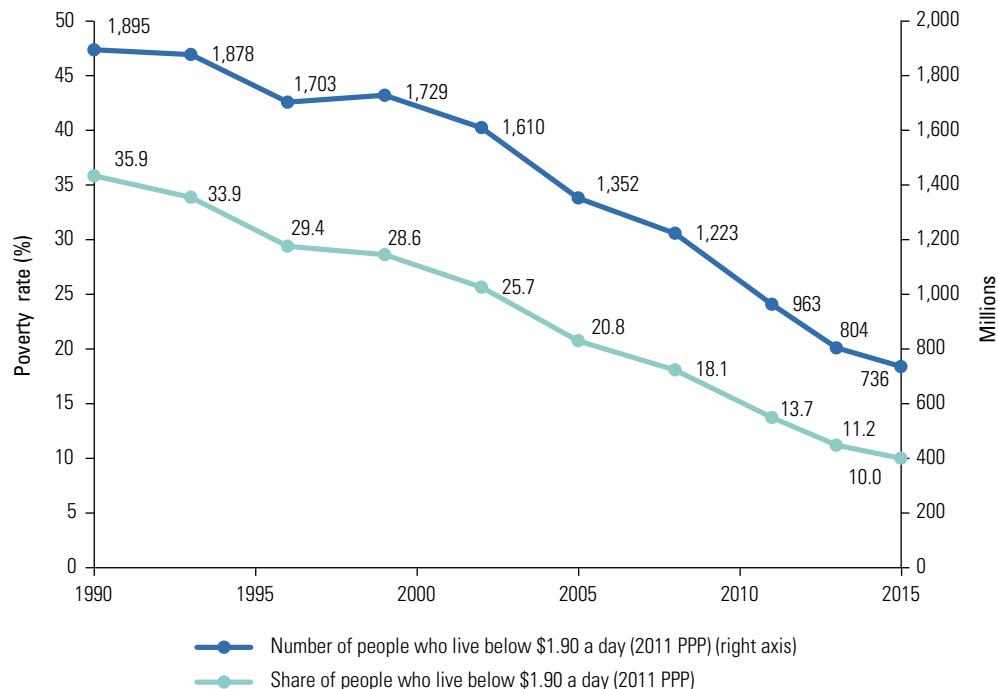
Despite the more sluggish global growth of recent years, the total count of people in poverty declined by more than 68 million people between 2013 and 2015—a number roughly equivalent to the population of Thailand or the United Kingdom. Tens of

millions of people have escaped poverty every year since 1990, reducing the global poverty rate by an average of 1 percentage point per year between 1990 and 2015.

Much of the progress in the past quarter century has been in East Asia and Pacific, where China's economic rise has helped lift millions of people out of poverty. The countries of this region went from an average poverty rate of 62 percent in 1990 to less than 3 percent in 2015. More recently, South Asia has made impressive inroads against extreme poverty, helping to reduce the global rate further. The number of poor in South Asia dropped to 216 million people in 2015, compared to half a billion in 1990.

These two regions have fared well on the World Bank's other core goal—to increase shared prosperity to ensure that the relatively

FIGURE O.1 Global Poverty Rate and Number of Poor, 1990–2015



Source: Most recent estimates, based on 2015 data using PovcalNet (online analysis tool), World Bank, Washington, DC, <http://iresearch.worldbank.org/PovcalNet/>.

Note: PPP = purchasing power parity.

poor in societies are participating in and benefiting from economic success. This goal is measured by monitoring the average income growth rate of the poorest 40 percent of the population (the bottom 40) within each and every country. On that score, the progress in East Asia and Pacific and South Asia is all the more impressive because the economic growth in those regions is being shared. On average, the income of the bottom 40 in these two regions grew by 4.7 percent and 2.6 percent per year, respectively, according to the latest estimates for 2010–15.

But the huge progress against poverty in these regions contrasts sharply with the much slower pace of poverty reduction in Sub-Saharan Africa. Extreme poverty is becoming more concentrated there because of the region's slower rates of growth, problems caused by

conflict and weak institutions, and a lack of success in channeling growth into poverty reduction. Sub-Saharan Africa now accounts for most of the world's poor, and—unlike most of the rest of the world—the total number of poor there is increasing. The number of people living in poverty in the region has grown from an estimated 278 million in 1990 to 413 million in 2015. Whereas the average poverty rate for other regions was below 13 percent as of 2015, it stood at about 41 percent in Sub-Saharan Africa. Of the world's 28 poorest countries, 27 are in Sub-Saharan Africa, all with poverty rates above 30 percent.

In short, extreme poverty is increasingly becoming a Sub-Saharan African problem. African countries have struggled partly because of their high reliance on extractive industries that have weaker ties to the incomes



of the poor, the prevalence of conflict, and their vulnerability to natural disasters such as droughts. Despite faster growth in some African economies, such as Burkina Faso and Rwanda, the region has also struggled to improve shared prosperity. The bottom 40 in the dozen Sub-Saharan African countries covered by the indicator saw their incomes rise by an average of 1.8 percent per year in 2010–15 (slightly below the global average of 1.9 percent per year). More worrying, however, is that the incomes of the bottom 40 shrank in a third of those 12 countries.

The stark contrast between Asia and Africa explains why it is getting harder to reduce poverty globally. Although overall progress against poverty has been steady, not all regions

have shared in global growth and some are being left behind. As poverty becomes rarer, there is less scope for gains to shift to different regions and countries. With poverty in East Asia and Pacific down to 2.3 percent in 2015, for example, the region has little more to give in terms of reducing the global rate. A similar trend is well under way in South Asia.

The result is a slowdown in overall poverty reduction that makes it unlikely the World Bank's 2030 target will be met. From 2013 to 2015, global poverty declined by 0.6 percentage points per year, well below the 25-year average of a percentage point a year. Our forecasts suggest that the rate of reduction further slowed between 2015 and 2018 to less than half a point per year.





Looking ahead to 2030, forecasts indicate that the world would need to grow at an unusually strong pace in order to meet the 3 percent target. For example, the target would be met if all countries grow at an average annual rate of 6 percent and the income of the bottom 40 grows 2 percentage points faster than the average. Alternatively, the landmark could be reached if all countries grow at an average pace of 8 percent. But, in either of these scenarios, extreme poverty would still be in double digits in Sub-Saharan Africa by 2030.

In an alternate scenario where all countries grow in line with the average in their region over the last 10 years, our forecasts indicate that the global poverty rate would be above 5 percent in 2030. This “business as usual” scenario leads to a bifurcated world where more than a quarter of the people in Sub-Saharan Africa live in extreme poverty whereas poverty is less than 2 percent in most of the rest of the world.

These contrasting regional poverty trends have two important implications. First, the primary focus of the international community’s efforts to eliminate the worst

forms of deprivation must remain firmly in Africa and those few other countries elsewhere with very high poverty rates. At the same time, we must not forget the plight of billions of people living above US\$1.90, who are still very poor by the standards of their own societies. Now that extreme poverty continues to be high in some regions while heading down to single digits in most of the rest of the world, we need to build a more complete picture of what is meant by a world free of poverty. Certainly, the world could not be said to be free of poverty if most countries achieve the 3 percent rate while large pockets of extreme poverty linger. To have a better understanding of what it means to end poverty, we need more ways of measuring and conceptualizing the problem. We need more pieces of the puzzle to better understand what a world free of poverty means.

The World Bank’s focus remains on lifting people from extreme poverty, and the IPL will continue to be a crucial way of monitoring this progress. But we also need to recognize that societies have not stopped thinking or caring about poverty even if it has become much less

apparent in its extreme forms. There is a need to expand our understanding of poverty as a complex, multifaceted problem and identify pockets of people who are impoverished but who have remained unnoticed.

To do so, we introduce three new pieces of the poverty puzzle. The addition of these new ways to measure and conceptualize poverty follows from the recommendations of the Commission on Global Poverty, led by Professor Sir A. B. Atkinson, to consider complementary indicators to the core indicator of extreme poverty (in *Monitoring Global Poverty* published by the World Bank in 2017). The new measures recognize that people can be defined as poor relative to their societies even at consumption levels well above the US\$1.90 level. They also broaden our view of poverty to include elements of basic well-being such as access to sanitation and core health services. Finally, they go beyond the household level in a first attempt to measure poverty as it affects individuals.

These new measures will help both in those countries where extreme poverty is currently at very low levels and in countries where extreme poverty is pervasive. Even while maintaining a focus on the poorest countries of the world, with this broader view we can better understand the various dimensions of poverty globally. And that better understanding can provide guidance for policy and help identify areas of greatest need.

The new measures can also help us monitor progress in reducing poverty in a growing world. Even in those countries where extreme deprivation rates are very low, there continue to be significant concerns about poverty more broadly defined. Having enough money is critical to living a life free of poverty, but it is not all that matters. To truly end poverty, we need to better monitor people's progress in achieving nonmonetary aspects of well-being, such as proper drinking water and access to education.

When it comes to measuring monetary poverty, the US\$1.90 yardstick is used to assess how well people are doing relative to the basic needs in the world's poorest countries. But, for people living in countries with higher overall income levels, there is value in monitoring progress with higher poverty lines that reflect the greater needs in a growing world. By using these new lines and measures in coordination with the existing measure of extreme poverty—both in those countries with high rates of extreme poverty and those that have nearly vanquished extreme poverty—we can better monitor poverty in *all countries*, in *multiple aspects of life*, and for *all individuals* in every household. This broader monitoring promises to give us a more nuanced understanding of the nature of poverty in all its forms, so we can develop better policy tools to tackle the problem.

Staying Focused on the Poorest

Ending extreme poverty will require a renewed focus on Sub-Saharan Africa and states suffering from weak institutions and conflict. Estimates for 2015 indicate that India, with 176 million poor people, continued to have the highest number of people in poverty and accounted for nearly a quarter of the global poor. The extreme poverty rate is significantly lower in India relative to the average rate in Africa, but, because of its large population, India's total number of poor is still large. In a sign of change, however, forecasts for 2018 suggest that India's status as the country with the most poor is ending—Nigeria either already is, or soon will be, the country with the most poor people. The extreme poverty rate and the number of poor in South Asia have been steadily declining and are expected to continue that trend. The result of this trend is a shift in poverty from South Asia to Sub-Saharan Africa.

By 2030, the portion of the poor living in Sub-Saharan Africa could be as large as 87 percent on the basis of historical growth rates. Even if every other country in the world had zero extreme poverty by 2030, the average rate in Sub-Saharan Africa would have to decrease from the 2015 rate of 41 percent to about 17 percent for the global average to be 3 percent. That would require an unprecedented annual growth rate for the region.





Stronger economic growth and renewed efforts to resolve violent conflicts will be crucial to speed up the rate of poverty reduction in Africa and elsewhere. But business as usual will not be enough. More needs to be done to ensure that growth is inclusive, with a stronger focus on raising the productive capacity of the poor.

If Sub-Saharan African and other fragile countries are to have a chance of reaching the 3 percent goal, not only will their growth rates have to be high but incomes among the bottom 40 in their societies will also have to rise at a higher rate. Yet, in two-thirds of the 13 extremely poor countries (with poverty rates above 10 percent) covered by the World Bank's shared prosperity indicator, average incomes of the bottom 40 are growing at a slower rate than the global average of 1.9 percent per year. That is a worrying trend for the poorest economies and conflict-affected states, precisely the countries least likely to reach the 2030 target.

A second and crucial worry is that data needed to assess shared prosperity are weakest in the very countries that most need them to improve. Only 1 in 4 low-income countries and 4 of the 35 recognized fragile and conflict-affected states have data that allow us to monitor shared prosperity over time. Because a lack of reliable data is associated with slow

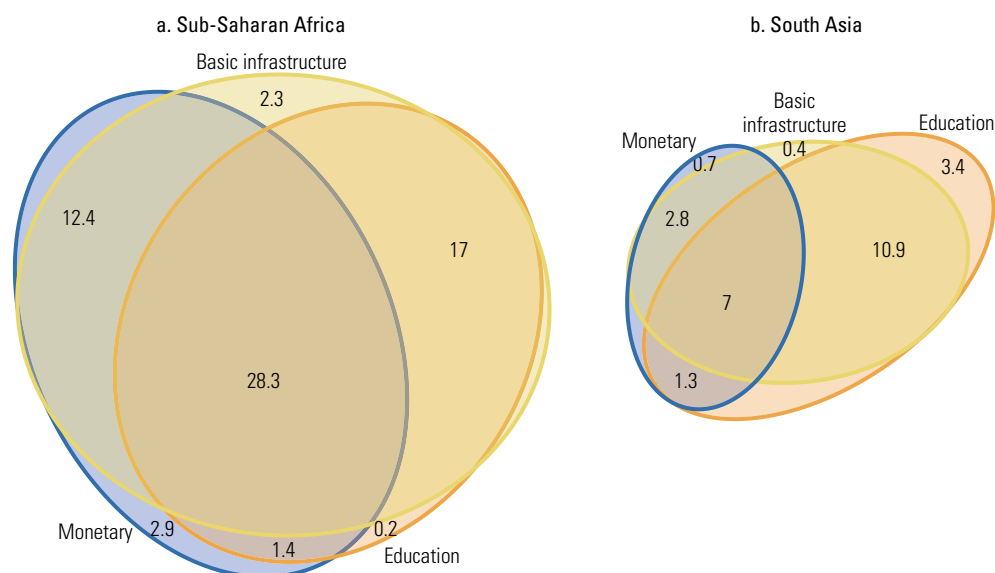
income growth for the poorest, the situation could even be worse than currently observed.

In the fragile states that are covered by data, the recent trend is discouraging. After falling sharply between 2005 and 2011, the rate of poverty in these countries rose to 35.9 percent in 2015 from a low of 34.4 percent in 2011. The share of the global poor in these countries has risen steadily since 2010 to reach 23 percent in 2015.

In many low-income countries, the bottom 40 live on less than US\$1.90 a day and disproportionately live in rural areas, making them vulnerable to disruptions caused by the climate. Uganda, for example, has suffered significant setbacks in poverty reduction and shared prosperity largely due to droughts and pests that affected harvests starting in 2016. Uganda's poverty rate rose from 35.9 percent in 2012 to 41.6 percent in 2016. Real consumption for its bottom 40 shrank by 2.2 percent a year.

As we seek to end poverty, we also need to recognize that being poor is not defined just by a lack of income. Other aspects of life are critical for well-being, including education, access to basic utilities, health care, and security. Someone may earn more than US\$1.90 a day but still feel poor if lacking access to such basic needs. Equally, someone

FIGURE 0.2 Share of Individuals in Multidimensional Poverty, circa 2013



Source: Estimates based on the harmonized household surveys in 119 economies, circa 2013, GMD (Global Monitoring Database), Global Solution Group on Welfare Measurement and Capacity Building, Poverty and Equity Global Practice, World Bank, Washington, DC.

Note: The diagram shows the share of population that is multidimensionally poor, and the dimensions they are deprived in. The size of the ovals is scaled such that they represent the respective proportions in each of the regions. For example, the numbers in the blue oval for Sub-Saharan Africa add up to 44.9 percent, which is the monetary headcount ratio. Adding up all the numbers for Sub-Saharan Africa results in 64.3 percent, which is the proportion of people that are multidimensionally deprived.

earning less than that could be in even direr need without clean water to drink or a safe environment for his or her family.

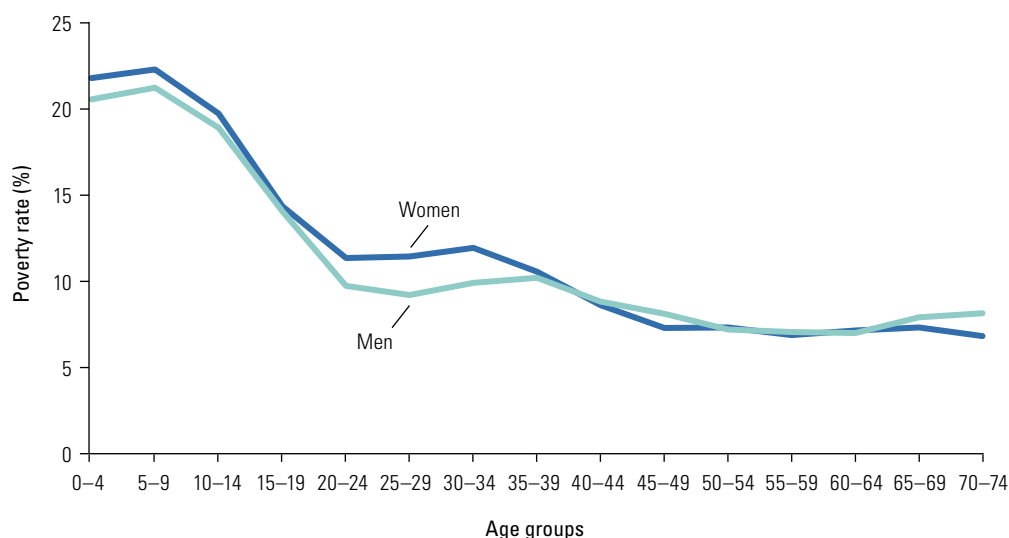
This expanded, “multidimensional” view reveals a world in which poverty is a much broader, more entrenched problem, underlining the importance of investing more in human capital. At the global level, the share of poor according to a multidimensional definition that includes consumption, education, and access to basic infrastructure is approximately 50 percent higher than when relying solely on monetary poverty. In Sub-Saharan Africa, more than in any other region, shortfalls in one dimension go hand in hand with other deficiencies. Low levels of consumption are often accompanied by challenges in non-monetary dimensions.

Figure 0.2 presents the share of the population in Sub-Saharan Africa and South Asia that are considered multidimensionally deprived according to consumption (blue oval),

education for children and adults (orange oval), and access to basic infrastructure services including drinking water, sanitation, and electricity (yellow oval). Almost half of the multidimensional poor in Sub-Saharan Africa (28.2 percent out of a total of 64.3 percent multidimensionally poor) experience simultaneous deprivations in consumption, education, and access to some basic infrastructure service. This proportion contrasts with other regions, including South Asia, in which only a quarter of the multidimensionally poor suffer deprivations in all three of these dimensions. The implication is that in Africa the cumulative deprivations reinforce one another and make it much harder to fight poverty.

To build a true picture of poverty as experienced by individuals, we also need to go beyond the traditional household level to consider how resources are shared among families. Women and children tend to have disproportionately less access to resources and basic services, es-

FIGURE 0.3 Share of Women and Men Living in Poor Households, by Age Group, circa 2013



Source: Muñoz Boudet, Ana Maria, Paola Buitrago, Benedicte Leroy de la Briere, David Newhouse, Eliana Rubiano Matulevich, Kinnon Scott, and Pablo Suarez-Becerra. 2018. "Gender Differences in Poverty and Household Composition through the Life-Cycle: A Global Perspective." Policy Research Working Paper 8360, World Bank, Washington, DC.

Note: The total sample is 89 countries.

pecially in the poorest countries. Women in poorer countries often withdraw from the labor force and lose their earning potential when they reach reproductive age. The gender gap in poverty rates is largest during the reproductive years when care and domestic responsibilities, which are socially assigned to women, overlap and conflict with productive activities. This tension is often most pronounced among the poorest countries and the poorest groups in society. For example, the average sex difference in poverty for 20–34-year-olds in Sub-Saharan Africa is 7 percentage points, compared to a global average of 2 percentage points (figure O.3) and virtually zero in Europe and Central Asia.

There is evidence from studies in several countries that resources are not shared equally within poor households, especially when it comes to more prized consumption items. Evidence also shows complex dynamics at work within households that go beyond gender and age divides. For example, a woman's poverty level may be related to her position as mother versus wife of the household head.

Another way to go beyond the household to the individual level is to look at how food is shared within families. In Bangladesh, for example, household survey data reveal that household heads—mostly men—have much smaller calorie shortfalls than individuals who are not household heads. Such differences are invisible in standard measures of poverty.

When we estimate individual poverty rates on the basis of broader consumption patterns including nonfood goods, women fare slightly better than men in Bangladesh. In Malawi, by contrast, women have a significantly higher poverty rate (73 percent) than men (49 percent). Children in both countries suffer from significantly higher poverty rates.

We need more comprehensive data to deepen our understanding of how poverty affects individuals and to assess how social programs can be better tailored to meet their needs. The initial findings of this approach suggest that current assistance programs risk missing many poor people who are hidden in nonpoor households.

Monitoring Progress in a Growing World

As the world grows wealthier and extreme poverty becomes rarer, legitimate questions arise over whether US\$1.90 is too low to define whether someone is poor in all countries of the world. Even as the number of extreme poor declines, many people continue to live in poverty when measured by standards that are more appropriate for a wealthier world. The success in reducing extreme poverty allows us to broaden our focus to assess whether such people are also benefitting from economic development.

Two decades ago, 60 percent of the global population lived in low-income countries. By 2015, that had fallen to 9 percent, meaning that the majority of people and most of the world's poor now live in middle-income countries. To reflect this shift and the rise in what may constitute basic needs for many people, the World Bank now reports on two higher-value poverty lines of US\$3.20 and US\$5.50 per person per day, expressed in 2011 PPP. The value of these lines is derived from the typical poverty line in lower- and upper-middle-income countries, respectively, in the same way that the value of the IPL is derived from the typical poverty line for some of the poorest countries in the world. These higher-valued poverty lines therefore reflect social assessments of what defines minimum basic needs in countries at these income levels.



As may be expected, these two standards for measuring poverty portray a less encouraging picture of the level of well-being in the world relative to the measure of extreme poverty, which is forecast now to be in single digits. Nearly half the world (46 percent) lives on less than US\$5.50 per day, a standard that defines poverty in a typical upper-middle-income country (table O.1). A quarter of the world lives on less than US\$3.20 per day.

These higher poverty lines also portray a different regional story of poverty reduction from the US\$1.90 line. The Middle East and North Africa is a case in point. In 1990, extreme poverty in the region was 6 percent, and in 2015, it was 5 percent. This

discouraging picture of very little progress in reducing extreme poverty looks different when examined through the lens of the US\$3.20 line. Over this same time period, the countries of the Middle East and North Africa reduced the proportion of people living on less than US\$3.20 from 27 percent to 16 percent. Important progress in reducing poverty in this region is hidden when one examines only extreme poverty. The US\$5.50 line, reflecting basic needs in upper-middle-income countries, presents two distressing findings: (1) almost half the world lives on less than US\$5.50 per day, and (2) in the regions of the Middle East and North Africa, South Asia, and Sub-Saharan Africa, despite

TABLE O.1 Poverty at Higher Poverty Lines, US\$3.20 and US\$5.50 (2011 PPP)

Poverty rate by region at US\$3.20	1990	1999	2008	2013	2015	Percentage point change, 1990–2015
East Asia and Pacific	85.3	67.1	37.4	17.5	12.5	–72.8
Europe and Central Asia	9.9 ^a	21.1	7.5	5.7	5.4	–4.6
Latin America and the Caribbean	28.3	27.0	15.7	11.4	10.8	–17.5
Middle East and North Africa	26.8	21.7	16.7	14.4	16.3	–10.5
South Asia	81.7	76.0 ^a	67.9	53.9	48.6 ^a	–33.1
Sub-Saharan Africa	74.9	78.3	72.2	67.8	66.3	–8.6
Rest of the world	0.8	0.8	0.7	0.8	0.9	0.1
World	55.1	50.6	38.2	28.8	26.3	–28.9

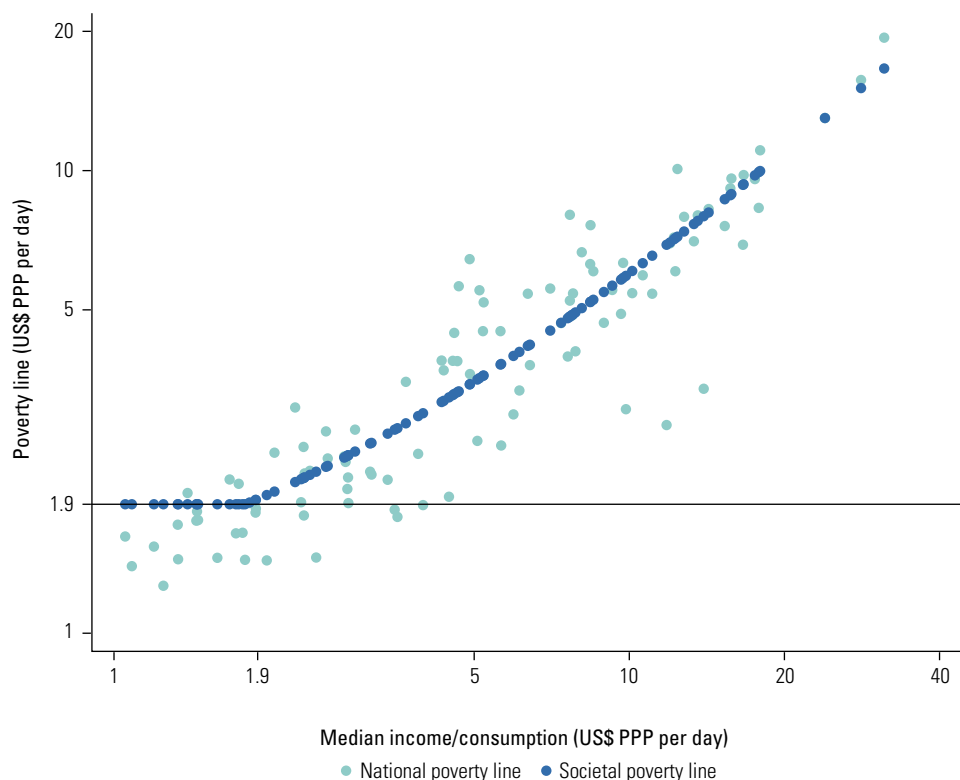
Poverty rate by region at US\$5.50	1990	1999	2008	2013	2015	Percentage point change, 1990–2015
East Asia and Pacific	95.2	87.0	63.6	42.4	34.9	–60.3
Europe and Central Asia	25.3 ^a	44.5	17.1	14.1	14.0	–11.3
Latin America and the Caribbean	48.6	47.0	33.3	27.2	26.4	–22.2
Middle East and North Africa	58.8	54.5	46.6	42.3	42.5	–16.3
South Asia	95.3	93.1 ^a	89.8	84.2	81.4 ^a	–14
Sub-Saharan Africa	88.5	90.5	88.1	85.4	84.5	–4.1
Rest of the world	1.7	1.3	1.2	1.5	1.5	–0.2
World	67.0	66.8	56.5	48.7	46.0	–21.0

Source: PovcalNet (<http://iresearch.worldbank.org/PovcalNet/>), World Bank.

Note: PPP = purchasing power parity.

a. The estimate is based on regional population coverage of less than 40 percent. The criteria for estimating survey population coverage is whether at least one survey used in the reference year estimate was conducted within two years of the reference year.

FIGURE 0.4 National and Societal Poverty Lines in a Growing World



Note: Both axes use log scales. PPP = purchasing power parity.

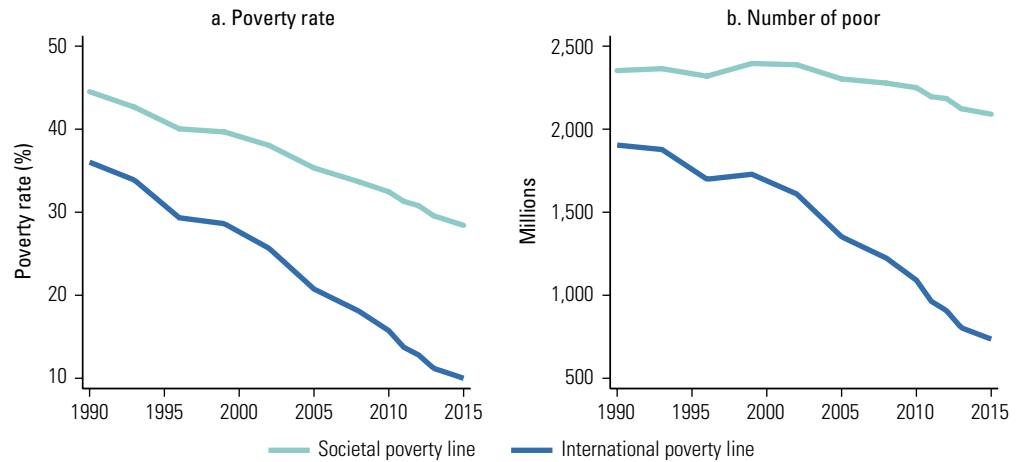
progress in reducing their poverty rates, more people were living on less than US\$5.50 in 2015 than in 1990 due to their growing populations.

As we seek a broader understanding of poverty, it is important to recognize that what constitutes a basic need can vary depending on a country's level of consumption or income. In a poorer country, for example, participating in the job market may require only clothing and food, whereas someone in a richer society may also need internet access, a vehicle, and a cell phone. The cost of performing the same function may differ across countries depending on their overall level of income.

To assess this type of poverty, the World Bank is introducing the societal poverty line (SPL) as a complement to its existing lines. The SPL is a combination of the absolute IPL

and a poverty line that is relative to the median income level of each country. Specifically, it is equal in value to either the IPL or US\$1.00 plus half of daily median consumption in the country, whichever is greater. This means that, for the poorest of countries, the value of the SPL will never be less than the IPL. But, after a certain point as countries get richer, the value of the SPL will increase as the consumption level of the median individual in that country increases. This increasing value of the SPL corresponds with the fact that the value of national poverty lines typically increases as countries grow richer. In fact, the SPL is constructed in such a way that it directly corresponds to the average value of national poverty lines at different levels of (median) consumption for each country of the world. Figure O.4 illustrates

FIGURE 0.5 Societal Poverty, Global Estimates, 1990–2015



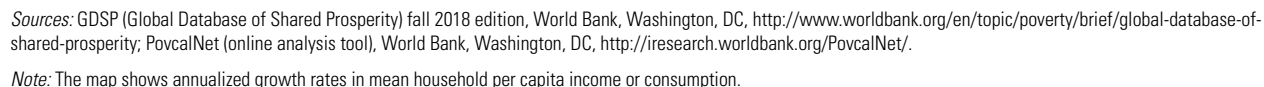
Note: The international poverty line reflects the poverty rate (in panel a) and the headcount (in panel b) as assessed by the US\$1.90 per day threshold (2011 purchasing power parity). The societal poverty line provides the same information for societal poverty.

how the value of the societal poverty line (in dark blue) runs through the middle of the national poverty lines (in light blue) at different levels of median consumption in each country. In this sense, societal poverty provides a global measure of poverty that corresponds on average with how all countries of the world define being poor.

When poverty is defined this way, the number of people who are poor stood at 2.1 billion as of 2015, almost three times more than those living under the US\$1.90 level (figure 0.5). Strikingly, the number of people identified as the societal poor has largely stayed the same over the last 25 years even as the number in extreme poverty has



Income or consumption growth among the bottom 40 percent of the distribution



Whereas societal poverty is based on a poverty line that is in part relative to the median consumption levels across countries, the shared prosperity measure monitored by the World Bank is similarly relative to how individuals are doing in each and every country. By assessing how the bottom 40 are doing in each economy, the World Bank's measure of shared prosperity is relevant to countries of all income levels. Overall, the news on shared prosperity is positive, with almost 80 percent of the countries for which data are available showing growth in the bottom 40's income (map O.1). But the



progress was restrained by modest global growth and, despite the overall improvement, some countries have experienced slowdowns and even reversals in shared prosperity.

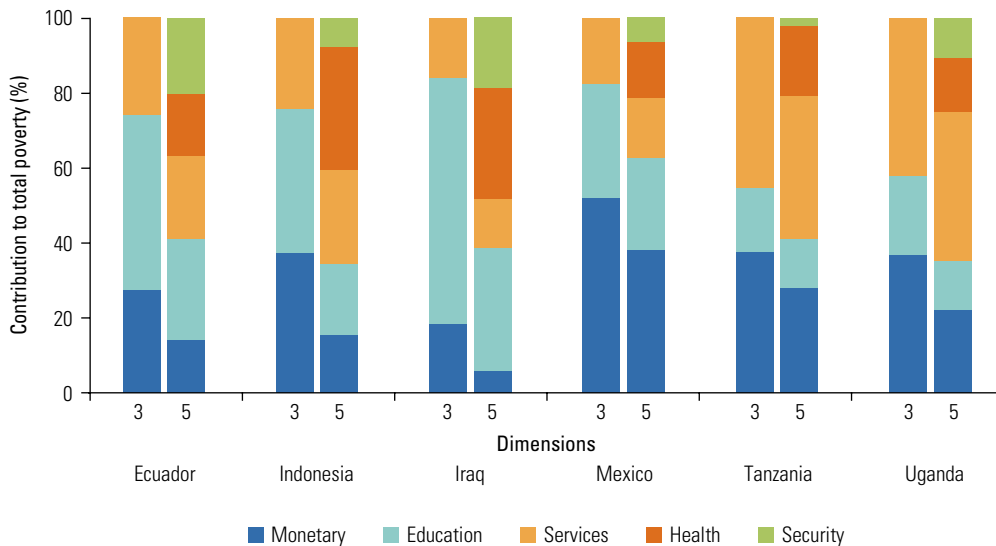
Latin America and the Caribbean, for example, saw less growth in shared prosperity from 2010 to 2015 than in previous years as its economies cooled amid a downturn in global commodity prices. Many countries in Europe and Central Asia also experienced setbacks on the measure even if several economies in the region, whose bottom 40 suffered large declines linked to the 2008 financial crisis, are now recovering. This is the case in Estonia, Latvia, and Lithuania, where current levels of shared prosperity are above 6 percent a year. The mixed progress on shared prosperity highlights the need to renew our focus on inclusive growth.

Shared prosperity and societal poverty capture different aspects of how the relatively

less well-off are doing in each country. But the two measures are nonetheless linked, as an example of two upper-middle-income countries—Costa Rica and Ecuador—shows. Between 2011 and 2016, both countries' economies grew at similar rates. But the bottom 40 in Ecuador did better than their counterparts in Costa Rica, growing their income by a percentage point more than the mean in the country. Costa Rica's bottom 40 grew in line with their country's mean. As a result, societal poverty fell faster in Ecuador than in Costa Rica.

Our view of poverty expands again when we define it not just as a shortage of money but also as a lack of basic elements of well-being. Many countries have made great strides in reducing monetary poverty but still lag in crucial areas—such as basic infrastructure, education, and security—that have a very real impact on people's quality

FIGURE O.6 Contribution to Multidimensional Poverty, by Dimension, Selected Countries



Sources: Calculations are based on Ecuador's Encuesta de Condiciones de Vida 2013–14; Indonesian Family Life Survey, 2014; Iraq Household Socio-Economic Survey, 2012; Mexican Family Life Survey, 2009–12; Tanzania's National Panel Survey, 2012–13; Uganda National Panel Survey 2013–14. See annex 4B for details.

Note: The figure shows the contribution of each dimension to the multidimensional poverty measure based on the dimensional breakdown method of Sabina Alkire, José Manuel Roche, Paola Ballon, James Foster, Maria Emma Santos, and Suman Seth. 2015. *Multidimensional Poverty Measurement and Analysis*. Oxford: Oxford University Press.

of life. In the Middle East and North Africa and Latin America and the Caribbean, despite the low prevalence of monetary poverty (less than 6 percent), almost one in seven people lacks adequate sanitation.

South Asia is another case in point. Despite having made progress in poverty reduction, the region's shortfalls in education remain high for both adults and children and are not strongly associated with monetary poverty. In addition, the number of people in the region living in households without access to an acceptable standard of drinking water, adequate sanitation, or electricity is far greater than those living in monetary poverty. This means that the challenge in securing higher living standards for the population of South Asia is far more daunting when poverty in all its forms is considered. Although South Asia is expected to meet the goal of reducing extreme poverty to below 3 percent by 2030, many

people will still be living in unsatisfactory conditions if the region does not make progress on other components of well-being.

The multidimensional approach highlights how the ways deprivations interact vary widely from country to country. In richer regions such as Latin America and the Caribbean, the Middle East and North Africa, and East Asia and Pacific, nonmonetary deprivations are much less associated with monetary ones than in other regions. In a sample of six countries, the multidimensional approach can be extended to include, in addition to education and access to basic infrastructure services, two other dimensions: health and nutrition, and security from crime and natural disaster (figure O.6). The higher-income countries of Ecuador, Iraq, and Mexico suffer from higher crime rates and greater insecurity than the lower-income countries included in the analysis. In Indonesia, multidimensional

poverty is largely driven by poor outcomes in children's health and nutrition.

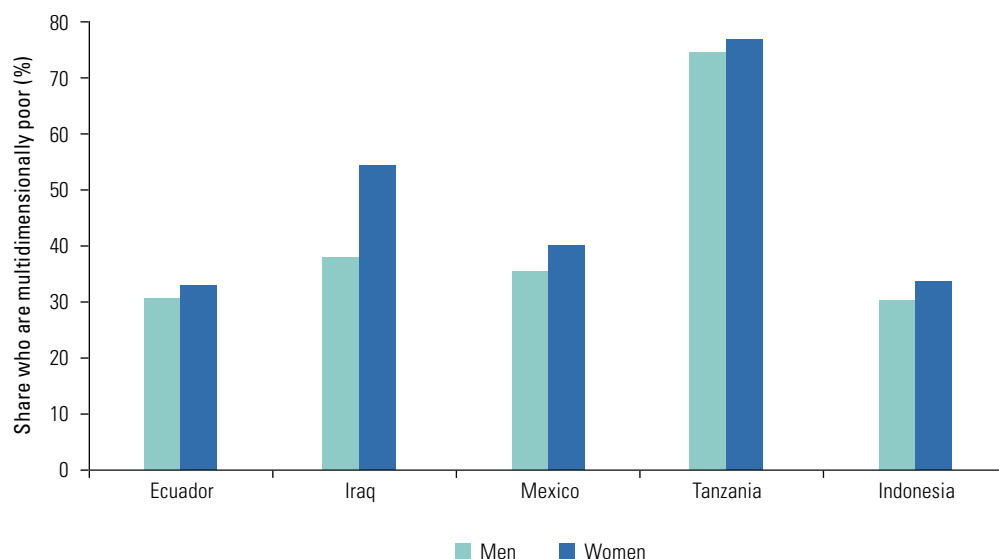
Including additional dimensions of deprivation in our measures of poverty can provide valuable insight into how policies can be directed to have the most effect on poverty. The profile of the poor can change as we take a multidimensional view of poverty. For example, a five-dimension picture of Indonesia shows that the country may need a stronger focus on combatting health care deprivations, whereas efforts in Ecuador may be better directed toward education and security, particularly in urban areas.

The multidimensional approach, when combined with data at the individual level, can also provide new insights into who is poor. Applying this approach to five of the six

countries reveals that poverty is greater among women than men, especially in Iraq (figure O.7). Women are revealed as multidimensionally poorer than men in all five countries, and the gender gap may be even wider for specific vulnerable groups. Widows, for example, are found to be significantly poorer than widowers in all countries except Ecuador.

This more nuanced picture highlights new pockets of poverty and can help in formulating policies to address them. For example, policies to expand infrastructure and social services should take into account the different needs of women, children, and men. In some regions, improvements in access to education can particularly help women, who continue to be held back by gender inequalities in schooling.

FIGURE O.7 Gender Gaps, Individual Multidimensional Poverty



Source: Klasen, Stephan, and Rahul Lahoti. Forthcoming. "An Individual-based Multidimensional Poverty Assessment: An Application to Six Developing Countries." World Bank Policy Research Working Paper, World Bank, Washington, DC.

Piecing Together the Poverty Puzzle

This report provides a more complete picture of poverty that reinforces much of the positive story revealed by the tremendous progress in reducing extreme poverty over the last quarter century. But it also uncovers previously hidden details about the nature and extent of poverty throughout the world. Particularly distressing findings are that extreme poverty is becoming entrenched in a handful of countries and that the pace of poverty reduction will soon decelerate significantly. Reaching the target of reducing extreme poverty to less than 3 percent by 2030 will require a redoubling of efforts and greater focus on those countries where poverty is the worst. The work of the World Bank will continue to focus on monetary poverty with respect to the IPL; however, truly bringing an end to global poverty requires thinking more broadly and recognizing the greater complexity inherent in the concept of poverty around the world.

Going forward, the World Bank will continue its focus on reporting progress toward the twin goals of ending extreme poverty and boosting shared prosperity. But, to assure that poverty is also tracked in a relevant manner in countries with very low levels of extreme poverty, our regular poverty updates will also include progress at the two higher poverty lines of US\$3.20 and US\$5.50 and on the new societal poverty line. Likewise, the next global poverty update in 2020 will report on advances in multidimensional poverty for the countries where



data are available. Between global updates, these new measures will become part of our biannual country reports on poverty and shared prosperity—Poverty and Equity Briefs.

The use of these new measures for global poverty monitoring and the findings of the report have three important and distinct implications for the work and priorities of the World Bank:

- **Transformational change is needed in Africa and conflict-affected areas.**

The battle against extreme poverty will be won or lost in Sub-Saharan Africa and fragile and conflict-affected areas. Global extreme poverty is increasingly becoming a Sub-Saharan phenomenon, and the share of the poor in fragile and conflict-affected areas is growing. Of all regions, Sub-Saharan Africa has one of the worst performances in shared prosperity and the poor there suffer from multiple deprivations more than in any other region. Reaching the 3 percent target by 2030 will require more than business as usual: the region will need strong and sustained economic growth, significant improvements in the living standards of the bottom 40 throughout Sub-Saharan Africa at a scale not seen in recent history, and substantial investments in people.

- **The new measures can enhance policy dialogue.** Welfare monitoring and policy dialogue at the country level will

continue to be based on national poverty measures. Grounded in tools that countries already use to monitor progress, the lines and measures introduced here open new possibilities for countries to benchmark their performance against relevant comparators using a richer set of instruments. This is particularly the case in middle-income countries, where extreme poverty is less prevalent, but where the higher poverty lines and the new multidimensional poverty measure reveal there is still much work to be done.

- **Data investments are critical.** World Bank investments in data have helped provide a more comprehensive picture of poverty, but there is a need for continued and deeper investment in data. More and better welfare data are needed to compare poverty across time, for multiple dimensions, for all individuals, and particularly among low-income and conflict-affected countries. Very few of these countries have shared prosperity estimates, and few countries have data for estimating all dimensions of poverty. Ensuring that no one is left behind in the fight against extreme poverty requires that we expand investments in country systems and capacity to measure and monitor welfare in a timely, comparable manner using both traditional and newer types of data and methods.



The World Bank Group has two overarching goals: End extreme poverty by 2030 and promote shared prosperity by boosting the incomes of the bottom 40 percent of the population in each economy. As this year's Poverty and Shared Prosperity report documents, the world continues to make progress toward these goals. In 2015, approximately one-tenth of the world's population lived in extreme poverty, and the incomes of the bottom 40 percent rose in 77 percent of economies studied.

But success cannot be taken for granted. Poverty remains high in Sub-Saharan Africa, as well as in fragile and conflict-affected states. At the same time, most of the world's poor now live in middle-income countries, which tend to have higher national poverty lines. This year's report tracks poverty comparisons at two higher poverty thresholds—\$3.20 and \$5.50 per day—which are typical of standards in lower- and upper-middle-income countries. In addition, the report introduces a societal poverty line based on each economy's median income or consumption.

Poverty and Shared Prosperity 2018: Piecing Together the Poverty Puzzle also recognizes that poverty is not only about income and consumption—and it introduces a multidimensional poverty measure that adds other factors, such as access to education, electricity, drinking water, and sanitation. It also explores how inequality within households could affect the global profile of the poor.

All these additional pieces enrich our understanding of the poverty puzzle, bringing us closer to solving it.

For more information, please visit worldbank.org/PSP