

# Introduction

The last 25 years have seen tremendous progress toward the goal of ending extreme poverty. The share of the global population living in extreme poverty as measured by the international poverty line (IPL, currently valued at US\$1.90 in 2011 purchasing power parity dollars) fell from 35.9 percent in 1990 to 11.2 percent in 2013. As noted in this Poverty and Shared Prosperity report, an additional 68 million people were lifted out of extreme poverty between 2013 and 2015—the last year for which we have globally comparable data—to bring the global extreme poverty rate to a historical low of 10 percent.

However, a more careful look at these numbers, particularly in recent years, reveals two concerning and interrelated trends. First, progress toward the elimination of extreme poverty has been uneven. Whereas in 1990 80 percent of the extreme poor lived in East Asia and Pacific or South Asia, in 2015 more than half of the global poor resided in Sub-Saharan Africa. The changing regional concentration of poverty reflects the highly uneven rate of poverty reduction across regions and countries of the world. Four of the six developing regions had extreme poverty rates below 10 percent in 2015, compared to a poverty rate of over 40 percent for Sub-Saharan Africa. Similarly, of the 164 countries for which the World Bank monitors poverty, more than half—84 countries—had already reached levels below 3 percent as of 2015. In contrast, three-fourths of countries in Sub-Saharan Africa had poverty rates above 18 percent in 2015; of the world's 28 poorest countries (that is, those with the highest rates

of poverty), 27 are in Sub-Saharan Africa, all with poverty rates above 30 percent.

Second, the pace of poverty reduction has slowed in recent years. Over the 25 years from 1990 to 2015, the global poverty rate fell by slightly more than 25 percentage points, or an average decline of 1 percentage point a year; however, over the two years between 2013 and 2015, it declined by only 1.2 points, or 0.6 percentage points a year. One of the main reasons for the slowdown is the growing concentration of extreme poverty in Sub-Saharan Africa, where the combination of slower than average economic growth, often concentrated in capital-intensive sectors, higher than average population growth, low levels of human capital and access to basic infrastructure, and increased levels of fragility and conflict, has resulted in limited progress in poverty reduction and, consequently, the region's growing number of people living in extreme poverty.

If economic growth over the next 15 years is similar to historical growth patterns, regional disparities will only become larger over time: forecasts for 2030 put the share of the global poor residing in Sub-Saharan Africa at about 87 percent and extreme poverty rates in the double digits for many countries in the region. Even in a forecast where countries grow at a rate of 8 percent per year, significantly above historical averages in the region and the world, the prevalence of extreme poverty in Sub-Saharan Africa would still be in double digits (13.4 percent), whereas the average for the rest of the world would be close to zero (0.4 percent).

Reaching the goal of reducing global poverty to less than 3 percent by 2030 will require that the countries of Sub-Saharan Africa realize historically unprecedented and sustained economic growth rates. But it will also require that this growth be highly inclusive, not just globally but in every country, because a world where extreme poverty is eliminated everywhere except in one region does not portray a picture of a world free of poverty.

Similarly, as the world gets richer and progress is made in the battle against extreme poverty, we must not forget that many around the world, and particularly in middle-income countries, still live in deprivation, unable to meet their basic needs, even if their income levels are higher than the IPL. In the early 1990s, when extreme poverty was pervasive in most regions of the world, focusing the world's attention on one core indicator served as a galvanizing force for coordinated action. It was not necessarily a weakness that progress in this indicator could be attained through significant improvements in some regions or countries. With the high global prevalence of extreme poverty, a rapid reduction of extreme poverty was critical. And in this dimension there has been tremendous success. Now that the extreme poverty rate is in single digits (as indicated by the 2018 nowcast) and is becoming increasingly concentrated, finishing the job will require constructing a more detailed and comprehensive picture of what is meant by a world free of poverty.

This report builds on the desire to construct a more complete picture of what it means to live in a world free of poverty and in which all prosper. A key point of the report is that we must broaden our view of poverty. After an update on global poverty in chapter 1, the remaining chapters of this report can be viewed as expanding our understanding of poverty. Chapter 2 provides an update on shared prosperity as measured by growth in consumption or income of the bottom 40 percent of the population in each country for the period around 2010–15. One important reason the concept of monitoring shared prosperity was introduced was to expand our view of how to think about poverty reduction and growth. Monitoring extreme poverty at

the global level is inattentive to how progress is distributed across the world. The shared prosperity indicator was built to ensure the monitoring of progress in all countries. Ending poverty and sharing in prosperity cannot happen in a satisfactory way if the need for equitable and sustainable economic development is ignored in certain regions or countries.

To complete this picture of what poverty means, we need more information. Just as one can recognize the picture in a puzzle only when enough of the pieces are in place, so too must there be more pieces of the puzzle to better bring the state of poverty into full view. A more comprehensive picture helps us understand what meeting the goal requires. The rest of the report introduces three new pieces to the poverty puzzle, broadening the way poverty is defined and measured. To do this, the report goes beyond extreme monetary poverty to start the process of monitoring poverty in all its forms. The new lines and measures introduced in this report allow one to better monitor poverty in *all countries, in multiple aspects of life*, and for *all individuals* in every household. They also reflect the first steps taken by the World Bank in responding to recommendations from the Atkinson Commission on Global Poverty (World Bank 2017b), and present an evolving view of poverty and shared prosperity.

Chapter 3 expands on the notion introduced with the shared prosperity indicator, that it is important to monitor progress in all countries. The chapter presents two new sets of monetary poverty lines intended to complement the IPL of US\$1.90 a day. First, it presents higher poverty lines, at US\$3.20 and US\$5.50 per day, reflecting typical national poverty thresholds in middle-income countries. In addition, the chapter introduces a concept of *societal poverty* that reflects differences in the overall level of well-being in each country. The societal poverty line is constructed to reflect social and economic assessments of basic needs in each and every country. It integrates both the idea of monitoring absolute extreme poverty and the more relative notion of ensuring that the less well-off in each society benefit as that soci-

ety grows. In this way it reflects both absolute poverty and the relative notion of shared prosperity.

Chapter 4 previews a new *multidimensional poverty measure*, which goes beyond consumption or income poverty by adding nonmonetary dimensions into the measure. Access to education, health, electricity, water, sanitation, and physical and environmental security are critical for well-being. Because many of these goods cannot be purchased in the market, they are typically not included in the measure of extreme poverty. This work builds on the tradition pioneered by the United Nations Development Programme and the Oxford Poverty and Human Development Initiative with the Global Multidimensional Poverty Index, and complements it by placing the monetary measure of well-being alongside nonmonetary dimensions. For 119 countries, consumption poverty is combined with education and access to basic utilities for circa 2013. In addition, the chapter explores, for only six countries, the addition of dimensions on health and nutrition and on security from crime and natural disaster. Extending and complementing the monetary measure with deprivation in other dimensions gives a more comprehensive picture and helps better understand the interaction among the various dimensions of poverty.

Finally, in most countries of the world, poverty is measured at the household level, implicitly assuming that everyone in a poor household is poor. But, because there is in-

equality within households, there undoubtedly are people living in poverty within nonpoor households, as well as nonpoor individuals living in poor households. Chapter 5 sheds light on this issue, with a focus on differences by sex and between children and adults. Current data and methods do not permit accounting for inequality within households in most countries, so the chapter examines select country studies where this is possible and describes how this affects the global profile of poverty.

Pieced together, the chapters of this report provide a more comprehensive 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 they also uncover some previously hidden details about the nature and extent of poverty throughout the world. Monetary poverty with respect to the IPL will continue to be the focus of the World Bank's work. Alarming findings from the forecasts reported in the first chapter are that poverty appears to be entrenched in a handful of countries and that the pace of poverty reduction will soon decelerate significantly. The goal of ending extreme poverty as measured by the IPL itself will require a redoubling of efforts and a greater focus on those countries where poverty is the worst. But, to truly bring an end to poverty, we now also need to think more broadly and recognize the greater complexity inherent in the concept of poverty around the world.

