

Introduction: Global Goals, Shared Challenges

The clear message from previous *Poverty and Shared Prosperity* reports (in 2016 and 2018) was that, although important gains in reducing global poverty have been made steadily since 1998, the pace of this reduction had slowed considerably in recent years. It was becoming increasingly unrealistic to expect that the goal of reducing extreme poverty to less than 3 percent would be attained at the global level by 2030 unless widespread and sustained improvement in inclusive economic growth could be attained. The effects of this slowdown have been apparent for some time, and increasingly have been exacerbated by the impacts of armed conflict and climate change, but these factors have now been overwhelmed by COVID-19 (coronavirus) and its associated global economic crisis. Current projections suggest that the COVID-19 pandemic will not merely slow global poverty reduction further but will reverse the trend in much of the world: the number of people living in extreme poverty will increase this year by as much as 115 million. In the coming decade, the accumulating effects of climate change may impoverish between 68 million and 132 million people. By 2030, it is expected that most of the world's poorest people will live in situations characterized by fragility, conflict, and violence.

This report examines how the COVID-19 crisis, compounding the risks posed by armed conflict and climate change, is affecting poverty trends, inclusive growth, and the characteristics of the poor around the world. It seeks to identify ways in which the sudden

shift in poverty reduction and the anticipated impact on shared prosperity might themselves be reversed.

COVID-19 and its associated economic crisis are already the most powerful driver of the reversal in global poverty. Current projections suggest that, in 2020, between 88 million and 115 million people could fall back into extreme poverty as a result of the pandemic—returning global poverty rates to 2017 levels—with even larger numbers (up to 150 million) in 2021. Though humanity has experienced major pandemics across the centuries, COVID-19 is unprecedented because it is being experienced globally and simultaneously, disrupting everything from daily work schedules and social activities to education and international trade. Thus far it has infected more than 33 million people across every country in the world and led to more than one million deaths, with many more expected to come. And, as the world is steadily realizing, it is the poorest people, in rich and poor countries alike, who are suffering most: from lost jobs, vulnerability to contagion because they live and work in high-risk settings, and lack of access to health care and social protection. In all countries, the poorest are most likely to endure the highest incidence of the disease and suffer the highest death rates.

Responding effectively to COVID-19, however, presents unique challenges across three domains: science, states, and society. Because it is so new, the science of the coronavirus remains only partially understood, with much still unknown about even

its core characteristics. Hence, advice in the crucial early stages from medical experts and public health officials—on how governments, firms, and citizens should respond, individually and collectively—has evolved rapidly, even as trusting professional expertise has never been more important. Responding to rapidly evolving, and sometimes conflicting, messages requires that the public be able to trust in leaders and their advisors, given that halting the spread of COVID-19 requires all citizens to abide by onerous restrictions for extended periods, with the burden of these restrictions (staying home, social distancing) falling most heavily on the poor. States and societies vary considerably in the extent to which they can devise, implement, and sustain their commitment to such complex and contested tasks.

The wide variations in responses to COVID-19 around the world highlight key factors that are also central to more familiar development challenges. As with COVID-19, an inclusive and sustainable development process must accommodate knowledge of different kinds, some of it technical and well understood, but much of it nontechnical, idiosyncratic, inherently uncertain, and evolving—and all subject to constant public criticism and necessary debate. Responding effectively to complex development issues requires deep understanding of context-specific conditions because the political and implementation challenges related to them, if carefully addressed, can often make a decisive difference. Such challenges are always present, but COVID-19 amplifies the combined importance of skillful public leadership and robust delivery systems, as well as active citizen support, for finding and implementing solutions. Likewise, a credible development strategy requires that states be willing and able to plan, implement, and assess an array of complex tasks, at scale, under pressure. And they must do so to the benefit of all, not just a select few, including when governments' actions may require certain groups (for example, business owners) to comply with directives they might otherwise prefer to avoid (taxes, regulations). For such tasks to be accomplished, and because the poor are often a weak political constituency, an effective development process also needs

to be informed by and accountable to broad cross-sections of society.

Conflict, especially violent conflict, is another factor driving the reversal in global poverty reduction. As previous World Bank reports have shown, more than 40 percent of the world's poor now live in conflict-affected countries, a number expected to rise further in the coming decade. The poorest people suffer most from violent conflict: it destroys their assets and livelihoods while discouraging further investment, and subjects them to a range of debilitating risks. Large-scale conflicts can have regional consequences, destabilizing otherwise peaceful places if key trade routes are blocked or destroyed, or if refugees arrive en masse. Along with the grief of losing friends and relatives to violence is the likely loss of crucial social support networks. The effects of these material, social, and psychological deprivations can endure long after episodes of violence have ended. For many survivors of long-term conflict, the last remaining option may be to migrate. But that, in turn, creates new forms of difficulty, as strangers in a strange land, whose mere presence may trigger hostility. Though violent conflict happens not only in low- but also in middle-income countries, it is still often the poorest citizens who suffer most.

Even in more peaceful circumstances, however, development itself promotes social change, which can contribute to conflict by destabilizing established ways of conducting everyday activities. Household life may become strained if children are educated but their parents and elders are not, or if gender norms and roles begin to shift; new methods of farming or land titling may render more traditional approaches and occupations obsolete; demands for more accountability and transparency in decision-making may challenge the interests of influential groups. More broadly, realizing the rule of law at the national level necessarily entails forging coherence from local rules systems that may be otherwise quite distinct, even contradictory. Credible and legitimate mechanisms for anticipating, mediating, and redressing conflict, at all levels and between countries, are thus central to the development process more generally. These mechanisms must be included in efforts to promote inclusive growth and poverty reduction.

Climate change is the third main driver of the reversal in global poverty reduction: its effects are already evident but will intensify in the years to come. Under baseline scenarios, the combined effects of climate change could push between 68 million and 132 million more people into poverty by 2030. A changing climate affects the availability of clean water and the salination of soil, and increases sea levels and average temperatures, all of which are steadily and inexorably making life more difficult for the poorest. With their livelihoods predominantly based on agriculture and fishing, the poorest are least able to adapt or move elsewhere—even though they have contributed least to this problem in the first place. The impacts of climate change can also raise food prices, worsen people's health, and increase exposure to disasters. Although the poor are not always the most exposed, they are certainly more vulnerable and less resilient to the impacts of climate change. The richest and most energy intensive countries have contributed the most to this problem, but they can assist the poorest countries by upholding sustained commitments to reducing their carbon emissions, investing in new energy technologies, and allowing higher levels of migration. But, as noted in the World Bank's *Shock Waves* report, even the boldest actions for reducing global poverty are most likely to help after, rather than before, the 2030 goal. In the short term, however, global cooperation to facilitate poor communities' more effective adaptation and resilience to the effects of climate change is both a moral imperative and a strategic necessity.

COVID-19 and its associated economic crisis, armed conflict, and climate change are three very different global challenges, each unfolding over different time trajectories and requiring distinct global responses and policy solutions. However, there is ample space for countries to find and deploy their own responses, from which others can learn. Moreover, the challenges that most poor people face most of the time are those they have always faced: insufficiently inclusive economic growth, including the employment and entrepreneurial opportunities associated with it; limited accumulation of productive assets (health, education, housing) to take advantage of growth; and heightened

exposure and vulnerability to risks (illness, unemployment, disasters, and crime) that may erode or destroy these assets. These structural factors are often compounded by problems such as geographic isolation, social exclusion, injustice, discrimination, insecurity, and lack of rights and opportunity.

Even in the absence of pandemics, wars, and natural disasters, the poorest people endure severe challenges across the life cycle. Before they are born, their mothers are less likely to receive adequate nutrition and antenatal care; at birth, their very existence is often not officially registered; and as children and adults they are more likely to be missed in official censuses and surveys. If they are illiterate, have limited schooling, or speak a minority language, their community may struggle to complete basic administrative forms; to understand laws, policies, and safety recommendations; and to learn in government schools. Many poor people live in countries or communities with weak mechanisms of political accountability and implementation capacity. This makes them likely to suffer most from policies skewed to serve the interests of more influential groups (with few realistic avenues for complaint or redress) and to endure low-quality delivery of basic public services (education, health, water, sanitation, credit, transport). And, even if the poorest do manage to escape extreme poverty, their challenges continue: those living on slightly higher daily incomes routinely suffer many of the same indignities and deprivations and are at constant risk of falling back into deeper poverty. These factors combine to render the poorest people the hardest to reach, the most vulnerable to shocks, and the least likely to participate in their communities, the political process, and broader economic life. For all these reasons, reaching those still living in extreme poverty becomes more difficult even as their numbers shrink.

For now, however, the highest priority must be halting the spread of COVID-19 and responding effectively to the global economic crisis it has precipitated. The longer such responses are delayed, the more intense and consequential these effects will be, especially for the poorest and most vulnerable.

Poverty and Shared Prosperity 2020: Reversals of Fortune is presented in

four chapters. The first three document trends in global poverty, shared prosperity, and the global profile of the poor. The fourth outlines some of the ways in which countries are responding to the COVID-19 crisis, and also explores broader implications emerging from research on implementing interventions to address complex development issues.

Chapter 1 reports that, consistent with the 2018 *Poverty and Shared Prosperity* report, global poverty reduction had recently slowed compared with previous decades, making it increasingly difficult to reach the global goal of reducing extreme poverty to 3 percent by 2030. The COVID-19 pandemic, however, now is expected to push about 100 million more people into extreme poverty during 2020. Other factors have also contributed to this reversal. In the Middle East and North Africa, for example, extreme poverty has risen in recent years as a result of sustained violent conflict. In Sub-Saharan Africa, some economies have made progress, but high rates of extreme poverty remain stubbornly persistent, with high levels of multidimensional poverty and considerable overlaps across the different dimensions, suggesting that nonmonetary deprivations are compounding monetary poverty.

Poverty reduction has also slowed when assessed at the US\$3.20-a-day and US\$5.50-a-day lines, but at rates lower in Sub-Saharan Africa and South Asia than at the extreme poverty line (US\$1.90), implying that many people have barely escaped extreme poverty and are at risk of falling back. Encouragingly, the gains across most of East Asia and Pacific have been steady at all three poverty lines. When poverty is considered at the societal level—using a poverty line that rises as economies themselves become more prosperous—some 2 billion people remain in poverty, that is, living below the standards their own societies have set for a dignified life, although this was 15 million fewer people than in 2015. Ethiopia, Kenya, and Namibia stand out for impressive reductions in poverty rates between 2005 and 2015, yet rapid population growth counters these gains in Ethiopia and Kenya, resulting in higher absolute numbers of poor people. However, now all countries that have made hard-fought progress against poverty are seeing these improvements threatened by the COVID-19 crisis.

Chapter 2 explores trends in shared prosperity, defined as the annualized growth rate of mean household per capita income (or consumption) of the bottom 40 percent of the income distribution. The shared prosperity premium is the difference in growth rates between the bottom 40 and the overall mean. The chapter explores changes in these two dimensions in the recent past, as well as the expectation of less inclusive growth and growing inequality in the year ahead caused by the pandemic. Between 2012 and 2017, growth had been inclusive in most of the 91 countries the report measures: 74 had positive shared prosperity (associated with a decline in poverty), and 53 had positive shared prosperity premiums (associated with a decline in inequality). But the gains are uneven: both shared prosperity and shared prosperity premiums are lower on average in fragile and low-income economies, but higher in middle- and high-income economies. When these results are compared with measures for 68 economies from a previous period (2008–13), however, we find that the shared prosperity trend is mixed, with only half the economies having higher shared prosperity in the most recent round, though there are sustained gains in two developing regions—East Asia and Pacific and Europe and Central Asia—and in high-income economies. Data limitations mean that comprehensive projections about future trends are inherently uncertain, but in the coming year, based on conservative assumptions (for example, that inequality will remain the same), the global pandemic is likely to reduce shared prosperity in all but 13 of the 91 economies for which data are available.

Chapter 3 considers the key characteristics of the poor: who they are, where they live, and how they are affected by the global challenges of conflict and climate change. The latest survey data show that the poor remain overwhelmingly rural: 80 percent of individuals below the international poverty line reside in rural areas, even though the rural population accounts for less than half of the global population. In fact, poverty has become more rural over time—between 2015 and 2018, the share of rural poor in the total population of poor people increased by more than 2 percentage points. The poor are also

disproportionately young; children account for half of the world's poor even though they are just a quarter of the total population. Among the poor age 15 and older, 35 percent have no schooling (compared with only 9 percent of the nonpoor); a further 35 percent have only some education. Globally, women are also overrepresented among the poor in almost every region. And, for a variety of reasons, significant segments of the poor remain uncounted in official surveys.

Today's major global challenges overlap, exposing many of the poor to multiple risks. About 132 million poor people live in areas with high flood risk, for example, and in a number of countries a large share of the poor lives in areas that are both affected by conflict and facing high exposure to floods. Globally, the association of poverty with fragility and conflict is increasing. As recent World Bank reports have shown, the 43 economies with the highest poverty rates are all either located in Sub-Saharan Africa or included in the World Bank's list of fragile and conflict-affected situations. In 2020, the 37 countries formally classified as affected by fragility, conflict, and violence are home to only about 10 percent of the world's population, yet they account for more than 40 percent of the global poor. The share of the global poor in fragile and conflict-affected countries is expected to rise by 2030, with Sub-Saharan Africa contributing a large share of the total. And with the pandemic, the newly poor are more likely to live in congested urban settings and to work in the sectors most affected by lockdowns and mobility restrictions; many are engaged in informal services and not reached by existing social safety nets.

Together, these three chapters describe how, after more than two decades of steady decline, extreme poverty is now likely to rise considerably. There has been a decisive reversal of fortune, the result of an urgent global threat (COVID-19 and the economic crisis it has spawned), destructive events building in recent years in many places (armed conflict), and slow-moving processes whose effects will only intensify in coming years (climate change). The report offers no simple answers to these major challenges currently confronting the world, because there are not any; the impacts of COVID-19 remain especially fluid

and may intensify. The report can, however, identify ways in which COVID-19 is distinctive in the effects it is likely to have on poor people (for example, urban residents who work in the informal sector). It can also provide constructive examples of promising responses that are already underway (such as communities in rural India that have successfully faced down both COVID-19 and cyclones). And it can draw upon lessons from recent assessments of complex development interventions to offer broader recommendations.

Chapter 4 addresses these issues. For poor people to be able to improve their lives, stopping COVID-19 is not sufficient. Underlying long-term development challenges must also be addressed. Thus, reversing today's reversals of fortune requires a two-track approach: responding effectively to COVID-19 and conflict in the short term while continuing to focus on long-term development problems, including climate change. These are complementary rather than competing challenges, and the lessons emerging from each can fruitfully inform the other. These connections will be especially important in four areas.

First, the gap between policy aspiration and attainment must be closed. Beyond sound policies, effective action requires forging administrative systems that are capable of implementing them—at scale, under pressure, for all. Second, learning must be enhanced and data must be improved. Precisely because the current challenges are novel, everyone needs to learn quickly and intentionally how to respond effectively. Reliable, comprehensive, readily available data are needed to inform difficult decisions and monitor progress. Third, investments must be made in preparedness and prevention. If the current crisis has made one thing clear, it is that no country acting alone can adequately prepare for and manage, much less preempt, the type of emergency the world is now experiencing. Future preparedness and prevention efforts will be global and collaborative, or they will be illusory. And, fourth, cooperation and coordination must be expanded, not just to improve the empirical foundations of policy making but also to nurture social solidarity in affected countries and communities, to help ensure that governments' decisions can be trusted, and to

share effective responses no matter where they originate.

This is a moment of historic importance. Unprecedented levels of global prosperity are threatened by three global forces that are intertwined, aggregating, and reinforcing one another: a pandemic (linked to an economic crisis), armed conflict, and climate change. The world can rise to the occasion—or succumb: neither outcome is foreordained. But, as many leaders across the world have demonstrated over the centuries, if the true measure of collective worth is the level of welfare experienced by the least privileged, then it behooves everyone, especially the beneficiaries of today's prosperity, to help

forge a world that is equitable and peaceful as well as materially prosperous. Learning what needs to be done in response to COVID-19 is the first urgent step. Following close behind is the need to determine how it will be done, by whom, for whom, and at what cost, borne by whom. Here there are risks associated with long-standing human forces—a reluctance to work together even when the gains are clear, a propensity to be consumed by differences, and a desire to exploit power that may override the common good. However, history's finest moments show that these forces can be overcome. Now is our opportunity to come together and commit to ensuring that progress against poverty will resume.