

PATHWAYS OUT OF THE POLYCRISIS

MAIN MESSAGES

*The World Bank has set a clear mission: ending extreme poverty and boosting shared prosperity on a livable planet. This report offers the first postpandemic assessment of global progress on this agenda. This report explores different potential pathways out of the polycrisis—an environment where multiple and interconnected challenges are affecting the world simultaneously—taking seriously the trade-offs and complementarities across objectives that are embedded in different policy approaches. The main messages are presented around **Progress** in terms of the goals, **Pathways** to move forward, and **Priorities** depending on where countries stand on the interlinked goals.*

Progress: Global poverty reduction and improvements in shared prosperity have stalled

Global poverty reduction has slowed to a near standstill, with 2020–30 set to be a lost decade.

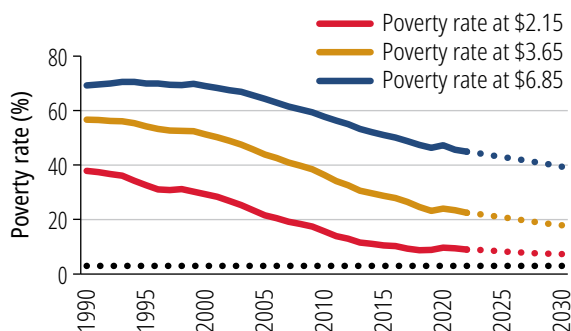
Today, 8.5 percent of the world lives in extreme poverty (those living on less than \$2.15 per person per day) (figure 1, panel a). At a poverty standard more relevant for upper-middle-income countries (\$6.85 per person per day), 44 percent of the world's population lives in poverty. The number of people living under this higher standard has barely changed since 1990 due to population growth (figure 1, panel b). At the current pace of progress, it would take decades to eradicate extreme poverty and more than a century to lift people above \$6.85 per day.

Progress has stalled amid multiple shocks and growth patterns that have not enabled the poorest to catch up. The COVID-19 pandemic had scarring impacts, and extreme poverty in the poorest countries today is still above prepandemic rates. Poverty continues to concentrate in settings with historically low economic growth and fragility. Gains in reducing the Global Prosperity Gap, the World Bank's new measure of shared prosperity, have also stopped since the pandemic due to a reduction in economic growth and a divergence in mean incomes across countries (figure 2, panel a). Today, incomes around the world, on average, would have to increase fivefold to reach a prosperity standard of \$25 per person per day, which in many places remains completely aspirational.

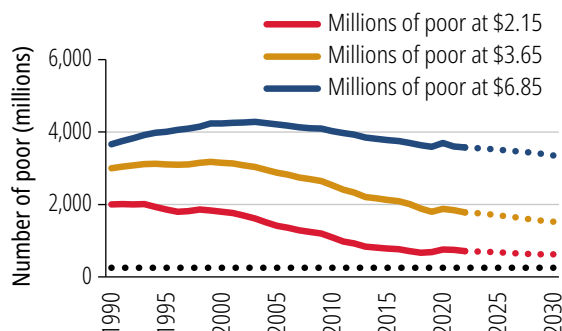
FIGURE 1

Global extreme poverty reduction has slowed to a near standstill, with 2020–30 set to be a lost decade

a. Progress in reducing extreme poverty has come to a halt



b. Number of people living on less than \$6.85 per day has remained unchanged since 1990



Sources: Original figures for this publication based on World Bank calculations.

Note: All \$ values are expressed in per person per day in 2017 purchasing power parity dollars. 2022–30 are projections and are shown in dots at the ends of lines. In panel a, the black horizontal dotted line is drawn at 3 percent and indicates the World Bank’s target of ending extreme poverty by 2030. In panel b, it is drawn at 256 million, which represents 3 percent of the global population projected for 2030.

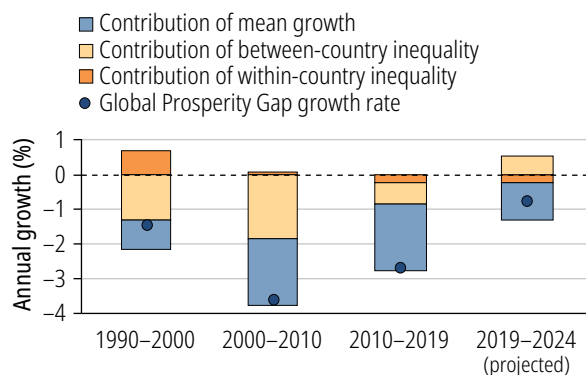
The number of economies with high inequality has fallen. The number of economies with high income or consumption inequality—defined as a Gini coefficient above 40—has fallen from 61 to 49 in a decade. High-inequality economies are concentrated in Latin America and the Caribbean and Sub-Saharan Africa (figure 2, panel b) and are home to 1.7 billion people in 2022, approximately one-fifth of the world’s population, a share that has remained roughly the same over the past decade. Seventy percent of the global population lives in an economy with moderate inequality (Gini between 30 and 40), and only 7 percent live in economies with low inequality (Gini below 30).

Moreover, nearly one in five people are at risk of experiencing welfare losses due to an extreme weather event from which they will struggle to recover. The World Bank has developed a new vision indicator that counts the number of people at high risk from climate-related hazards globally. Being at high risk is defined as being exposed to hazards and also being vulnerable to their impacts (defined as the physical propensity to experience severe losses and the inability to cope with and recover from losses). Sub-Saharan Africa has the largest share of people at high risk from extreme weather events, with almost everyone who is exposed to an extreme weather event also being at high risk (figure 3, panel a). South Asia has the largest total population at high risk from extreme weather events (32 percent of the population). By contrast, the share of people at risk is the lowest in North America, where less than 1 percent of the population is at high risk. Although exposure in Sub-Saharan Africa is not as high as in other regions, high levels of vulnerability keep people at high risk. The likelihood of experiencing losses has declined with growing income levels globally, but less for the poorest and those in more fragile

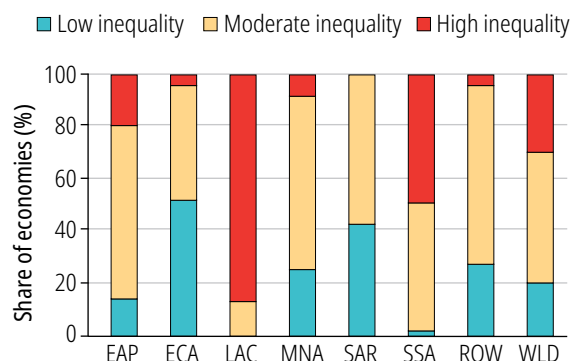
FIGURE 2

Progress on boosting shared prosperity around the world has slowed down

a. Recent progress on the Global Prosperity Gap was hindered by increasing inequality between countries due to divergent growth



b. Latin America and the Caribbean and Sub-Saharan Africa have a large share of high-inequality economies



Sources: Original figures for this publication based on World Bank calculations.

Note: EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MNA = Middle East and North Africa; SAR = South Asia; SSA = Sub-Saharan Africa; ROW = rest of the world; WLD = world.

Panel a. Change in the Global Prosperity Gap decomposed into (negative of) the growth in mean incomes, between-country inequality, and within-country inequality. The Global Prosperity Gap for 2024 is projected.

Panel b. Share of economies in 2022 with Gini less than 30 (low), between 30 and 40 (moderate), and greater than 40 (high). Regional classifications follow the Poverty and Inequality Platform: <https://datanalytics.worldbank.org/PIP-Methodology/lineupestimates.html#regionsandcountries>.

settings. For example, between 2010 and 2019, despite the number of people exposed increasing, non-International Development Association (IDA) countries were able to reduce the number of people at risk significantly over this period. This pattern is not the case for IDA countries, where the number of people at risk rose almost one to one with the population exposed. In non-IDA countries, the population at risk fell due to the large gains in income and financial access, developments from which people in IDA countries did not benefit as much.

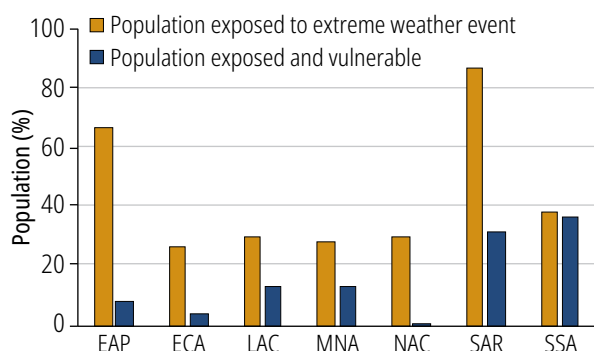
In 2022, greenhouse gas (GHG) emissions reached record levels (figure 3, panel b), trapping nearly 50 percent more heat than in 1990. Climate change will likely lead to more frequent and more intense extreme weather events, which will negatively affect welfare.

Large gaps in human capital, basic infrastructure, and life essentials affect significant populations in the poorest regions. One-half or more of the people in Sub-Saharan Africa and in fragile and conflict-affected situations lack electricity and sanitation. Large education gaps also persist, but investments in education in low-income countries remain very low. Air pollution is a leading environmental risk to people’s health, which must be prioritized: it carried a health cost representing 6.1 percent of global GDP in 2019. The prevalence of undernourishment is also on the rise globally and remains particularly high in Sub-Saharan Africa. These large multidimensional gaps have also contributed to the vulnerability to shocks in lower-income countries.

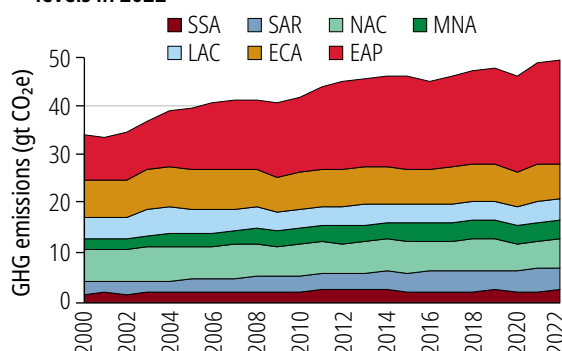
FIGURE 3

Risks from extreme weather events are high and may increase without action

a. Climate risks are high



b. Greenhouse gas emissions reached record levels in 2022



Sources: Original figures for this publication based on World Bank calculations.

Note: GHG = greenhouse gas; gt CO₂e = gigatons carbon dioxide equivalent; EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MNA = Middle East and North Africa; NAC = North America; SAR = South Asia; SSA = Sub-Saharan Africa. Regional classifications follow the World Bank region classifications: <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>.

Panel a. Population exposed to extreme weather events, and the population at high risk from extreme weather events (exposed and vulnerable).

Panel b. Total GHG emissions in gt CO₂e.

The global environment is facing multiple and interconnected crises or a “polycrisis.” The global environment that has become more challenging amid a polycrisis—from slow growth prospects and high levels of debt to increased uncertainty, fragility, and polarization. Economic growth in the poorest countries is projected to remain weaker than in the decade before the pandemic. In addition, debt interest payments in the poorest settings are reaching an all-time high, diverting spending away from critical needs.

Pathways: Eradicating poverty and boosting shared prosperity on a livable planet requires managing trade-offs

Progress on the interlinked goals requires faster and inclusive growth and protecting people from extreme weather events. Enabling the poor to benefit more from economic growth involves better-functioning labor markets, investments in the productive capacity of people, and structural conditions that enable socioeconomic mobility so that everyone can use their productive capacity to their full extent. Protecting people from extreme weather events requires acting on two fronts: (a) lowering vulnerability by enhancing risk management and (b) preventing the escalation of future climate hazards by accelerating transformations to reduce the emissions intensiveness of growth.

With limited budgets, high uncertainty, and conflicting interests, policy makers must prioritize and make difficult choices. To inform their decisions, policy makers must understand the trade-offs between growing incomes and lowering GHG emissions, find ways to scale up synergistic policies that can help advance on multiple fronts or reduce trade-offs (for example, tackling high air pollution), and manage transition costs to specific groups and communities affected by labor market or price shifts.

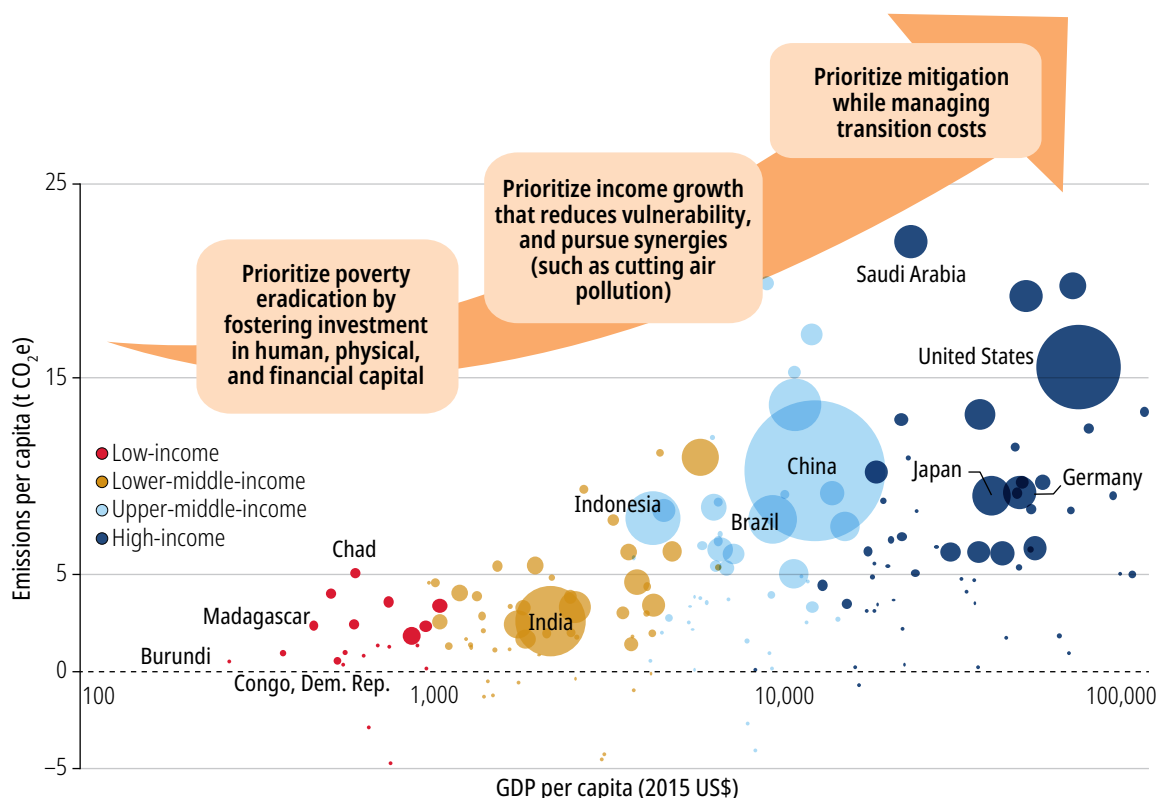
Actions need to recognize that emissions are primarily generated by richer countries and that poorer countries are the most at risk. Whereas upper-middle- and high-income countries currently account for four-fifths of global GHG emissions, low- and lower-middle-income countries contribute a relatively small share of emissions, although they are home to one-half of the world's population. For example, Sub-Saharan Africa accounts for only 5 percent of global emissions. On the other hand, the share of people at risk from weather hazards is significantly higher in poorer settings.

Advancing on the eradication of extreme poverty does not come at a big cost for the planet because the poorest countries contribute so little to emissions. Eradicating extreme poverty would increase emissions by less than 5 percent above 2019 levels. Achieving higher living standards than this bare minimum—that is, by moving more than 3 billion people above \$6.85 per day—would lead to a significant increase in emissions assuming historic emission intensities: the increase would be 46 percent above 2019 levels.

Priorities: Doing what matters where it matters

Figure 4 brings these considerations together and illustrates a simplified way to identify priorities. A key guiding element to set priorities is considering where the poor and vulnerable live and where the emissions are and will be generated. Each unique situation requires its own tailored solutions, and the results from this report do not aim to be prescriptive for a specific country. Country-specific studies are recommended to guide prioritization at that level. The following discussion aims to shed light on where attention should be placed from a broader global perspective.

Low-income and fragile countries need to prioritize poverty reduction by fostering investment in human, physical, and financial capital. Two-thirds of the world's extreme poor live in Sub-Saharan Africa, rising to three-quarters when including all fragile and conflict-affected countries. More broadly, IDA countries account for 7 in 10 of the global extreme poor today. In those settings, higher growth is an essential foundation. To have the maximum impact on poverty reduction, that growth must be inclusive by creating employment opportunities while ensuring that the poor can take advantage of opportunities (for example, through quality education). Promoting economic growth, basic investments, and insurance are fundamental to sustainably improve the lives of the poor. Those actions reduce multidimensional poverty and enhance resilience against extreme weather and other shocks.

FIGURE 4
Priorities to advance on the interlinked goals


Source: Original figure for this publication based on World Bank calculations.

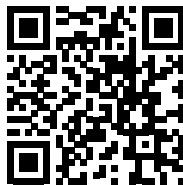
Note: GDP = gross domestic product; GHG = greenhouse gas; t CO₂e = tons, carbon dioxide equivalent. The size of the bubbles indicates total GHG emissions. Negative emissions occur when ecosystems absorb more carbon than the country emits. A few small countries with very high per capita emissions (Bahrain, Guyana, Iceland, Kuwait, Oman, Palau, Qatar, Trinidad and Tobago, United Arab Emirates) and countries with very low per capita emissions (Central African Republic, Vanuatu) are omitted for visual purposes. The horizontal axis uses a logarithmic scale.

Middle-income countries must prioritize income growth that reduces vulnerability and pursue synergistic actions. Middle-income countries have successfully exited low-income status and have been able to reduce extreme poverty substantially; however, they are struggling to maintain the momentum needed to reach high-income levels and lift people above the \$3.65 and \$6.85 poverty lines. As in low-income countries, accelerating economic growth, enhancing the productive capacity of poorer households, and risk management are key. At the same time, emissions of many middle-income countries cannot be neglected. Without action, their emissions will increase over the next decades and surpass those of upper-middle-income countries and higher-income countries in absolute terms. For this purpose, identifying synergistic policies that can contribute to all goals and scaling them up is key. Tackling local environmental hazards such as air pollution is an area with multiple gains.

High-income and upper-middle-income countries with high emissions must accelerate mitigation to advance on the interlinked goals globally while managing transition costs. Upper-middle-income countries and, especially, high-income countries must step up the transition to low-carbon economies. Although emissions in those settings are projected to decline under current policies, the current progress is not nearly fast enough to limit global warming. Potential transition costs associated with climate mitigation, such as higher energy prices or job losses in carbon-intensive sectors, must be managed—particularly for the poor and more vulnerable. Wealthier nations hastening their climate mitigation actions could significantly alter the distribution of future environmental risks worldwide. Upper-middle-income countries also have a significant share of the population facing climate risks, and it is in their own population’s interest to accelerate this process to protect them from future hazards.

Advancing on these interlinked global challenges requires a solid foundation of evidence. Across the board, more and better data are needed to address these complex policy issues and monitor impacts. Although data availability has improved in many countries, less than one-half of IDA countries had a household survey available for global poverty monitoring in 2020 or later. More investment is needed to produce reliable, granular, and timely information, and that requires foundational efforts to strengthen national statistical systems and innovative approaches to advance the frontier of data and modeling for welfare analysis. When collected, data should be made public to better monitor policy impact and facilitate further policy design. Because the lived experience of poverty goes well beyond monetary measures, it is important to ensure that data efforts also invest in understanding other dimensions of well-being, such as deprivations in access to services, health, or food security.

Urgent and coordinated global action is essential to meet these interlinked goals. The financing gap for sustainable development is growing, which hinders lower-income countries’ ability to invest across multiple objectives. This constrained environment creates an urgent need to focus and prioritize the actions that will have the highest return for development and that can allow the world to make significant progress. It calls for fundamental changes in how countries approach their national development strategies and their contribution to global public goods. The potential policy pathways in each context often differ drastically depending on a country’s historical development trajectory, access to technology and financing, and national priorities. However, countries must also consider their global responsibilities and that international actors have a critical coordination role to play. Ending poverty and boosting shared prosperity on a livable planet will require novel ways of organizing economic activity.



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