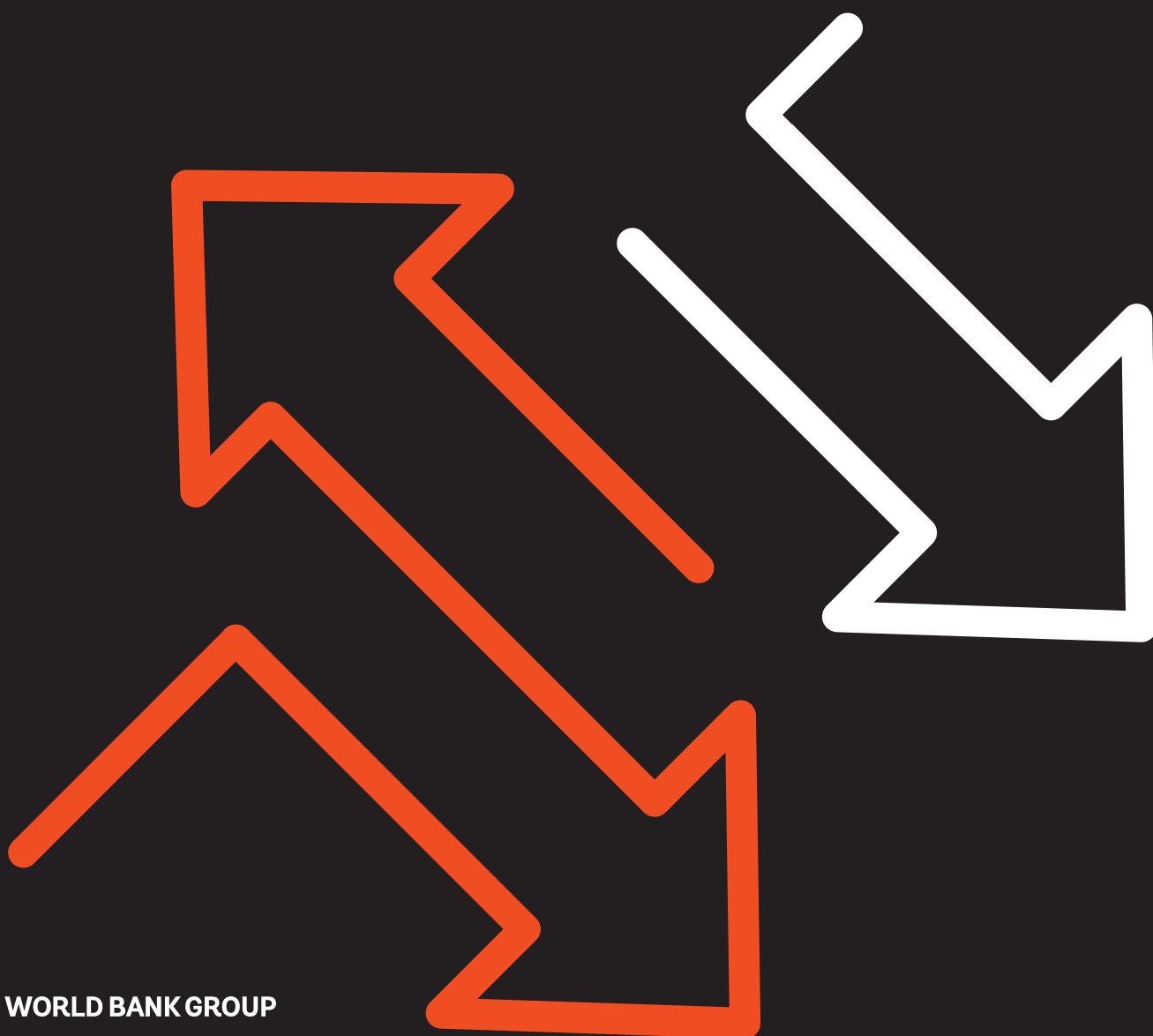


OVERVIEW

POVERTY AND
SHARED PROSPERITY
2020

REVERSALS OF FORTUNE



Overview

REVERSALS OF FORTUNE

This booklet contains the overview from *Poverty and Shared Prosperity 2020: Reversals of Fortune*, doi: 10.1596/978-1-4648-1602-4. A PDF of the full report is available at <https://openknowledge.worldbank.org/> and <http://documents.worldbank.org/>, and print copies can be ordered, when available, at www.amazon.com. Please use the final version of the report for citation, reproduction, and adaptation purposes.

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Contents

<i>Foreword</i>	<i>vii</i>
<i>Acknowledgments</i>	<i>ix</i>
<i>About the Team</i>	<i>xi</i>
Overview	1
Poverty reduction was slowing before the crisis	2
Shared prosperity was positive for the period 2012–17, but gains were uneven and slowing	4
COVID-19, conflict, and climate change have reversed the gains in poverty eradication for the first time in a generation	5
COVID-19, conflict, and climate impacts will change the profile of the global poor	8
Conclusion: Tackling the crisis while looking to the long term	15
Notes	18
References	19

Foreword

The mission of the World Bank Group is to work with countries toward alleviating extreme poverty and boosting shared prosperity through inclusive, sustainable growth. Today, with COVID-19 sweeping across the globe, a historic global recession, and the world's poorest bearing the brunt of the crisis, good development outcomes are both more difficult and more essential.

As countries work to address these converging shocks, the World Bank Group's new report, *Poverty and Shared Prosperity 2020: Reversals of Fortune*, presents new data, original economic simulations and forecasts, and analysis that provide insight into the roots of the current reversal of economic fortune, what it means for the world's poorest, how countries are taking action to address this crisis, and how to put poverty reduction and development back on track.

The human cost of COVID-19 is immense, with hundreds of millions of people in the developing world reversing back into poverty. The report's projections suggest that, in 2020, between 88 million and 115 million people could fall back into extreme poverty as a result of the pandemic, with an additional increase of between 23 million and 35 million in 2021, potentially bringing the total number of new people living in extreme poverty to between 110 million and 150 million. Early evidence also suggests that the crisis is poised to increase inequality in much of the world. The crisis risks large human capital losses among people who are already disadvantaged, making it harder for countries to return to inclusive growth even after acute shocks recede.

Our *Poverty and Shared Prosperity 2020* report jointly analyzes three converging forces that are driving this increase in global poverty and that threaten to extend its effects far into the future: COVID-19, armed conflict, and climate change. Climate change may drive about 100 million additional people into poverty by 2030, many of whom reside in countries affected by institutional fragility and armed conflict, and where global extreme poverty is increasingly concentrated. Facing these multiple shocks, nations will need to work on many fronts to save lives and livelihoods, provide for their most vulnerable citizens, and restart inclusive growth.

This report provides new evidence on emerging "hot spots," where multiple threats to poor people's lives and livelihoods converge. Many of these hot spots are in Sub-Saharan Africa, a region now expected to be home to about a third of the people who are newly impoverished by COVID-19. The World Bank Group has stepped up its support for regions in which extreme poverty is increasingly concentrated, armed conflict is disproportionately prevalent, and large populations face severe risks linked to climate change, from flooding to locust swarms. We are working on a multitude of urgent issues, including food support, digital connectivity, and equitable access to COVID-19 diagnostics, therapeutics, and vaccines.

As we look beyond immediate responses to the pandemic, policy makers should remain attentive to broader development challenges. Even before the pandemic, development for many people in the world's poorest countries was too slow to raise their incomes, enhance living standards, or narrow inequality. During the recovery period, nations must look to reengage with a longer-term development agenda that includes promoting sustainable and inclusive growth, investing in human capital, and improving the quality of public administration and services while upholding political legitimacy, and ensuring that debt levels remain both manageable and transparent.

Well-tailored strategies can incorporate approaches that countries have advanced successfully in recent years, while drawing on the research and insights that the development community has accumulated over time. Every nation must look to achieve a strong recovery and come out better prepared for future threats, and the World Bank Group is prepared to help.

I am encouraged by countries that are already taking bold action, learning fast, and sharing their experiences and results for the benefit of others. We must communicate clearly and work together to undo COVID-19's reversal of fortune and build a better world after this crisis has passed.

A handwritten signature in black ink that reads "David Malpass". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

David Malpass
President
World Bank Group

Acknowledgments

This report was prepared by a team co-led by Samuel Freije-Rodríguez and Michael Woolcock. The core team included R. Andrés Castañeda, Alexandru Cojocaru, Elizabeth Howton, Christoph Lakner, Minh Cong Nguyen, Marta Schoch, Judy Yang, and Nishant Yonzan. The extended team—who worked on background papers, on the preparation of case study material, or as consultants or advisors to chapter authors—included Marje Aksli, Samuel Kofi Tetteh Baah, Katy Bergstrom, Ifeanyi Nzegwu Edochie, Alejandro De la Fuente, Stéphane Hallegatte, Bramka Jafino, Dean Jolliffe, Daniel Gerszon Mahler, Laura L. Moreno Herrera, Hannes Mueller, David Newhouse, Philomena Panagoulas, Katie Parry, Jun Rentschler, Melda Salhab, Sutirtha Sinha Roy, Chanon Techasunthornwat, Brian James Walsh, and Nobuo Yoshida.

The authors are especially grateful to the PovcalNet team, comprising Tony Fujs, David Leonardo Vargas Mogollon, and Martha C. Viveros Mendoza, who have worked tirelessly and professionally to ensure that the global poverty numbers and projections are reported in a clear, consistent, and careful manner. This is important at the best of times, of course, but the challenges of doing these calculations under the evolving pressures of COVID-19 (coronavirus) have been considerable.

The report was prepared under the general direction of Francisco Ferreira, Aart Kraay, and Carolina Sánchez-Páramo, with specific inputs provided by Benu Bidani, Haishan Fu, and Ambar Narayan. The team is also grateful for the overall guidance received from Ceyla Pazarbasioglu, Pinelopi Goldberg, and Carmen Reinhart.

There would be no *Poverty and Shared Prosperity 2020* report without the efforts of the editorial, production, and communications teams, including Mark Felsenthal, Melina Fleury, Chisako Fukuda, Amy Lynn Grossman, Elizabeth Howton, Alexander Irwin, Patricia Katayama, Ravi Kumar, and Paul McClure.

More than 190 colleagues attended the decision meeting on the report in late July, with many contributing to a fruitful discussion on how to convey constructive policy messages to a world suffering a historic reversal in poverty trends as a result of a pandemic (and an associated global economic recession), climate change, and, in certain places, armed conflict. Peer review comments were provided by Verena Fritz, Maria Ana Lugo, Hannes Mueller, and Rinku Murgai; helpful feedback and suggestions were received from the Offices of the Chief Economist of the following Regions: East Asia and Pacific, Europe and Central Asia, Latin America and the Caribbean, and Sub-Saharan Africa. Staff from the South Asia Region and its Office of the Chief Economist also provided helpful input and advice. At the earlier concept note stage, external comments were received from Yuen Yuen Ang (University of Michigan).

Much of the report was written as the full empirical and practical implications of COVID-19 became apparent, which has meant (among other things) working from home while also managing domestic commitments; the team thus wishes to thank the significant others in their lives who have had to accommodate these additional and unexpected challenges.

The report is a joint project of the Development Data and Research Groups in the Development Economics Vice Presidency, and the Poverty and Equity Global Practice in the Equitable Growth, Finance and Institutions Vice Presidency of the World Bank. Financing from the government of the United Kingdom helped support analytical work on the global poverty counts and the COVID-19 simulations through the Data and Evidence for Tackling Extreme Poverty Research Programme.



About the Team

Co-Leads of the Report

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Michael Woolcock is the lead social scientist in the Development Research Group at the World Bank, where he has worked since 1998. For 14 of these years, he has also taught (part-time) at Harvard Kennedy School, with periods of leave spent at the University of Cambridge (2002, as the Von Hügel Visiting Fellow) and the University of Manchester (2007–09, as the founding research director of the Brooks World Poverty Institute). His current research focuses on strategies for enhancing the effectiveness of policy implementation, extending work addressed in his recent book, *Building State Capability: Evidence, Analysis, Action* (with Matt Andrews and Lant Pritchett; Oxford University Press, 2017). Michael is a co-recipient of the American Sociological Association's awards for best book (2012) and best article (2014) on economic development. He holds undergraduate degrees from the University of Queensland (Australia) and a PhD in comparative-historical sociology from Brown University.

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Nishant Yonzan is a consultant to the Poverty and Inequality Data team in the Development Data Group at the World Bank, contributing to the group's global agenda on measuring poverty and inequality. His research focuses on the causes, consequences, and measurement of poverty and inequality. Nishant is a doctoral candidate at the Graduate Center of the City University of New York.



Overview

Poverty reduction has suffered its worst setback in decades, after nearly a quarter century of steady global declines in extreme poverty. *Poverty and Shared Prosperity 2020: Reversals of Fortune* provides new data on and analysis of the causes and consequences of this reversal and identifies policy principles that countries can use to counter it. The report presents new estimates of the impacts of COVID-19 (coronavirus) on global poverty and shared prosperity. Harnessing fresh data from frontline surveys and economic simulations, it shows that pandemic-related job losses and deprivation worldwide are hitting already-poor and vulnerable people hard, while also partly changing the profile of global poverty by creating millions of “new poor.” Original analysis included in the report shows that the new poor are more urban, better educated, and less likely to work in agriculture than those living in extreme poverty before COVID-19. These results are important for targeting policies to safeguard lives and livelihoods. The report discusses early evidence that the pandemic is deepening income inequality, threatening inclusive economic recovery and future growth. It shows how some countries are deploying agile, adaptive policies to reverse the crisis, protect the most vulnerable, and promote a resilient recovery.

The 2020 *Poverty and Shared Prosperity* report breaks new ground by jointly analyzing three factors whose convergence is driving the current crisis and will extend its impact into the future: a pandemic (COVID-19 and the associated global economic recession, which are reversing poverty abatement

trends rapidly), armed conflict (whose effects have been steadily building in recent years), and climate change (a slowly accelerating risk that will potentially drive millions into poverty). According to updated estimates included in the report, COVID-19 is expected to push some 100 million people into extreme poverty during 2020 alone. Armed conflict is also driving increases in poverty in some countries and regions. In the Middle East and North Africa, for example, extreme poverty rates nearly doubled between 2015 and 2018, from 3.8 percent to 7.2 percent, spurred by the conflicts in the Syrian Arab Republic and the Republic of Yemen. This report presents new research that helps explain the prolonged impoverishing impact of conflict and suggests priorities for prevention and mitigation. New estimates commissioned for this report indicate that up to 132 million people may fall into poverty by 2030 due to the manifold effects of climate change. Although the worst economic and welfare effects lie further in the future, in some settings, poverty is already intertwined with vulnerability to climate-related threats such as flooding and vector-borne diseases. New analysis featured in the report focuses on the convergence of poverty and flood risks, especially in Sub-Saharan Africa.

Along with its direct cost in human lives, COVID-19 has unleashed a worldwide economic disaster whose shock waves continue to spread, putting still more lives at risk. Without an adequate global response, the cumulative effects of the pandemic and its economic fallout, armed conflict, and climate change will exact high human and economic costs well into the future. Poverty nowcasts

commissioned for this report suggest that the effects of the current crisis will almost certainly be felt in most countries through 2030. Under these conditions, the goal of bringing the global absolute poverty rate to less than 3 percent by 2030, which was already at risk before the crisis, is now harder than ever to reach. Advancing shared prosperity—by boosting the incomes of the poorest 40 percent of people in every country—will also be much more difficult now. Current projections indicate that shared prosperity will drop sharply in nearly all economies in 2020–21, as the pandemic’s economic burden is felt across the entire income distribution, and will drop even more if impacts are disproportionately felt by people whose incomes were already relatively low. This uneven impact means the crisis is likely to increase inequality within countries in the longer term, which, without preemptive action, may trigger large human capital losses among disadvantaged groups and make it more difficult for countries to generate inclusive growth in the future.

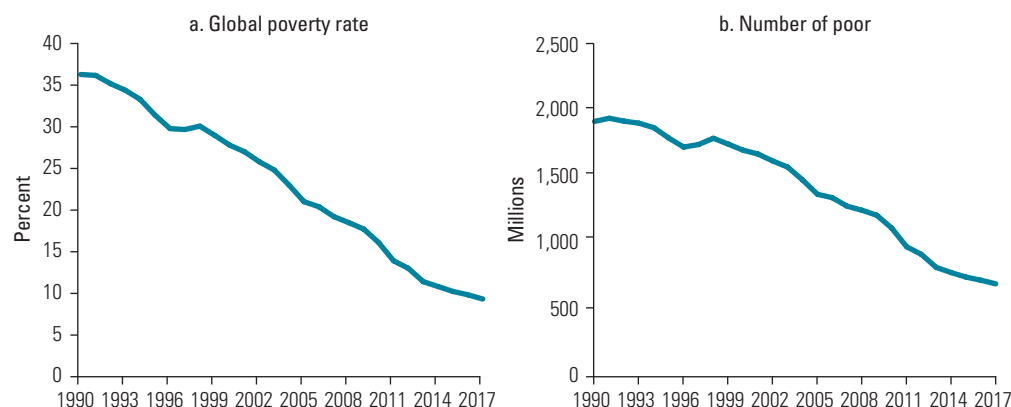
This report appears at a moment of critical choices in most of the world. The powerful reversal of fortune now striking the poorest people needs an even more powerful response from countries and the global community. *the 2018 Poverty and Shared Prosperity* report documents how some countries are taking bold action, learning as they go, and sharing results as they emerge. Acting urgently, in

concert, and at the scale of the crisis itself, we can halt the pandemic and counter its economic damage, which will save lives and livelihoods today; create conditions for a resilient, equitable recovery; and help draw lessons to better manage future emergencies.

Poverty reduction was slowing before the crisis

The world has made unprecedented progress in reducing poverty over the past quarter century, showing what collective global efforts can achieve (panel a of figure O.1). Major threats to poverty eradication goals emerged well before COVID-19, however. This report presents new global poverty data showing that the sustained decline in extreme poverty that began in the 1990s continued through 2017, but that progress was stalling. Between 2015 and 2017, the number of people worldwide living below the international poverty line fell from 741 million to 689 million (panel b of figure O.1). Yet the 2017 figures confirm the deceleration in the rate of poverty reduction that was reported in the 2018 *Poverty and Shared Prosperity* report. Globally, extreme poverty dropped by an average of about 1 percentage point per year over the quarter century from 1990 to 2015, but the rate of decline slowed from 2013 to 2015 to just 0.6 percentage point per year (World Bank 2018a). Between 2015 and 2017, the rate slowed further, to half a percentage

FIGURE O.1 Global Poverty Rate and Number of Poor at the US\$1.90-a-Day Poverty Line, 1990–2017



Source: PovcalNet (online analysis tool), World Bank, Washington, DC, <http://iresearch.worldbank.org/PovcalNet/>.

Note: The global coverage rule is applied (see annex 1A in chapter 1 in this report).

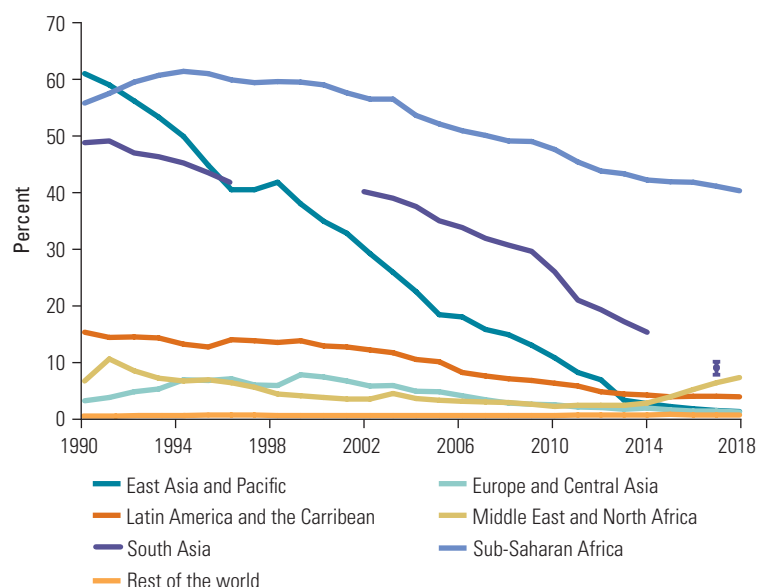
point per year. Given this decelerating trend, the goal of bringing global extreme poverty to less than 3 percent by 2030 was already at risk.

In 2018, the World Bank introduced four additional poverty metrics to capture the changing nature of global poverty. Higher poverty lines at US\$3.20 and US\$5.50 a day reflect *national poverty lines* in lower-middle-income and upper-middle-income economies respectively. The *societal poverty line*, which adjusts to each country's income, captures the increase in basic needs that a person requires to conduct a dignified life as a country becomes richer. The *multidimensional poverty measure* incorporates deprivations in three indicators of well-being (monetary poverty, access to education, and basic infrastructure), thus giving further insight into the complex nature of poverty.

This report presents new data on and analysis of poverty at these lines from 2015 to 2017. The findings may help explain some of the impoverishing impacts of the current crisis and reveal entry points for policy. In South Asia and Sub-Saharan Africa, poverty reduction against the US\$3.20 and US\$5.50 lines has been slower than against the extreme poverty line, suggesting that many millions of people in these regions had only narrowly escaped extreme poverty before COVID-19. Those who have just escaped extreme poverty can easily fall back; they are thus especially vulnerable to the impoverishing effects of the pandemic, conflict, and climate change. Job creation through inclusive growth and social protection measures targeting this population may yield strong benefits in reversing poverty increases spurred by the current crisis and preventing other vulnerable people from falling into extreme poverty.

What caused the slowdown in global poverty reduction, which was happening even before the pandemic hit? One explanation is the increasing concentration of extreme poverty in Sub-Saharan Africa, which is experiencing a slower reduction in poverty than are other regions. Figure O.2 shows the proportion of the extreme poor in each region for the period 1990–2018. It underscores the concerns for Sub-Saharan Africa, but also shows problems elsewhere. The Middle East and North Africa has recently seen its extreme poverty rate rise,

FIGURE O.2 Trends in Poverty Rates at the US\$1.90-a-Day Poverty Line, by Region, 1990–2018



Source: PovcalNet (online analysis tool), World Bank, Washington, DC, <http://iresearch.worldbank.org/PovcalNet/>.

Note: Lined-up poverty estimates for South Asia are not reported for 1997–2001 and after 2014 because of a lack of population coverage (see box 1.2 on India and annex 1A in chapter 1 of this report). For South Asia in 2017, a range [7.7; 10.0] is reported, as described in box 1.2 in chapter 1 of this report.

from 2.3 percent in 2013 to 3.8 percent in 2015; it then almost doubled to 7.2 percent in 2018, with conflicts in Syria and the Republic of Yemen driving the increase (Corral et al. 2020).

The ability to monitor global poverty depends on the availability of household survey data collected by national authorities. The number of recent household surveys has improved somewhat since the first edition of this report (World Bank 2016). In particular, the number of surveys and population coverage have improved in Sub-Saharan Africa, driven largely by a new survey that recently became available for Nigeria. But the lack of recent data for India severely hinders the ability to monitor global poverty (see box 1.2 in chapter 1 of this report). Hence, the last year for which global poverty was reported is 2017, and the series published for South Asia was interrupted in 2014, whereas for all other regions it extends to 2018. Data on countries experiencing fragility or conflict also remain severely limited, particularly affecting the estimates for the Middle East and North Africa. For poverty to be measured effectively, it is crucial that the current crisis not

prompt governments to reduce their investment in surveys and other forms of data collection. Under crisis conditions, reliable poverty data are even more important for guiding response and recovery policies that will not leave vulnerable groups behind.

Shared prosperity was positive for the period 2012–17, but gains were uneven and slowing

One of the World Bank's two main goals is to ensure that relatively poor people in all societies are participating in and benefiting from economic gains. This analysis uses shared prosperity as the measure of progress in this area. Shared prosperity focuses on the poorest 40 percent of a population (the bottom 40) and is defined as the annualized growth rate of their mean household per capita income or consumption. The shared prosperity premium, which is the difference in growth rates between the bottom 40 and the overall mean, is also measured. A high level of shared prosperity is an important indicator of inclusion and well-being in any country.

This report presents new data on shared prosperity and the shared prosperity premium for 91 economies between 2012 and 2017. Growth was inclusive for most of these 91 economies: 74 had positive shared prosperity, and 53 had positive shared prosperity premiums, indicating a reduction in inequality in the majority of economies. Some regions showed especially encouraging results. In East Asia and Pacific and in South Asia, shared prosperity was positive for all economies where it could be measured. This encouraging result suggests that poorer members of societies in these regions were largely being included in countries' economic progress. Evidence from the current sample of 91 economies shows that positive shared prosperity is correlated with poverty reduction, and that a positive shared prosperity premium is associated with a reduction in inequality.

Gains in shared prosperity, however, were unevenly distributed across country income categories and regions. In global terms, the average shared prosperity index was 2.3 percent

for 2012–17, but this figure masks wide heterogeneity. Upper-middle-income economies experienced an average shared prosperity of 2.9 percent, followed by high-income economies with 2.7 percent, lower-middle-income economies with 1.8 percent, and low-income economies with 0.2 percent. Countries affected by fragility, conflict, and violence (FCV) fared worse. For the few FCV economies where shared prosperity could be measured, the average result was a decline of 0.8 percent in the income (or consumption) of households in the bottom 40. Across regions, average shared prosperity ranged from 4.9 percent and 3.5 percent in East Asia and Pacific and in Europe and Central Asia, respectively, to 0.7 percent in Sub-Saharan Africa and 0.5 percent in the Middle East and North Africa.

The shared prosperity premium exhibits considerable heterogeneity. A simple average of the premium across 91 economies for the period is 0.3 percentage point, meaning that consumption or income among the bottom 40 percent of the population was growing, on average, 0.3 percentage point faster than at the mean. But the regional averages ranged from 1.0 percentage point in East Asia and Pacific and in Latin America and the Caribbean to negative values in three other regions: the Middle East and North Africa (–0.4), South Asia (–0.5), and Sub-Saharan Africa (–0.6). Two out of the three FCV economies in the sample had both negative shared prosperity and a negative shared prosperity premium. More than half of the economies receiving support from the World Bank's International Development Association also had negative shared prosperity premiums.

Even before COVID-19 and the ensuing economic crisis, time trends in shared prosperity were mixed across economies and regions. A new analysis developed for this report compares the 2012–17 shared prosperity measures for 68 economies with a previous period (2010–15). Comparing across the two rounds, about half of the economies had higher shared prosperity, and the other half had lower. Although the average change in shared prosperity is positive, there are large differences across regions. On average, shared prosperity was higher in the more recent period (2.3 percent) than in the previous period (1.8 percent), but this increase is

concentrated in only three regions: East Asia and Pacific, Europe and Central Asia, and the rest of the world (mostly high-income economies outside the World Bank's six developing regions). Higher shared prosperity on average persists over time: most economies with positive shared prosperity in the previous period also had it in the most recent period.

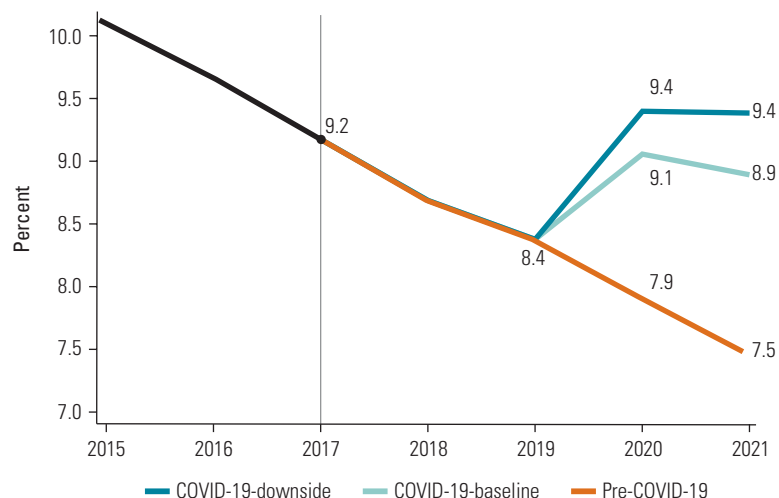
The ability to measure shared prosperity has improved, but substantial gaps in data coverage remain. The 91 economies for which the analysis was able to calculate shared prosperity between 2012 and 2017 represent just 59.9 percent of the world's population. This number still marks a meaningful advance over initial efforts to measure this indicator; in 2014, when adequate data were available for only 65 economies. However, with limited data, shared prosperity is hardest to measure in the very settings where tracking it is most important, often in poorer, fragile, and small countries. Shared prosperity can be measured for only about a quarter of all low-income economies, covering 37.7 percent of the population in this income group.

COVID-19, conflict, and climate change have reversed the gains in poverty eradication for the first time in a generation

COVID-19 and its associated economic crisis, compounded by the effects of armed conflict and climate change, are reversing hard-won gains in poverty reduction and shared prosperity. New findings in this report clarify the short-term impacts and show that negative effects on poverty and inequality may extend and intensify in the medium term.

Today, COVID-19 and the economic crisis are already reversing hard-won gains against global poverty, ending more than two decades of continuous progress. New analysis for this report estimates the magnitude and potential duration of these effects. Poverty as measured by the international poverty line is expected to rise in 2020 for the first time since 1998. Economic forecasts indicate that the pandemic will cause a contraction in global per capita gross domestic product (GDP) growth of between 5 percent (in a baseline scenario) and 8 percent (in a downside scenario) during

FIGURE 0.3 Nowcast of the Global Poverty Rate at the US\$1.90-a-Day Poverty Line, 2015–21



Source: Updated estimates based on Lakner et al. (2020), PovcalNet (online analysis tool), World Bank, Washington, DC, <http://iresearch.worldbank.org/PovcalNet/>, and Global Economic Prospects.

Note: Three growth scenarios are considered: (1) pre-COVID-19 uses the January 2020 *Global Economic Prospects* growth rate projections, predating the COVID-19 crisis; (2) COVID-19-downside and (3) COVID-19-baseline use the June 2020 *Global Economic Prospects* growth rates projecting a contraction in global growth for 2020 of 8 percent and 5 percent, respectively.

2020. Nowcasts of poverty commissioned for the report suggest that, in the baseline scenario, poverty would increase by 1.2 percentage points in 2020 and 1.4 percentage points in 2021, while in the downside scenario, the increase would reach 1.5 percentage points in 2020 and 1.9 percentage points in 2021 (figure O.3). The scenarios translate into a global poverty rate of between 9.1 percent and 9.4 percent in 2020 and between 8.9 percent and 9.4 percent in 2021. These new results suggest that, in 2020, an estimated 88 million people worldwide will be pushed into poverty under the baseline COVID-19 scenario and as many as 115 million people under the downside scenario. The projected poverty rates in 2020 are similar to those in 2017; hence, the impacts of COVID-19 are expected to set back progress toward ending extreme poverty by at least three years.

These estimates suggest that South Asia will be the region hardest hit, with 49 million (almost 57 million under the downside scenario) additional people pushed into extreme poverty. Sub-Saharan Africa would be the next most affected region, with between 26 million and 40 million additional people predicted to be pushed into extreme poverty. Overall, some 72 million of the projected

new poor in the baseline scenario will be in middle-income countries—more than four-fifths of the total new poor. When applying the higher regional poverty thresholds appropriate for lower-middle-income countries (US\$3.20 a day) and upper-middle-income countries (US\$5.50 a day), the poverty impact of COVID-19 will be much greater (figure O.4).

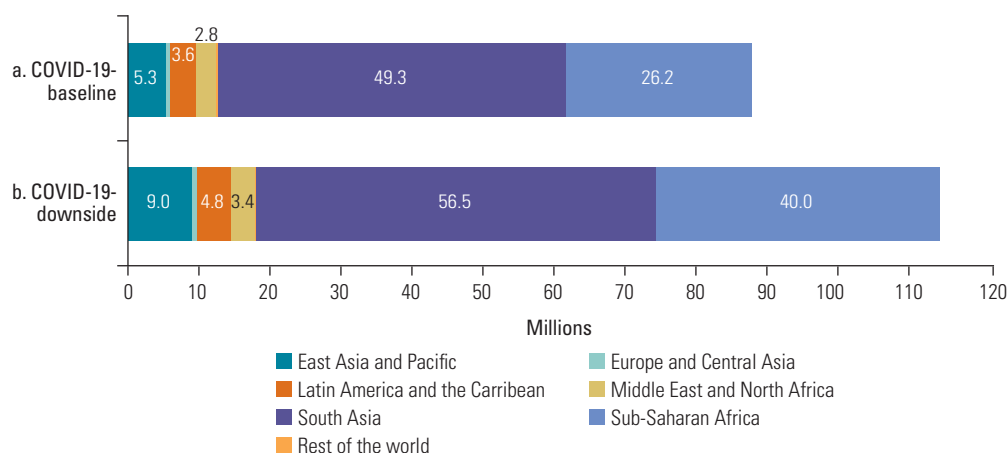
Forecasts projecting the economic impacts of COVID-19 and its aftermath allow us to estimate the pandemic's effects on poverty rates through 2030, the target year for the World Bank's twin goals and the Sustainable Development Goals. Even under the optimistic assumption that, after 2021, growth returns to its historical rates—that is, a per capita annualized growth rate for each country from 2021 to 2030 that matches its average rate between 2008 and 2018—the pandemic's impoverishing effects will be vast. Under the COVID-19-baseline scenario, 6.7 percent of the global population will live under the international poverty line in 2030, compared with the target level of 3 percent. Starting instead from the downside scenario results in an extreme poverty headcount rate of 7 percent in 2030.

Based on these new forecasts, the report confirms that the 2030 target will likely not be reached under either of these two COVID-19 scenarios. Achieving the target would require that all economies grow at 8.0 percent (baseline) or 8.5 percent (downside) per capita per year, which would be equivalent to about five times the historical growth rates for Sub Saharan Africa. These scenarios describing COVID-19's future effects carry high degrees of uncertainty, given that the pandemic is still evolving, but they underline the difficulty of eradicating extreme poverty by 2030. Achieving the goal of ending extreme poverty by 2030 will require significant, swift, and sustained action to ignite inclusive growth in countries where extreme poverty persists.

Frontline surveys confirm swift, large losses in jobs and income from COVID-19

High-frequency telephone surveys conducted by the World Bank in a range of countries provide a real-time, ground-level picture of what has been happening in these settings as the COVID-19 pandemic unfolds.

FIGURE O.4 Additional Poor at the US\$1.90-a-Day Poverty Line in 2020, per the COVID-19-Baseline and COVID-19-Downside Scenarios



Sources: Updated estimates of Mahler et al. 2020, based on Lakner et al. 2020; PovcalNet (online analysis tool), World Bank, Washington, DC, <http://iresearch.worldbank.org/PovcalNet/>; World Bank 2020a, 2020b.

Early data indicate sweeping income and employment losses in many countries, at least in the short term. Most countries have experienced drops in labor incomes of a magnitude rarely seen on the national scale (Hill and Narayan 2020). For example, 42 percent of respondents in Nigeria who were working before the outbreak reported being out of work because of COVID-19 in May 2020, and nearly 80 percent of respondents reported income reductions since mid-March (Siwatu et al. 2020). In Ethiopia, 13 percent of respondents surveyed between April 2 and May 13 reported losing their jobs (including 19 percent in urban areas), and 55 percent reported reduced household income (Wieser et al. 2020). Income reductions have quickly translated into reduced consumption. In seven countries in Latin America and the Caribbean, 40 percent or more of people surveyed reported running out of food during lockdowns (Hill and Narayan 2020). Some countries have rolled out ambitious policies in response. Peru initially approved S/. 3 billion (0.5 percent of GDP) to tackle the health emergency and approximately S/. 7 billion (1.1 percent of GDP) in direct transfers to support vulnerable households during the national lockdown period. In late July 2020, the government announced an additional cash transfer to vulnerable households of approximately S/. 6.4 billion (0.9 percent of GDP).¹

People who are already poor and vulnerable are bearing the brunt of the crisis

People in virtually all countries and at all levels of income are affected by the health and economic consequences of COVID-19. However, emerging evidence shows that people who are currently poor or vulnerable are being hit especially hard. These people include those with lower levels of education and assets, those in insecure employment, and those in lower-skilled occupations, among others.

Why do the poor face greater risks? One reason is that their jobs may be more easily disrupted or eliminated under recession conditions. For example, poorer people and those with lower levels of education and fewer skills are less likely to be able to

work remotely. Businesses such as restaurants, hotels, and bars, along with the wholesale and retail trade, which typically employ less-educated workers, are rarely able to accommodate working from home. In Ethiopia, these sectors accounted for the highest share of job losses by mid-May 2020 (Wieser et al. 2020). Poorer workers are also more likely to work in occupations and sectors that are less compatible with social distancing (for example, construction, labor-intensive manufacturing, and small retail), thus increasing their risk of personal exposure to COVID-19, with its health and income consequences. The poorest may also be hit harder because they have fewer coping mechanisms, such as savings that can cover basic needs during periods of unemployment. In developing countries, inadequate social security systems may fail to compensate for this differential impact of the pandemic.

Disproportionate vulnerability in poor and marginalized communities makes containing the virus there especially critical. Effective approaches have tapped the skills and dedication of community members. In Mumbai, India, city officials were able to stem the rapid spread of the coronavirus in Dharavi, one of the city's largest urban settlements, by mobilizing community members and staff from private medical clinics for a strategy based on mass screening for fever and oxygen levels. In the space of three months, by July 2020, reported cases in the area had been cut to 20 percent of their peak in May. To help poor families during the lockdown, foundations, nongovernmental organizations, and volunteers provided thousands of households with ration kits. Dharavi's success stemmed from a combination of "customized solutions, community involvement, and perseverance" (Masih 2020).

Women in some countries may be suffering greater exposure to the coronavirus because of their overrepresentation in frontline health sector professions and their care responsibilities in many households. Women face other specific health risks in the context of the pandemic, because stringent lockdown measures may lead to heightened levels of domestic violence against women and children (Galea, Merchant, and Lurie 2020; UN Women 2020).

In some settings, women's higher burden of care responsibilities may force them to reduce paid working time or to leave the labor market altogether (Hill and Narayan 2020).

Without strong action, COVID-19 will reduce inclusive growth and deepen inequality

Forecasts conducted for this report suggest that, as a result of the global recession, inclusive growth will decline in the coming years in all but 13 of 91 economies with data. By reducing growth in average incomes, the pandemic has already sharply diminished shared prosperity. Forecasts for 2019–21 indicate that most economies will continue to see substantially lower shared prosperity across this period. Average shared prosperity was 2.3 percent in 2012–17; the average for 2019–21 would be 0 percent if shared prosperity is equal to growth in the mean (that is, assuming a zero shared prosperity premium in all economies), and even less if the impact of the crisis affects poorer segments of the population more than proportionately. Hitting the poorest people hardest, the economic crisis caused by COVID-19 will also drive negative shared prosperity premiums. Revised forecasts of the shared prosperity premium are not yet available, but historical data on recent major epidemics (from severe acute respiratory syndrome in 2003 to Zika in 2016) suggest that these events raise income inequality and significantly diminish employment prospects among people with basic education. Increases in inequality will also have medium-term impacts. The report projects that, if an annual increase of 1 percent in the Gini coefficient were to occur, the global poverty rate would rise to 8.6 percent in 2030.

Although short-term patterns may vary, the negative longer-term consequences of COVID-19 for income inequality are clear. Without strong interventions, the crisis may trigger cycles of higher income inequality, lower social mobility among the vulnerable, and lower resilience to future shocks (Hill and Narayan 2020). Rising inequality may be fueled by factors such as the destruction of many micro and small enterprises, the potentially durable effects of unemployment on the careers and earning potential of younger and lower-skilled workers, and severe human capital losses among disadvantaged households,

partly due to the coping strategies they have to adopt. One of the first and potentially most destructive of these coping strategies is reducing food consumption. Emerging data from COVID-19 phone surveys suggest that this strategy is being widely used. In Nigeria, for example, more than half of households reported reducing their food consumption (Siwatu et al. 2020). Depending on duration and severity, the impact of reduced food intake on children's health, cognitive development, and future human capital accumulation, as well as on current adult health and productivity, may be substantial.

Early evidence from frontline phone surveys also suggests that human capital losses due to school closures are likely to affect poor and rural children disproportionately, notably because they are often unable to engage in distance learning. In Nigeria, the richest 20 percent of households were much more likely than the rest of the population to report that their children were pursuing learning activities, including remote learning, following school closures (Siwatu et al. 2020). As part of its response to COVID-19, however, Niger has announced the Learning Improvement for Results in Education (LIRE) project, which seeks to reach children unable to attend school and develop an online platform to enhance teacher training. In a country where, before COVID-19, half of children between ages 7 and 12 were not in school at all, or completed primary schooling but with few basic skills, the LIRE project has the potential to help families manage the COVID-19 crisis while also modernizing Niger's education system. Such findings and innovative responses contain lessons for countries' recovery strategies, which need to incorporate an equity lens and targeting methods that can protect human capital among vulnerable groups (Hill and Narayan 2020).

COVID-19, conflict, and climate impacts will change the profile of the global poor

This *Poverty and Shared Prosperity* report updates the demographic profile of the global poor by age, gender, schooling, and location; and it also expands the profile across several dimensions, including the extent to which,

within countries, the poor may be concentrated in areas that are more exposed to conflict or climate risks. In addition, the report analyzes data from the Global Monitoring Database to show how COVID-19 may now be changing the profile of people living in poverty.

The new profile of the poor population

The poor remain predominantly rural, young, and undereducated (figure O.5). Four of every five individuals living below the international poverty line reside in rural areas, circa 2018, although the rural population accounts for only 48 percent of the global population (figure O.5, panel a). In fact, poverty became more rural between 2015 and 2018. The share of the rural poor in the total population of poor people increased by more than 2 percentage points during that period.

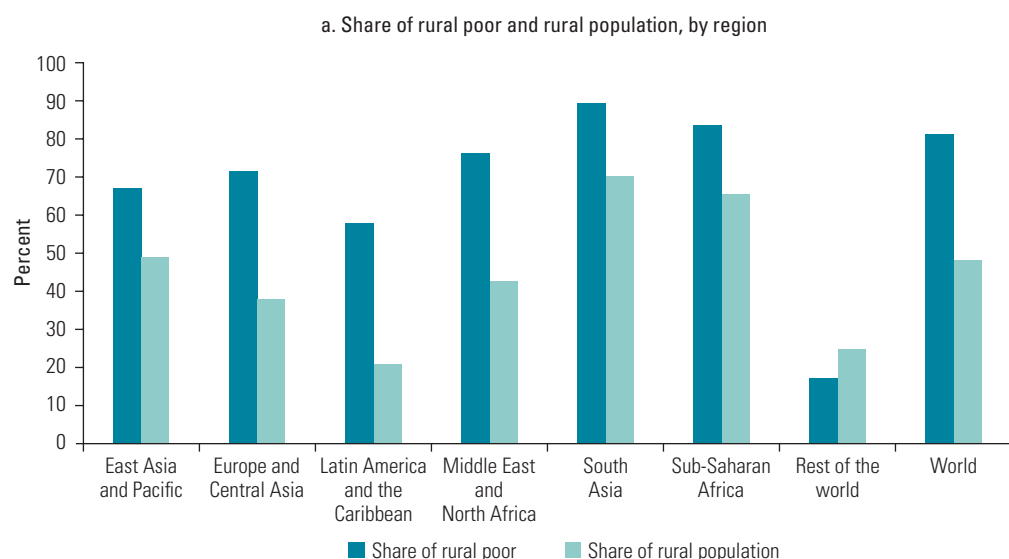
The profile of the global poor is also very young. In 2018, half of the poor were children younger than age 15, even though this age group accounted for only a quarter of the world's population. Children and youth (ages 15–24) together account for two-thirds of the global poor, much higher than the cumulative population share of the 0–24 age

group globally (40 percent of the total). The high share of children and youth among the global poor is most prominent in Sub-Saharan Africa, but it can be observed across most regions. A different profile is seen only in high-income economies, where the poor are skewed toward the elderly.

Women are overrepresented among the poor globally and also across most regions of the world. While Europe and Central Asia, Latin America and the Caribbean, and other high-income economies have low female poverty, East Asia and Pacific, South Asia, and Sub-Saharan Africa have high female poverty; the widest gaps are among children. Girls are more likely than boys to be overrepresented among the poor, as are women in their main reproductive years (ages 25–34) across most world regions (Muñoz-Boudet et al. 2020; World Bank 2018a).

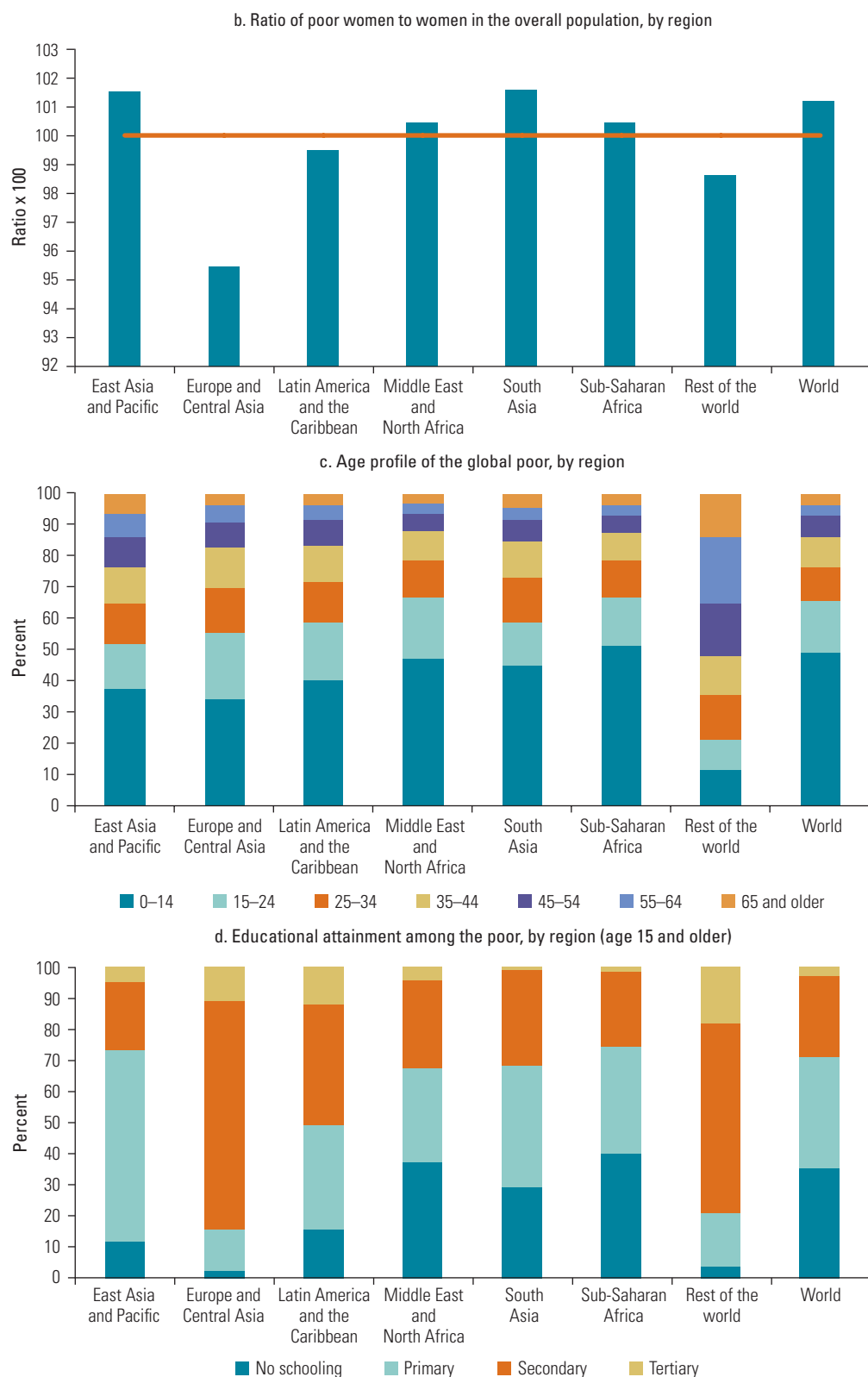
Worldwide, 35 percent of poor adults in the 15-and-older age group in 2018 had no schooling (compared with only 9 percent of the nonpoor), and a further 35 percent of global poor adults had only some education (including those who completed primary education). Lower levels of educational attainment are more common among both poor and nonpoor individuals in rural areas

FIGURE O.5 Four Profiles of the Global Poor, by Region, Gender, Age, and Educational Attainment, circa 2018



(continued)

FIGURE 0.5 Four Profiles of the Global Poor, by Region, Gender, Age, and Educational Attainment, circa 2018 *(continued)*



Source: World Bank estimates based on Global Monitoring Database data.

as compared with urban areas. It is the quality of schooling, however, that is key to poverty reduction, and this is a concern for both non-poor and (especially) poor students, in rural and urban areas alike (World Bank 2020d). This disparity highlights the multidimensional character of rural poverty: among poor adults residing in rural areas, 39 percent report having no education, more than double the share of poor adults in urban areas having no education.

The pandemic is set to increase poverty among groups that had been less affected

The COVID-19 pandemic may push more than 100 million people into extreme poverty in 2020. Although existing data do not yet permit a detailed description of this population to be formulated, evidence is emerging based on simulations of COVID-19 impacts and newly collected data from high-frequency surveys. A new analysis of these findings in this report suggests that the new poor may differ from those who were poor before the onset of the pandemic in ways that are important for policy.

Although a large share of the new poor will be concentrated in countries that are already struggling with high poverty rates, middle-income countries will also be significantly affected. Overall, some 72 million of the projected new poor in the baseline scenario (and 94 million in the downside scenario) will be in middle-income countries—more than three-quarters of the total.

People forced into poverty by COVID-19 may also differ from the current global poor in other ways. Within countries, a large share of the extreme poor are rural, whereas many of the new poor are likely to live in congested urban settings, which can serve as a conduit for infection. Many of the new poor are likely to be engaged in informal services, construction, and manufacturing—the sectors in which economic activity is most affected by lockdowns and other mobility restrictions as well as mandatory social distancing. The recent simulations of profiles of the new poor based on population-weighted estimates from a sample of 110 economies show that the new poor are projected to be more likely to live in urban areas, live in dwellings with better access to infrastructure, and own

slightly more basic assets than those who are poor in both 2019 and 2020. The new poor who are 15 and older are also more likely to be paid employees and work more in nonagriculture (manufacturing, services, and commerce sectors) than the chronic poor. The new poor tend to be more educated than the chronic poor, and significantly less educated than the nonpoor (of those age 15 and older).² These early estimates assume that the relationship between GDP growth and the change in poverty is distribution neutral in all countries, which implies that a loss in GDP affects all parts of the distribution proportionately. If that were not the case (that is, if the crisis affects some groups more than others), the profile and composition of the poor may be more or less heterogeneous.

The emerging global profile of the new poor is supported by simulations developed for specific countries, including Bangladesh, Brazil, Nigeria, and South Africa. This work confirms that a large share of the new poor will be urban. It also shows that the new poor are likely to be disproportionately employed outside agriculture (for example, in manufacturing, construction, and wholesale and retail trade in South Africa; and in services in Nigeria and Indonesia) (Sánchez-Páramo 2020). These patterns are borne out by emerging data from high-frequency monitoring surveys of COVID-19 impacts on households. A survey in Mongolia, for example, found that 14 percent of urban respondents report having lost employment compared with only 9 percent in rural households (World Bank 2020a). In Uzbekistan, the figures were 46 percent for urban versus 37 percent for rural (World Bank 2020b).

Conflict and climate change may force rising numbers of people into poverty in the medium term

Along with COVID-19 and the economic crisis, armed conflict and climate change are already driving poverty increases in parts of the world. Their impoverishing effects are likely to intensify.

The association with fragility and conflict is an increasingly salient feature of global poverty. Corral et al. (2020) indicate that 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 (FCS). In 2020, the 37 economies formally classified as affected by fragility, conflict, and violence are home to only about 10 percent of the world's population, but they account for more than 40 percent of the global poor (figure O.6). Before COVID-19, Corral et al. (2020) projected that fragile and conflict-affected economies would represent a majority of the extreme poor by 2030, with Sub-Saharan Africa contributing a large share of the total. In the most recent COVID-19 projections, FCS economies represent only 20 percent of the new poor, which hints at a smaller share of FCS poor among the global poor in coming years.³

Armed conflict can exert swift and powerful effects on economic growth and poverty. But evidence increasingly suggests that its impacts on poverty and human capital accumulation can persist for decades, even for generations (Corral et al. 2020). New research commissioned for this report shows how conflict weakens poverty reduction long term by creating a “conflict debt” that a country can only resolve by maintaining peaceful conditions for a sustained period once violent conflict ends. The concept of conflict debt underscores that a cumulative history of past conflict, not just contemporaneous conflict, impedes a country's ability to address

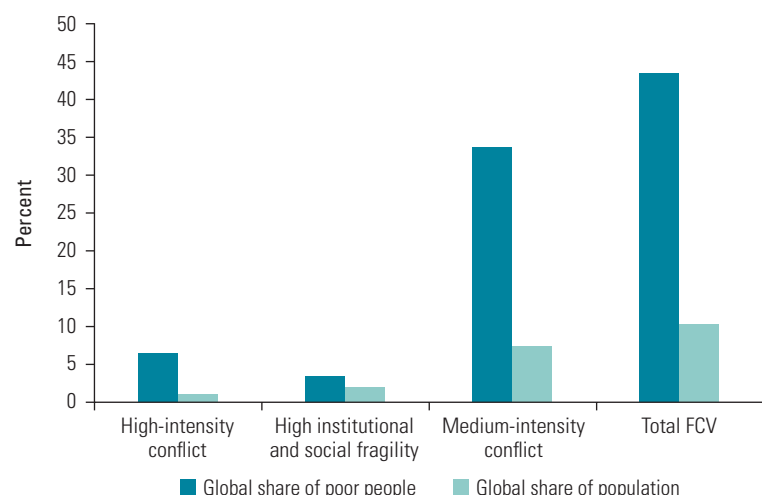
poverty or inclusive growth (Mueller and Techasunthornwat 2020).

Human capital is a key transmission channel for these effects. Gaps in human capital, manifested in poor educational and health outcomes, affect the future productivity of workers and the future competitiveness of economies (World Bank 2018b, World Bank 2020d). Conflict contributes directly to these gaps by affecting long-term workforce productivity through less access to education, increases in deaths and injuries, more stunting, and worsened mental health. Expectations of further outbreaks of violence also inhibit capital inflows and further reduce productivity, while fear of the spread of violence can amplify its impact beyond the individuals, firms, and regions that are directly affected. And although conflict is a symptom of weak state capacity, it also perpetuates weak capacity, with repercussions for the state's ability to pursue effective poverty alleviation strategies and policy interventions.

Climate change also poses both acute and medium-term threats to poverty reduction, particularly in Sub-Saharan Africa and South Asia—the regions where most of the global poor are concentrated. The World Bank's *Shock Waves* report estimated that, if unaddressed, climate change has the potential to push more than 100 million people into poverty by 2030 (Hallegatte et al. 2016). An update of these analyses commissioned for this report estimates the number of people who would become impoverished at between 68 million and 132 million, depending on the scope and severity of climate-change impacts during the period.

Ample evidence indicates that those living in poverty or near the poverty line are particularly vulnerable to shocks such as natural disasters; greater vulnerability means that they lose more when such shocks occur. This exposure reflects many factors, including lower-quality assets, such as housing stock; greater dependence on livelihoods derived from agriculture and ecosystems that are vulnerable to natural disasters; greater vulnerability to rising food prices during disaster-related supply shocks; and greater susceptibility to climate-related diseases such as diarrhea and malaria (Hallegatte et al. 2016).

FIGURE O.6 Share of the Global Poor and of the Global Population, by FCS 2020 Typology



Source: World Bank estimates based on Global Monitoring Database data.

Note: FCS = fragile and conflict-affected situations; FCV = fragility, conflict, and violence.

The deleterious effects of conflict and of climate change on poverty are also likely to be concentrated among those whose incomes are not far above the poverty threshold. A profile of the population below the US\$3.20-a-day threshold provides a better sense of the global poverty profile for households that may fall below the international poverty line because of the COVID-19 pandemic or other negative income shocks. This profile, interestingly, shows that the population living below the US\$3.20-a-day threshold is also predominantly rural, underaged, and underschooled, and has higher exposure to armed conflict. As indicated in previous paragraphs, new evidence shows that the “new poor” are different, but the total profile of global poverty will still contain a large share of rural groups, children, and under-schooled adults, underscoring the double challenge of implementing new and specific policy responses for the “new poor” without diminishing support to the regularly vulnerable.

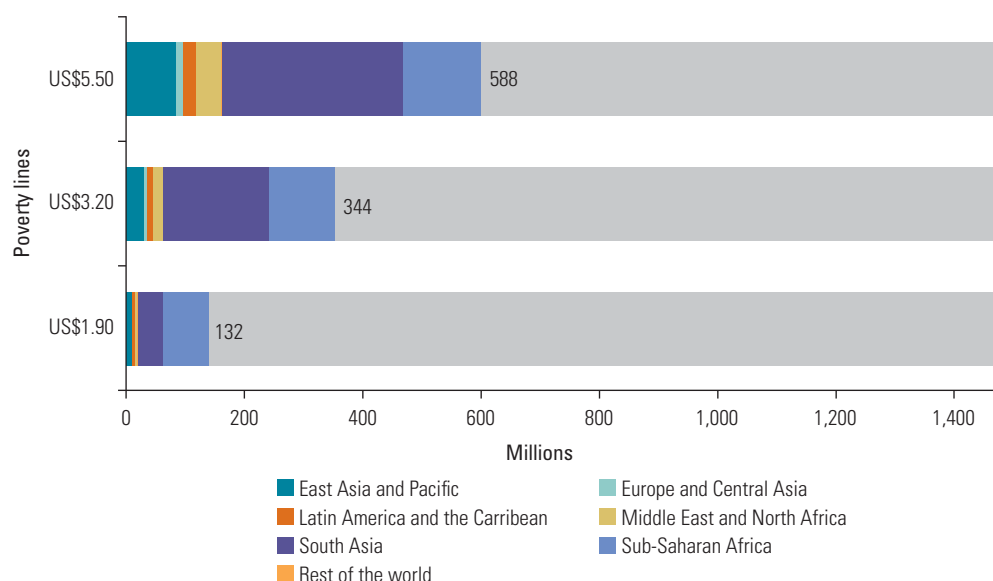
This report also includes an estimate of the number of people in poverty who are exposed to intense flood risk, one of the potential impacts of climate change. For each country and each subnational administrative unit, a single flood hazard layer is created by combining different flood types. Globally, some 1.47 billion people

are estimated to be living in areas with high flood risk, including about 132 million poor people, as defined by the international poverty line of US\$1.90 a day. If using higher poverty lines (for instance, the US\$5.50 line), about half the population exposed to catastrophic floods is poor (figure O.7).

The impoverishing impacts of COVID-19, conflict, and climate change converge in Sub-Saharan Africa

The forces propelling the upsurge in global poverty affect every part of the world, but they are hitting Sub-Saharan Africa especially hard. Extreme poverty was already becoming increasingly concentrated there even before the crisis: among the world’s economies for which poverty can be measured, 18 of the 20 poorest are in Sub-Saharan Africa. Some 40 percent of the region’s population still lived on less than US\$1.90 a day in 2018, and almost 70 percent lived on less than \$3.20 a day, the poverty line typical of lower-middle-income economies. Perhaps even more alarming is the stagnation of poverty rates at high levels over the past three decades. The 2018 *Poverty and Shared Prosperity* report (World Bank

FIGURE 0.7 Number of Poor Living at the Three Poverty Lines Who Are Also Exposed to Catastrophic Floods



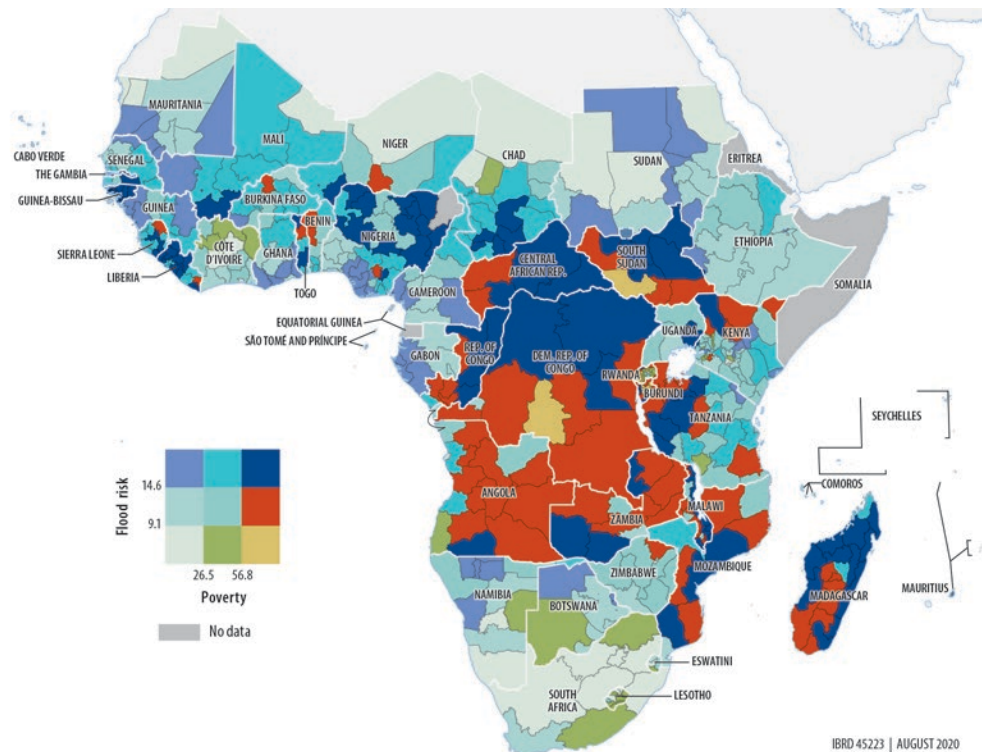
Source: Rentschler and Salhab 2020.

2018a) analyzes this pattern and identifies key drivers in some African countries, including weak initial conditions, low per capita growth, high reliance on extractive industries, limited institutional stability and policy effectiveness, and vulnerability to natural disasters such as droughts.

Some of the most destructive impacts of climate change are also expected to affect Sub-Saharan Africa disproportionately. Original analysis included in the report looks at the incidence of poverty and exposure to catastrophic floods due to climate change. Here, too, Sub-Saharan Africa stands out for the joint occurrence of poverty and flood exposure. Whereas the region accounts for slightly more than 10 percent of the global population with high flood risks, it is home to more than half of the global poor facing high flood risks (map O.1).

Poverty is not uniform across Sub-Saharan Africa. Some countries have recently made impressive strides in reducing poverty, but this progress is now threatened by COVID-19. Ethiopia saw a decrease of 7 percentage points in the extreme poverty rate between 2004/05 and 2015/16, confirming a virtuous trend since the early 2000s. In Kenya, the share of population living below the international poverty line decreased from 44 percent to 37 percent between 2005 and 2015; in Namibia, it dropped from 23 percent to 13 percent between 2009 and 2015. The economic crisis unleashed by COVID-19 could reverse such hard-won gains. Although the decline in economic growth is projected to be more modest in Sub-Saharan Africa than in advanced economies, it will likely spur one of the largest increases in extreme poverty, reflecting the large number of people

MAP 0.1 Joint Distribution of Poverty and Flood Risk in Sub-Saharan Africa



Sources: World Bank estimates based on data from the Global Subnational Atlas of Poverty, Global Monitoring Database, and Rentschler and Salhab 2020.

Note: Scale thresholds for poverty and climate risk are based on terciles. Both axes represent the percentage of the population. Those who live with a flood risk face inundation depths of over 0.15 meters in the event of a 1-to-100-year flood. Those in poverty live below the US\$1.90-a-day poverty line.

in the region living on the edge of poverty. The nowcasts in this report of the pandemic's global poverty impacts through 2021 suggest that Sub-Saharan Africa will be the second most severely affected region (after South Asia), with 26 million to 40 million more of its people falling into extreme poverty.

Conclusion: Tackling the crisis while looking to the long term

As this report was written, a slowing of inclusive growth and global poverty reduction became a historic reversal, with the potential to erase years of hard-won poverty eradication and development gains. COVID-19 triggered this reversal, but its effects are intensified by armed conflict in some economies and the growing impact of climate change worldwide. Global economic growth is predicted to fall by 5.2 percent in 2020, the largest drop in eight decades. The shock may leave lasting scars on investment levels, remittances flows, the skills and health of the millions now unemployed, learning outcomes (through school closures), and supply chains (World Bank 2020c).

This report presents new evidence that the crisis is sharply reducing incomes and welfare among people who were already poor, while impoverishing tens of millions more who may differ from the existing poor in ways important for the policy response. The new poor tend to be more urban than the chronically poor and to work outside of agriculture, in sectors including informal services, construction, and manufacturing. New analysis included in the report shows that the crisis has rapidly reduced shared prosperity and threatens to durably widen income inequalities in many settings, leading to lower social mobility in the longer term and making it harder for economies to return to inclusive growth.

These findings call for urgent action. If the global response fails the world's poor and vulnerable people now, the losses they have experienced to date may be dwarfed by what lies ahead. We must not fail. "Not failing" obviously means stopping COVID-19, but

success over the long term will require much more. As efforts to curb the disease and its economic fallout intensify, the interrupted development agenda in low- and middle-income countries must be put back on track. Reversing today's reversals of fortune requires tackling the economic crisis unleashed by COVID-19 with means proportional to the crisis itself. In doing so, countries can also plant the seeds for dealing with the long-term development challenges of promoting inclusive growth, capital accumulation, and risk prevention, particularly the risks of conflict and climate change.

Policy responses need to reflect the changing profile of the poor

Findings about the new poor have important policy implications, in particular for the design of safety nets and for measures to rebuild jobs and strengthen human capital in the recovery phase. Currently, even though many countries face challenges with the targeting and coverage of existing safety nets, support to poor households already covered by such programs can be mobilized relatively quickly. By contrast, those in the urban informal sector who are affected by job and income losses, along with groups such as seasonal migrants and refugees, may not be covered by the emergency response measures being deployed.

Protecting households from the impacts of COVID-19 will require policies and programs that reach both the existing and the new poor. Safety net programs will need to adopt innovative targeting and delivery mechanisms, in particular to reach people in the informal sector in both rural and urban areas (Sánchez-Páramo 2020, Bowen et al. 2020). Countries are taking action to meet the challenge. Kenya, for example, has reallocated all domestic and international travel budgets from government agencies to combat COVID-19 and committed up to KSh 2 billion (US\$20 million) recovered from corruption proceeds to support vulnerable groups, especially the urban poor.⁴ Afghanistan has rolled out a relief package designed for both the rural and urban poor. The package amounts to 1.6 percent of GDP and will provide support

to households with incomes of US\$2 a day or less (twice the national poverty line). It will cover about 90 percent of all Afghan households. Households in rural areas will receive the equivalent of US\$50 in essential food staples and hygiene products, while those in urban areas will receive a combination of cash and in-kind support equivalent to US\$100, in two tranches.⁵

As the recovery gathers momentum, countries will also need to consider the changing profile of poverty and vulnerability as they invest in jobs. Policy options may include providing grants and wage subsidies to firms to minimize layoffs, supporting micro and small enterprises through measures such as tax exemptions and grants, and active labor market programs to facilitate transitions among workers who have lost jobs (Hill and Narayan 2020). Bangladesh's 2.5 million small and medium enterprises contribute some 20 percent of the country's GDP. The stimulus package announced by the government of Bangladesh in April 2020 earmarked US\$2.3 billion as working capital for small and medium enterprises at government-subsidized interest rates. The government's relief effort has also included a low-rate loan package to pay workers' wages in the country's hard-hit readymade garment industry.⁶

Poverty action needs to address hot spots of conflict, climate change, and COVID-19

In the years ahead, the persistent effects of the pandemic, new conflicts and old "conflict debt," and climate change will continue to affect the geographic distribution of populations living in or near absolute poverty. Policies to eradicate poverty and mitigate its effects will increasingly need to target areas marked by the convergence of two, or in some cases all three, of these factors.

Today, countries in which a large share of the poor reside in areas affected by recent or past conflicts and high flood risk include Cameroon, the Central African Republic, the Republic of Congo, Liberia, and Nepal. Postcrisis recovery and future poverty reduction in these complex settings will require

tailored policy approaches, and the optimal solution in each case will need to be found. To identify them, targeted research needs to clarify interactions among poverty, conflict, flood risks, and other phenomena associated with climate change—including extreme temperature events, the prevalence of vector-borne and other diseases, and food security, among others.

Countries are taking action, innovating, and learning as they go

Countries around the world have undertaken bold initiatives in response to the COVID-19 pandemic, including approaches that encompass responses to other ongoing development challenges. Although it is too soon to rigorously assess the effectiveness of such initiatives, their early results can inform future efforts. Current policies need to engage multiple sectors, in keeping with the pandemic's pervasive effects.

For instance, Indonesia has taken assertive steps to curb the human and economic costs of COVID-19, initiating four fiscal policy packages since March 2020, with the early-June 2020 package amounting to 4.2 percent of GDP. These efforts have focused on expanding the COVID-19 response capability in the health sector; strengthening social protection programs and expanding unemployment benefits, including to workers in the informal sector; reducing taxes for individuals and in the tourism sector; and permanently reducing the corporate income tax, from 25 percent to 22 percent in 2020–21 and to 20 percent in 2022. Capital has also been provided to shore up state-owned industries, to support credit guarantees, and to lend restructuring funds to micro, small, and medium enterprises.

Because crises can create opportunities, some countries are harnessing the recovery to catalyze regulatory reforms and expand investments in digital technology. In Ecuador, the Philippines, and Uganda, for example, reforms in these areas have facilitated access to finance, enabled greater logistical support to small and medium enterprises, and

expanded workers' awareness of employment opportunities.

Some countries have had to confront COVID-19 and large-scale natural disasters such as cyclones simultaneously. In countries including India and Vanuatu, disaster risk management laws and governance structures have supported the ability of officials to undertake emergency measures and manage the response not only to tropical storms but also to the nonpharmacological aspects of COVID-19 (Kishore 2020).

A practical challenge for many governments is providing monetary assistance to those most in need, for example, social protection payments to those who have recently become unemployed. Direct payments or transfers from governments to people are faster, more accurate, and less expensive if they can be made electronically. COVID-19 has already prompted Chile, Peru, Thailand, and more than 50 other countries to expand their government-to-people cash transfer systems (Rutkowski et al. 2020).

Emergency action and long-term development can share lessons

Responses to the triple challenges of COVID-19, conflict, and climate change need to reflect past experience and lessons from recent assessments of complex development interventions. Four areas of intersection and shared learning may be especially important for coordinating action on current and ongoing development challenges.

1. *Closing the gap between policy aspiration and attainment.* Recent development research has shined fresh light on a persistent problem that also concerns the COVID-19 response: to tackle tough challenges, sound policies are crucial but not sufficient. Especially as the challenges intensify in reaching and responding to the poorest communities, success requires leadership that is fully committed to securing political accountability and financial support, building robust implementation systems (Page and Pande 2018), and providing complementary support factors (for example, hungry children will struggle to learn even in well-equipped schools,

so they may need food support). Recent research suggests that implementation capability in most low-income economies has been stagnant or declining in recent years (Andrews, Pritchett, and Woolcock 2017; Pritchett 2020). Much more attention needs to be given not just to “getting policies right” but to building the capability of the administrative systems that are tasked with implementing them.

2. *Enhancing learning and improving data.*

Faced with the unprecedented scientific, organizational, and societal uncertainty provoked by COVID-19, governments and their partners need to learn—very quickly—how to identify, enact, and scale up effective, context-specific responses. Development experience itself can supply evidence on promising approaches and common pitfalls, so it is important to remain open to innovative responses, no matter where they come from, and to share them. Indeed, the diverse response and recovery strategies now unfolding around the world will generate vast quantities of data and opportunities for learning. In general, data limitations create doubts among the general public, obstruct scientific progress, and hinder the implementation of sound, evidence-based development policies. If captured and curated, data from the crisis response can guide rapid course corrections in COVID-19 policy and inform future action on core development problems. Accessible, high-quality data are a public good whose importance increases during crises.

3. *Investing in preparedness and prevention.*

COVID-19, armed conflict, and climate change underscore the need to invest in comprehensive preparedness and prevention within countries and across borders. Multilateral agencies, including the Global Facility for Disaster Reduction and Recovery, are already active in this area. An example of successful international cooperation in disaster preparedness is the Indian Ocean Tsunami Warning and Mitigation System (IOTWMS). Following the 2004 earthquake and tsunami in the region, Australia, India, Indonesia, Malaysia, and Thailand moved to set up their own warning

centers but initially struggled to coordinate their work. After years of political negotiation, technical challenges, and persistent shared efforts, IOTWMS became fully operational in 2013. Since the 2004 Indian Ocean tsunami, regional warning systems have also been created in the Mediterranean and the Caribbean. Cooperation and coordination are also crucial tasks for regional agencies, such as the Regional Disease Surveillance Systems Enhancement Program (in West and Central Africa) and the East Africa Public Health Laboratory Networking Project (Wetzel 2020)—all the more so if the effects of COVID-19 linger or periodic outbreaks eventuate.

4. *Expanding cooperation and coordination.* Cooperation and coordination are vital, not only to improve the empirical foundations of policy making, but also to nurture social solidarity in affected countries and communities and ensure that governments' decisions are both trusted and trustworthy. Strikingly different levels of cooperation and coordination are evident in the ways in which countries and local jurisdictions have responded to COVID-19 to date—some with decisive collective action from the outset, others hesitating or denying the threat until the pandemic was far advanced. Vietnam stands out as a country that, despite this inherent uncertainty, provided clear and regular public information from the outset, thereby crowding out space for “fake news,” conspiracy theories, and misinformation (Ravallion 2020). Even where scientific expertise and political leadership unite behind a credible COVID-19 strategy, success depends on communities following the rules and being prepared to make sacrifices. Although the pandemic has different impacts on different social groups, the fact that *all* are affected is an opportunity for leaders to promote a sense of social inclusion and collective resolve, the benefits of which could extend beyond the crisis.

No country acting alone can adequately control, much less prevent, the type of emergency the world is now experiencing. Future preparedness, prevention, and crisis responses must be global and collaborative. Reversing even a massive reversal of fortune,

such as we are seeing with COVID-19, is possible. It has been done many times in the past, in the face of what were regarded at the time as insurmountable challenges—for example, eradicating smallpox, ending World War II, creating national parks, closing the ozone hole—and it will be done again in the future. This global crisis is also a defining historical moment. To address development challenges, whether large or small, the world needs to commit to cooperation and coordination both within and between countries. We must commit to working together, and to working better, for the long term.

Notes

1. “Policy Responses to COVID-19, Policy Tracker: Peru,” International Monetary Fund, Washington, DC, <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#P>.
2. Estimates as of August 6, 2020. “Profiles of the New Poor due to the COVID-19 Pandemic,” Brief, August 6, World Bank, Washington, DC, <https://www.worldbank.org/en/topic/poverty/brief/Profiles-of-the-new-poor-due-to-the-COVID-19-pandemic>.
3. This estimate is preliminary and only indicative because the methods adopted in Corral et al. (2020) aim to overcome data limitations in FCS economies and are not strictly comparable with the COVID-19 impact projection methods adopted in this report. Further research is needed to recalibrate projections of the share of the FCS poor in the world in the decade after COVID-19.
4. “Country Policy Responses,” International Labour Organization, Geneva, <https://www.ilo.org/global/topics/coronavirus/country-responses/lang--en/index.htm#KE>.
5. “Policy Responses to COVID-19,” International Monetary Fund, Washington, DC, <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>.
6. “Country Policy Responses,” International Labour Organization, Geneva, <https://www.ilo.org/global/topics/coronavirus/country-responses/lang--en/index.htm#BD>; “EU to provide €113m as wages for 1m RMG workers in Bangladesh,” Dhaka Tribune, June 2, 2020, <https://www.dhakatribune.com/business/2020/06/02/eu-to-provide-97m-for-1m-rmg-workers-wages-for-3-months>.

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This edition of the biennial **Poverty and Shared Prosperity** report brings sobering news. The COVID-19 (coronavirus) pandemic and its associated economic crisis, compounded by the effects of armed conflict and climate change, are reversing hard-won gains in poverty reduction and shared prosperity. The fight to end poverty has suffered its worst setback in decades after more than 20 years of progress. The goal of ending extreme poverty by 2030, already at risk before the pandemic, is now beyond reach in the absence of swift, significant, and sustained action, and the objective of advancing shared prosperity—raising the incomes of the poorest 40 percent in each country—will be much more difficult.

Poverty and Shared Prosperity 2020: Reversals of Fortune presents new estimates of COVID-19's impacts on global poverty and shared prosperity. Harnessing fresh data from frontline surveys and economic simulations, it shows that pandemic-related job losses and deprivation worldwide are hitting already poor and vulnerable people hard, while also shifting the profile of global poverty to include millions of "new poor." Original analysis included in the report shows that the new poor are more urban, better educated, and less likely to work in agriculture than those living in extreme poverty before COVID-19. It also gives new estimates of the impact of conflict and climate change, and how they overlap. These results are important for targeting policies to safeguard lives and livelihoods. It shows how some countries are acting to reverse the crisis, protect those most vulnerable, and promote a resilient recovery.

These findings call for urgent action. If the global response fails the world's poorest and most vulnerable people now, the losses they have experienced to date will be minimal compared with what lies ahead. Success over the long term will require much more than stopping COVID-19. As efforts to curb the disease and its economic fallout intensify, the interrupted development agenda in low- and middle-income countries must be put back on track. Recovering from today's reversals of fortune requires tackling the economic crisis unleashed by COVID-19 with a commitment proportional to the crisis itself. In doing so, countries can also plant the seeds for dealing with the long-term development challenges of promoting inclusive growth, capital accumulation, and risk prevention—particularly the risks of conflict and climate change.

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