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Poverty and Shared Prosperity Report: World Bank

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Why in News

The **World Bank** in its **biennial Poverty and Shared Prosperity Report** mentions that **Covid-19** can add around 27-40 million **new poor** in **Sub-Saharan Africa** and around 49-57 million in **South Asia** region.

The “**new poor**” will:

- Be more urban poor.
- Be more engaged in informal services and manufacturing and less in agriculture.
- Live in congested urban settings and work in the sectors most affected by lockdowns and mobility restrictions.

Key Points

- **Extreme Poverty Projection:** The COVID-19 pandemic is estimated to push an additional **88 million to 115 million people into extreme poverty this year**, with the total rising to as many as **150 million by 2021**, depending on the severity of the economic contraction.
 - **Percentage of Population:** The **pandemic and global recession** may cause over **1.4% of the world’s population** to fall into extreme poverty.
 - **Extreme poverty:** It is defined as **living on less than \$1.90 a day**. The World Bank measures poverty lines of \$3.20 and \$5.50, and also a multidimensional spectrum that includes access to **education and basic infrastructure**.
 - **Increase in Rate of Poverty:** Global extreme poverty rate is projected to rise by around **1.3% to 9.2%** in 2020. If the pandemic would not have been there, the poverty rate was expected to drop to **7.9%** in 2020.

- **Regions of Incidence:** Many of the newly poor individuals will be **from countries that already have high poverty rates (Sub-Saharan Africa and South Asia)**.
 - Around **82%** of the total poor will be in middle income countries (MICs).
 - **Flood Prone Areas:** About **132 million** of the global poor live in high flood risk regions. The focus on flooding in this report primarily reflects the fact that **floods are one of the most common** and severe hazards, especially in lower-income countries.
- **Reverse of Progress Made:** Current increasing poverty is reversal of the achievements made in two-and-a-half decades (1990-2015).
 - Extreme poverty rate **declined by 26%**. It dropped to 10% from nearly 36%.
 - During 2012-2017, the growth was inclusive and the incomes of the poorest 40% of the population grew.
 - The **average global shared prosperity** was 2.3% during the period.
- **Diminished Shared Prosperity:** Average global shared prosperity is estimated to stagnate or even contract over 2019-2021 due to the reduced growth in average incomes.

Shared prosperity is defined as the **growth in the income of the poorest 40% of a country's population**.

- **Reason: Global extreme poverty** is expected to rise for the **first time in 20 years** because of the **disruption** caused by **Covid-19**.

It is exacerbating the impact of conflict and **climate change**, which were already slowing down poverty reduction.

- **Proposed Strategy**

The World Bank recommends for a complementary two-track approach which involves short as well as long term strategy:

- **Short-run:**

- Without policy actions, the Covid-19 crisis may lead to an increase in income inequality, resulting in a world that is less inclusive.
- Countries need to prepare for a different economy post-Covid, by allowing capital, labour, skills, and innovation to move into new businesses and sectors.

- **Long-run:**

Continuing to focus on foundational development problems, including conflict and climate change as the key areas.

Poverty in India

- **Poverty estimation** in India is carried out by **NITI Aayog**'s task force through the calculation of poverty line based on the data captured by the National Sample Survey Office under the Ministry of Statistics and Programme Implementation (MOSPI).
Poverty line estimation in India is based on the **consumption expenditure** and not on the income levels.
- **Global Multidimensional Poverty Index 2020:**
 - India lifted as many as 270 million people out of multidimensional poverty between 2005-06 and 2015-16.
 - **Impact of Covid-19:** Covid-19 is having a profound impact on the development landscape.
The study finds that on average, poverty levels will be set back 3 to 10 years due to Covid-19.
 - **Sustainable Development Goals:** The index emphasises on measuring and monitoring progress under the goals to reach '**zero poverty by 2030-Goal 1**' of the **SDGs**.
- **Recent Measures Taken:**
 - The government enhanced its social safety programs including **direct benefit transfers such as cash transfers** under **PM Kisan scheme**, more liberal financing under the **Mahatma Gandhi National Rural Employment Guarantee Act, 2005** like advance disbursement, direct cash grants to construction workers and release of free and subsidized food grains under **Pradhan Mantri Garib Kalyan Yojana** to about 800 million people to ensure food for all.
 - The Government announced a special economic package of Rs 20 lakh crore (equivalent to 10% of India's GDP) under **Atma Nirbhar Bharat Scheme** with the aim of making the country independent against the tough competition in the global supply chain and to help in empowering the poor, labourers, migrants who have been adversely affected by Covid.

Way Forward

- The challenge of poverty is enormous especially in the background of Covid-19. The need is to collaborate at both Global and Regional levels.
 - Collaboration in the form of sharing information on disease and cure.
 - Developmental and poverty eradication aid by the international financial organizations is of real meaning here.
- At national level, respective governments must ensure both short and long-run strategies proposed by the World Bank apart from existing efforts of national governments.

Source: DTE