



Poverty and Shared Prosperity 2022: Correcting Course

For Prelims: Poverty and Shared Prosperity 2022, World Bank

For Mains: State of Poverty in India and related steps taken, Important International Institutions

Why in News?

Recently, the [World Bank](#) released a report titled “**Poverty and Shared Prosperity 2022: Correcting Course**”.

What are the Findings of the Report?

- **Global Poverty Reduction:**
 - Global poverty reduction **has been slowing down since 2015** but the [Covid pandemic](#) and the [war in Ukraine](#) have completely reversed the outcomes.
 - By 2015, the **global extreme-poverty rate had been cut by more than half**.
 - Since then, poverty reduction has slowed in tandem with subdued global economic growth.
 - As such, the **global goal of ending extreme poverty by 2030** would not be achieved.
- **People living below the Poverty Line:**
 - In 2020 alone, the **number of people living below the extreme poverty line rose by over 70 million**; the largest one-year increase since global poverty monitoring began in 1990.
 - Given current trends, 574 million people—nearly 7% of the world’s population—will still be living on less than USD 2.15 a day in 2030, with most in Africa.
- **Rise in Inequalities:**
 - The **poorest people bore the steepest costs of the pandemic**: Income losses averaged 4% for the poorest 40%, double the losses of the wealthiest 20% of the income distribution.
 - Global inequality rose, as a result, for the first time in decades.
 - Global median income declined by 4% in 2020—the first decline since measurements of median income began in 1990.

What are the Suggestions?

- National policy reforms can help restart progress in reducing poverty.
- Stepped-up global cooperation will also be necessary.
- In fiscal policy, governments should act promptly on three fronts:
 - **Avoid Broad Subsidies, increase targeted cash transfers:**
 - Half of all spending on energy subsidies in low- and middle- income economies go to the richest 20% of the population who consume more energy.
 - Cash transfers are a far more effective mechanism for supporting poor and vulnerable groups.
 - **Focus on Long-Term Growth:**

- High-return investments in education, research and development, and infrastructure projects need to be made today.
- In a time of scarce resources, **more efficient spending and improved preparation for the next crisis will be key.**
- **Mobilize Domestic Revenues without Hurting the Poor:**
 - **Property taxes and carbon taxes can help raise revenue** without hurting the poorest.
 - So can broadening the base of personal and corporate income taxes.
 - If sales and excise taxes do need to be raised, **governments should minimize economic distortions** and negative distributional impacts by simultaneously using targeted cash transfers to offset their effects on the most vulnerable households.

What is the State of Poverty in India?

▪ About:

- According to the World Bank published the paper titled '[Poverty has Declined over the Last Decade But Not As Much As Previously Thought](#)'.
 - Extreme poverty in India was **12.3% points lower in 2019 compared with 2011**, as poverty headcount rate declined from 22.5% in 2011 to 10.2% in 2019, with a comparatively sharper decline in rural areas.
 - Poverty reduction was higher in rural areas compared with urban India as rural poverty declined from 26.3% in 2011 to 11.6% in 2019, while in urban areas the decline was from 14.2% to 6.3% in the corresponding period.

▪ Poverty Estimation:

- 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.**

▪ Recent Measures Taken:

- [Integrated Rural Development Programme \(IRDP\)](#)
- [Pradhan Mantri Awaas Yojana](#)
- [National Old Age Pension Scheme](#)
- [Mahatma Gandhi National Rural Employment Guarantee Act \(MGNREGA\) 2005](#)
- [Deendayal Antyodaya Yojana - National Rural Livelihood Mission \(DAY-NRLM\)](#)
- [National Urban Livelihood Mission](#)
- [Pradhan Mantri Kaushal Vikas Yojana](#)
- [Pradhan Mantri Jan Dhan Yojana](#)

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q. In a given year in India, official poverty lines are higher in some States than in others because (2019)

- (a) poverty rates vary from State to State
(b) price levels vary from State to State
(c) Gross State Product varies from State to State
(d) quality of public distribution varies from State to State

Ans: (b)

Exp:

- In India, poverty is estimated at absolute level or the minimum money required for subsistence. Presently, the poverty line is defined as the minimum money required for maintaining a per capita caloric intake of 2,100 calories in an urban area and 2,400 calories in a rural area.
- Thus, according to the Poverty Estimates (2011-12) of the Planning Commission, the poverty lines

vary from State to State because the price of per capita goods varies due to interstate price differentials.

- **Therefore, option (b) is the correct answer.**

Mains

Q.“The incidence and intensity of poverty are more important in determining poverty based on income alone”. In this context analyse the latest United Nations Multidimensional Poverty Index Report. **(2020)**

Source: IE

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