

World Bank says goal of ending extreme poverty by 2030 unlikely to be met

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Shocks related to the Covid-19 pandemic and the war in Ukraine mean the world is unlikely to meet a longstanding goal of ending extreme poverty by 2030, the World Bank said in a new report released on Wednesday, 5 October.



World Bank president David Malpass. Source: Reuters/Mike Theiler

The Covid-19 pandemic marked a historic turning point after decades of poverty reduction, it said, with 71 million more people living in extreme poverty in 2020.

That meant 719 million people - or about 9.3% of the world's population - were living on just \$2.15 a day, and the ongoing war, reduced growth in China and higher food and energy prices threatened to further stall efforts to reduce poverty.

Barring sharp growth gains, an estimated 574 million people, or about 7% of the world's population, would still be subsisting at that same income level by 2030, mostly in Africa, it said.

'Grim outlook'

World Bank president David Malpass said the new *Poverty and Shared Prosperity* report showed the grim outlook facing tens of million of people, and called for major policy changes to boost growth and help jumpstart efforts to eradicate poverty.

"Progress in reducing extreme poverty has essentially halted in tandem with subdued global economic growth," he said in a statement, blaming inflation, currency depreciations and broader overlapping crises for the rise in extreme poverty.

Limiting growth in advanced economies

Indermit Gill, the World Bank's chief economist, said failure to reduce poverty in developing countries would have profound implications for the world's broader ability to combat climate change and could unleash large new flows of migrants.

It would also limit growth in advanced economies, since extreme poverty rates would prevent these often heavily populated developing countries from becoming bigger consumers of goods on the global market.

"If you care about prosperity in advanced economies, sooner or later you want these countries to have large markets, countries like India, countries like China," he said. "You also want these countries to grow so they actually start to become sources of demand and not just supply."



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Focus on long-term growth

To change course, the World Bank said countries should boost cooperation, avoid broad subsidies, focus on long-term growth and adopt measures such as property taxes and carbon taxes that could help raise revenue without hurting the poorest people.

It said poverty reduction had already slowed in the five years leading up to the pandemic, and the poorest people clearly bore its steepest costs. The poorest 40% of people saw average income losses of 4% during the pandemic, twice the losses experienced by the wealthiest 20%, the World Bank said.

Government spending and emergency support helped avert even bigger increases in poverty rates, the report showed, but the economic recovery had been uneven, with developing economies with fewer resources spending less and achieving less.

Extreme poverty was now concentrated in sub-Saharan Africa, which has a poverty rate of about 35% and accounts for 60% of all people in extreme poverty, the report said.

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