



DEPARTMENT OF  
**ECONOMIC AND  
SOCIAL AFFAIRS**

WORLD SOCIAL REPORT 2025

# **ERADICATING POVERTY IN ALL ITS FORMS: UNFINISHED BUSINESS IN A CHALLENGING CONTEXT**

THEMATIC PAPER 1

V.1

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## Abstract

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The world has made significant headway towards eradicating poverty in recent decades. Accelerating the speed of progress and avoiding setbacks remain critical challenges. While poverty is increasingly entrenched in the poorest countries and regions, the Covid-19 pandemic and subsequent crises have exposed that gains are fragile, even in countries that had succeeded in reducing it. Growing evidence on the dynamics of poverty shows that many people are still one misfortune away from falling below the poverty line. Many do so, despite declines in the total number of people in poverty. Progress in reducing it is much more volatile than the conventional, aggregate picture of gradual reductions suggests. Covid-19 and the growing threats from climate change and conflict serve as yet another reminder that reaching the elusive goal of eradicating poverty is not only a matter of lifting people above it. It also requires creating resilience.

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## **Introduction**

Poverty remains an enduring stain in the global quest towards sustainable development, defying the 2030 Agenda's pledge that no one will be left behind. Its persistence is incompatible with the human right to an adequate standard of living and can deprive those who suffer it from human dignity.

Globally, the world has made significant headway towards reducing extreme income poverty in the last 30 years. However, as the health and economic upheavals brought on by Covid-19 and other recent crises have made evident, achievements in reducing poverty can be swiftly reversed by an economic shock, a natural disaster or a political conflict. Progress is and has all along been fragile.

With only a few years remaining before the target date of 2030, there is a renewed commitment to accelerate progress towards eradicating poverty. The Political Declaration of the Sustainable Development Goals Summit, in 2023, is an expression of the international community's resolve to end poverty everywhere between now and 2030. The evidence presented in this paper shows that, in recent decades, there have been periods of acceleration. The challenge has been to avoid setbacks and sustain progress in the long run. Neither markets nor the State have created the conditions necessary to increase the resilience of families and communities in the face of growing risks from climate change, persistent conflict, and rising uncertainties brought about by changes in the world of work and technological innovation.

Recent decades have seen improvements in the understanding of poverty. It is now established that poverty, in all its nuanced manifestations, is not merely an economic shortfall. The commitment to eradicate poverty in all its dimensions, in the 2030 Agenda, reflects the recognition that people living in poverty experience many deprivations in their daily lives. Growing evidence on poverty dynamics has also shown that poverty is not a state that applies to a fixed group of people (the "poor"), but rather a condition that anyone is at risk of experiencing at some point in time.

Better evidence on people's poverty trajectories and on what drives falls into and escapes from poverty should inform the economic, social and environmental transformations and policies needed to support poverty eradication and avoid setbacks. However, policy design and implementation have not kept up with the evidence. While many countries have strengthened the policy and institutional frameworks that help people escape poverty, preventing impoverishment and tackling chronic poverty remain outstanding challenges.

This paper provides a brief overview of where the world stands in the fight to eradicate poverty, focusing on how the measurement and understanding of poverty have improved

since the 1990s.<sup>1</sup> Such improvements highlight the impressive gains towards eradicating poverty, but they also make more apparent how unstable these gains are. The paper draws attention to the challenging context that prevents many families and communities from escaping poverty for good.

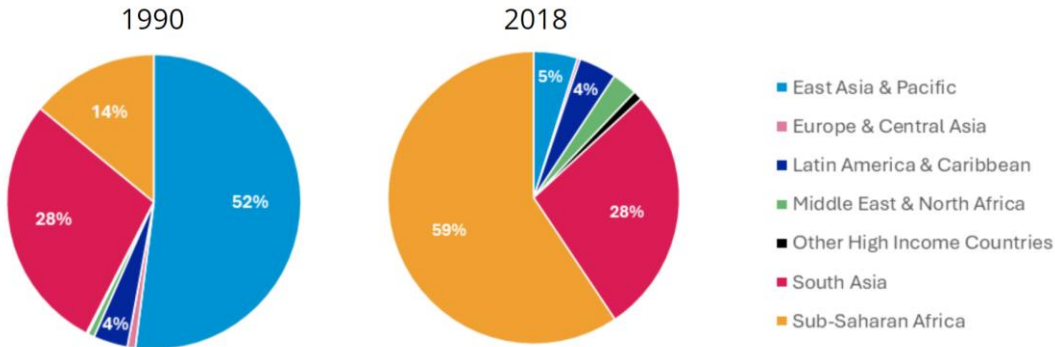
**1. Eradicating poverty remains the greatest development challenge**

**1.1. Progress, but uneven and fragile**

In the three decades that preceded the Covid-19 crisis, the number of people living in poverty worldwide declined rapidly. More than one billion people escaped extreme income poverty from 1990 to 2019 and income per capita increased swiftly in many low-income countries.

While those trends provided cause for optimism, the pace of poverty reduction had been slowing down well before the pandemic, starting in the mid-2010s. In addition, progress was geographically uneven. Driven in significant part by China, the East Asia and the Pacific region saw the share of people subsisting on less than \$2.15 a day decline from 66 per cent in 1990 to one per cent in 2019 – from 1.1 billion to just under 25 million in 2019.<sup>2</sup> In contrast, the share of people in extreme poverty declined slowly in South Asia and sub-Saharan Africa and increased in the Middle East and North Africa starting in 2014. The number of people in poverty declined in all regions except in sub-Saharan Africa – the region with the world’s fastest population growth throughout this period. As a result, extreme poverty is increasingly concentrated in low-income countries, particularly in sub-Saharan Africa (figure 1).

Figure 1. Distribution of people in extreme poverty by region, 1990 and 2018



Source: World Bank Poverty and Inequality Platform, <https://pip.worldbank.org/home> (accessed 4 April 2024).

<sup>1</sup> This and other papers in this series assess progress made since the 1995 World Summit for Social Development. In some cases, the starting point for the analysis is 1990.  
<sup>2</sup> \$2.15 per person per day is the extreme poverty line used for international comparisons. It is based on 2017 purchasing power parity and replaces the earlier \$1.90 poverty line. The estimates cited are from the World Bank Poverty and Inequality Platform, available from <https://pip.worldbank.org/home> (accessed 4 April 2024).

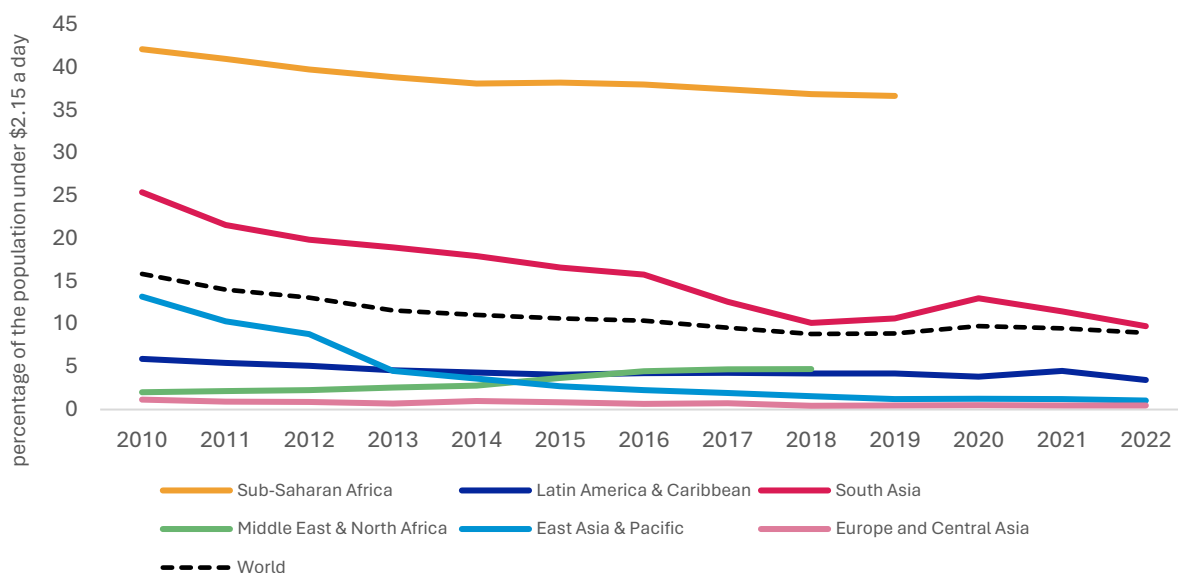
The Covid-19 pandemic and the subsequent economic crisis have led to the largest global increase in poverty in decades. The World Bank recently released first estimates for the post-2019 period that show that poverty increased by 73 million people between 2019 and 2020.<sup>3</sup> By 2023, the estimated number of people in poverty (691 million) was close to the pre-pandemic level (Yonzan, Mahler and Lakner, 2023). There has been almost no progress towards eradicating poverty since 2019.

Equally concerning is the exacerbation of global disparities in the prevalence of poverty due to the pandemic and its aftermath (figure 2). In many high-income and some middle-income countries, ground zero of the Covid-19 crisis, poverty declined from 2019 to 2020 thanks to the provision of large fiscal stimulus packages and the adoption or expansion of tax-financed social protection programmes. This is the case of several countries in Europe as well as Brazil, China and Indonesia. Brazil's poverty reduction drove the overall decline shown in figure 2 for Latin America and the Caribbean. In contrast, extreme poverty experienced a steep increase in India – thus the rise shown for the whole of South Asia. There are so far no estimates for sub-Saharan Africa or the Middle East and North Africa due to limited survey coverage after 2019. Yonzan, Mahler and Lakner (2023) estimate that low-income countries are still at pre-Covid poverty rates and even saw poverty increase slightly from 2022 to 2023.

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<sup>3</sup> World Bank Poverty and Inequality Platform, available from <https://pip.worldbank.org/home> (accessed on 4 April 2024). The World Bank's March 2024 update is the first one to report a global poverty number for the years 2020-2022. It is important to note, however, that many countries were unable to conduct surveys during the pandemic. Specifically, survey coverage during the post-2019 period is still limited in sub-Saharan Africa, in the Middle East and in North Africa, so the World Bank cannot report poverty estimates beyond 2019 for these regions. Any global estimates of poverty in the years following the pandemic to date still require extrapolation and should therefore be used and interpreted with caution.

Figure 2. Percentage of the population in extreme poverty, 2010-2022



Source: World Bank Poverty and Inequality Platform, <https://pip.worldbank.org/home> (accessed 4 April 2024).

Note: The World Bank's March 2024 update is the first one to report a global poverty number for the years 2020-2022.

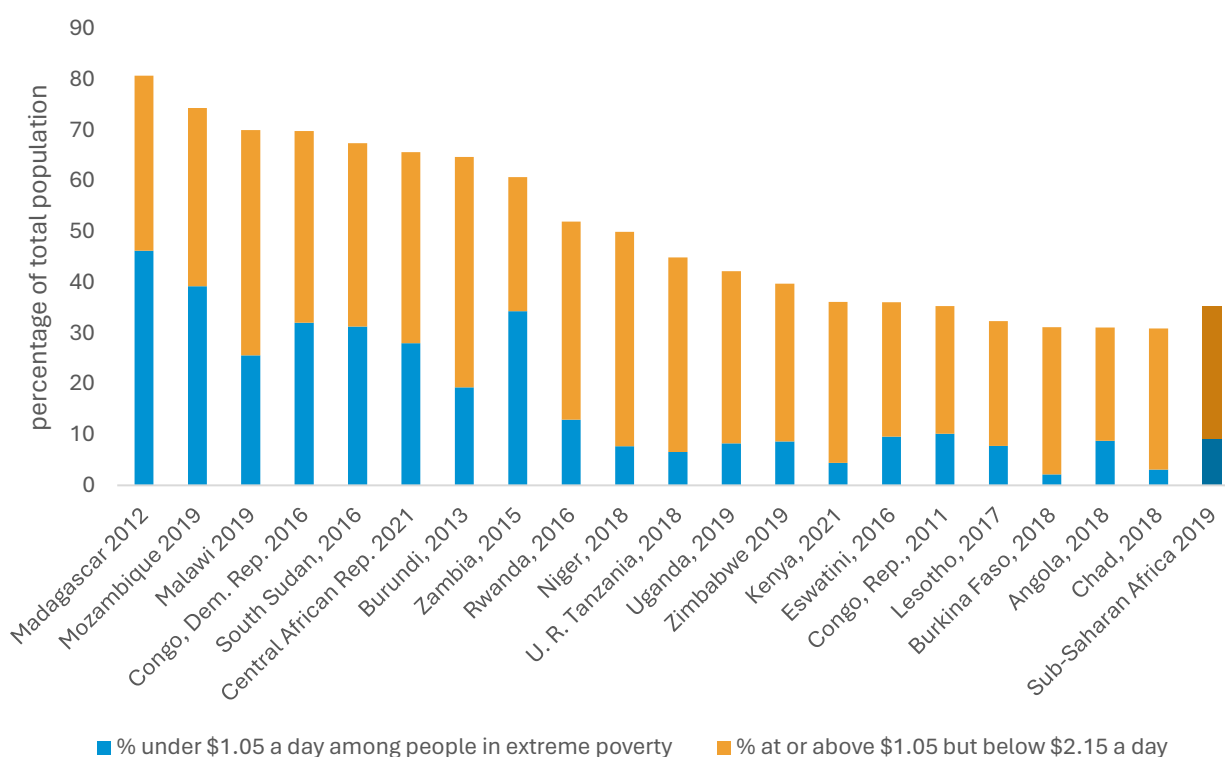
## 1.2. Limited progress at the bottom

Not only is extreme poverty increasingly concentrated in sub-Saharan Africa, but people living in poverty remain further below the poverty line in this than in any other region<sup>4</sup> – that is, poverty is deepest in sub-Saharan Africa. As shown in figure 3, almost 10 per cent of the population in this region – 104 million people – lived below half of the extreme poverty line before the pandemic. The percentage of the population under this threshold, which is insufficient to satisfy basic needs, was well above 10 per cent in many of the countries with the highest levels of poverty, as also shown in figure 3, although there are notable differences between countries. Based on a similar indicator – the poverty gap – the depth of poverty has remained unchanged in sub-Saharan Africa since 2014.<sup>5</sup>

<sup>4</sup> In 2019, the mean income of the poor was 13 per cent below the \$2.15 poverty line in sub-Saharan Africa, as compared to 2 per cent in South Asia, 4 per cent in the Middle East and North Africa, 1.5 per cent in Latin America and the Caribbean and very close to \$2.15 in East Asia and the Pacific.

<sup>5</sup> The poverty gap index reflects both the prevalence and the depth of poverty. It is the share of the population in poverty multiplied by the average shortfall from the poverty line. Estimates from: World Bank Poverty and Inequality Platform, available from <https://pip.worldbank.org/home> (accessed 16 May 2024).

Figure 3. Percentage of the population living below \$1.05 a day and between \$1.05 and the extreme poverty line in the 20 countries with the highest levels of poverty, 2019



Source: World Bank Poverty and Inequality Platform, <https://pip.worldbank.org/home> (accessed 1 March 2024). Note: These are the 20 countries with the highest share of people in extreme poverty among all countries with data for any year from 2015 to 2024.

While many people have escaped these severe forms of poverty, a majority remain trapped in them. Improving the situation and life prospects of people living in these very extreme forms of poverty has been a global challenge. The level of consumption achieved by the poorest people (the consumption floor) barely improved from 1980 to 2016 in countries with data (see box 1).

Policy efforts and the “rising tide” of economic growth of the 2000s did not lift all boats: the world’s poorest people did not break through from the bottom. Neither did the world’s poorest countries. Out of 51 countries classified as having low-income status at the end of the 1980s, 22 are still low-income today, including 21 in sub-Saharan Africa. GDP per capita has remained stagnant in these countries since the late 1980s while it has grown in the rest of the world. The impact of economic growth on poverty reduction was particularly low in sub-Saharan Africa: on average, a one percent growth in GDP per capita was associated with only a 1 per cent reduction in the poverty rate in sub-Saharan Africa between 1981 and 2021

as compared to a 2.5 percent average reduction in the developing world (Wu and others, 2024).

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**Box 1. The poorest of the world are being left behind: Martin Ravallion’s lifelong crusade against poverty**

Few statements in the 2030 Agenda have captured the public’s imagination more than the wish expressed by Member States to “see the Goals and targets met for all nations and peoples and for all segments of society” and the ensuing commitment to “reach the further behind first”.

Martin Ravallion, one of the world’s most influential figures in the study of poverty,<sup>1</sup> showed that people living in the most extreme forms of poverty are being left behind. Specifically, that there has been little success in raising the standard of living of those in the lowest bound of the consumption distribution – or “consumption floor” – which Ravallion estimated to be about half of the international poverty line.

While median incomes doubled in developing regions between 1980 and 2016, the overall consumption floor of the developing world increased by just 0.4 per cent per year during the same period (Ravallion, 2016). Most of the progress against poverty has instead been achieved through improvements in the living standards of people whose income is above this floor. Lifting the floor has been a challenge beyond developing countries. Jolliffe, Margitic and Ravallion (2019) show, for instance, that the United States’ consumption floor was higher in 1989 than in 2019.

“The idea that we should judge progress, in part at least, by success in rising the floor is missing from all standard poverty measures” (ibid. p. 3). Considering that social protection systems, including floors, aim at helping people reach or maintain adequate standards of living, more should be done to monitor trends in the consumption floor.

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<sup>1</sup> Martin Ravallion, a strong advocate for poverty eradication and a world-renowned researcher, died in December 2022.

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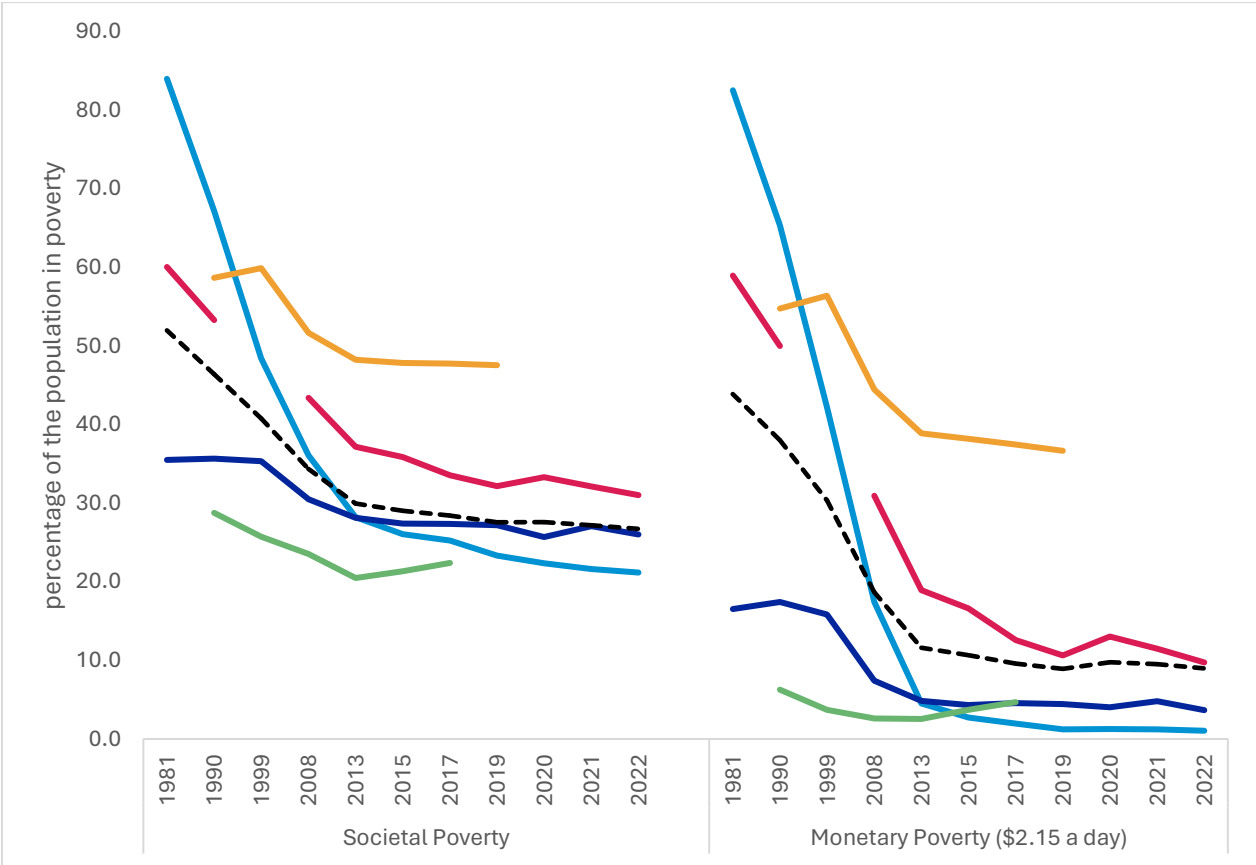
***1.3. Alternative measures of poverty show less progress – and offer a more detailed picture***

Furthermore, trends based on relative measures of poverty, as well as those that account for the multiple dimensions of poverty, are less encouraging than those based on absolute income measures. Relative measures, used in most developed countries, classify individuals as being poor if they have less than a certain proportion of the income enjoyed by other members of society. They reflect the fact that relative deprivation affects welfare and social inclusion.



Based on a relative or “societal poverty line” proposed by the World Bank,<sup>6</sup> the percentage of people living in poverty worldwide fell from 52 per cent in 1981 to 29 per cent in 2015, a percentage almost three times as high as the share of people living in absolute poverty (figure 4). Societal poverty declined more slowly than absolute extreme poverty in all regions. Globally, the speed of decline was not sufficient to reduce the total number of people living in societal poverty, which remained above 2 billion from 1981 to 2022. Therefore, success in reducing absolute income poverty has not come with a reduction of the number of people in relative poverty, according to this measure.

Figure 4. Percentage of the population in societal poverty and in extreme income poverty by region, 1981-2022



Source: World Bank Poverty and Inequality Platform, <https://pip.worldbank.org/home> (accessed 4 April 2024).

Non-monetary measures of poverty also show slow progress. According to the multidimensional poverty index (MPI) which considers overlapping deprivations in health, education and living standards, 1.2 billion people lived in multidimensional poverty in the

<sup>6</sup> The societal poverty measure maintains a \$1 a day poverty line at a constant level for countries with an average per capita expenditure of less than \$2.70 a day and raises it at a rate of 50 per cent of mean expenditure as countries get richer (Jolliffe and Prydz, 2021).

late 2010s, nearly double the number in income poverty (703 million) in 2019 (UNDP and OPHI, 2019). While national levels and trends in multidimensional poverty have been described elsewhere, MPI estimates are also available at the subnational level and show considerable disparities within countries (box 2).

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**Box 2. Going beyond averages: subnational disparities in multi-dimensional poverty**

The Agenda 2030's ambitious call to eradicate poverty "in all its forms and dimensions" arises from advances in the understanding and measurement of multiple dimensions of deprivation – seeing poverty as not only a shortfall in income but also in education, health, public goods and individual assets. The reach of a given income is not same depending on whether people have access to basic services and other public goods. There is significant variation in the availability of these goods and services, even across countries with similar income and even among regions within one country. While rural poverty is declining faster than urban poverty in most countries with data, for instance, gaps in sanitation and in other public services are not closing as fast (United Nations, 2021).

The multi-dimensional poverty index (MPI) shows that subnational disparities in poverty are at times larger than differences between countries. In sub-Saharan Africa, for instance, the percentage of the population in multi-dimensional poverty ranged from 16 per cent (in Gabon) to 91 per cent (in Niger) in the mid-2010s. Within Uganda, the percentage of MPI poor ranged from 7 per cent in Kampala, the country's capital and largest city, to 96 per cent in the poorest region, Karamoja (Alkire, Karagaratnam and Suppa, 2023). Some regions in middle-income countries are as MPI poor as the poorest countries. Namely, multi-dimensional poverty is higher in the poorest region of Nigeria, a middle-income country, than in all but two low-income countries (ibid.).

Overall, countries in Sub-Saharan Africa suffer from the highest regional disparities in multidimensional poverty. Many regions have limited access to markets and economic hubs. Deficits in public governance have constrained the capacity of national governments to address these regional disparities. In addition, conflicts and colonialism have led to a highly unequal allocation of resources and infrastructure across different regions and ethnic groups.

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The prevalence of poverty varies across population groups as well. Based on the information available, women are more likely to live in poor households than men, as are children, compared to adults. In 2013, 122 women between the ages of 25 and 34 lived in income-poor households for every 100 men of the same age group (Muñoz Boudet and others, 2018). It is estimated that half of those living in poverty were children younger than age 15 globally in 2019, even though this age group accounts for only one quarter of the world's population (World Bank, 2022). Children and youth (aged 15 to 24) together accounted for two-thirds of the global poor, but for only 40 percent of the total population (ibid.).

While estimates of women's and children's poverty abound, they must be interpreted with caution. Data to estimate monetary poverty are usually collected at the household level, through surveys that do not provide information on the actual distribution of income or consumption within households. In the absence of individual data, it is often assumed that income and other resources are shared equitably among household members. All members of poor households are assumed to live in poverty, and vice versa.

There are solid reasons to assume that the intra-household allocation of resources is not always equitable, however. Gender inequalities in decision-making power, the uneven distribution of unpaid care and domestic work, lower levels of participation in formal labour markets and shorter working careers among women leave many struggling with greater economic insecurity and less control over household resources.

Indeed, in many settings, women and girls face lower levels of economic wellbeing than men and boys in the same household, particularly when resources are limited. In sub-Saharan Africa, roughly three-quarters of underweight women and undernourished children are not found in the poorest 20 per cent of households (Brown, Ravallion and Van de Walle, 2017). In Bangladesh, men living in poor households are not necessarily themselves poor, whereas women and children (later-born children in particular) face significant chances of living in poverty even in households with per-capita expenditure above the poverty line (Brown, Calvi and Pengalese, 2021).

#### ***1.4. Going the last mile is not the only challenge***

An assessment of successes and remaining challenges in eradicating poverty must take into consideration the dramatic differences in poverty trends between regions and depending on the poverty measures used. The impressive success in reducing the number of people living under \$2.15 a day before the Covid-19 pandemic did not lead to major improvements in the situation of those that were furthest behind – that is, in the deepest forms of poverty or in the poorest countries and regions.

That the goal of eradicating poverty is increasingly challenging has been widely acknowledged since well before the pandemic hit. The main argument has been that poverty is more and more entrenched in countries and regions where it will be hardest to eradicate – countries which have the least resources, institutional capacity and political stability to implement the necessary policies as well as remote pockets of countries which, on average, may be making good progress but suffer from high levels of inequality.

The Covid-19 pandemic and subsequent crises have revealed that going the “last mile” is not the only challenge. These crises have exposed how fragile gains are even in countries that had succeeded in reducing poverty. They have made plain that those who have escaped

poverty remain vulnerable to it. Reaching the elusive goal of eradicating poverty is not only a matter of lifting people out of poverty, but it also requires creating resilience – that is, protecting people against major risks. Emerging research is helping to understand what these risks are and how they affect the economic situation of individuals and families over time.

## **2. The dynamics of poverty**

### ***2.1. Moving in and out of poverty***

Snapshots of poverty conceal its dynamics. In recent decades, the growing availability of longitudinal data – from surveys that follow the same sample of people over time – and of qualitative research has shown that household income and consumption levels fluctuate significantly over time. Some people who move out of poverty do so temporarily while others are able to escape it permanently. Some people are born in poverty and remain trapped in it for long periods of time and even across generations, while others never experience this ill. Even when the number of people in poverty changes slowly, the composition of the population in poverty is in constant flux. At close look, progress in reducing poverty is thus much more volatile than the conventional, aggregate picture of gradual reductions suggests.

Although the necessary data are still lacking in many low- and middle-income countries, researchers have been able to quantify flows in and out of poverty in countries with information. This research shows that, even though poverty dynamics vary significantly by period and by population group, escapes from poverty occur in parallel to descents into poverty in all countries, poor and rich.<sup>7</sup>

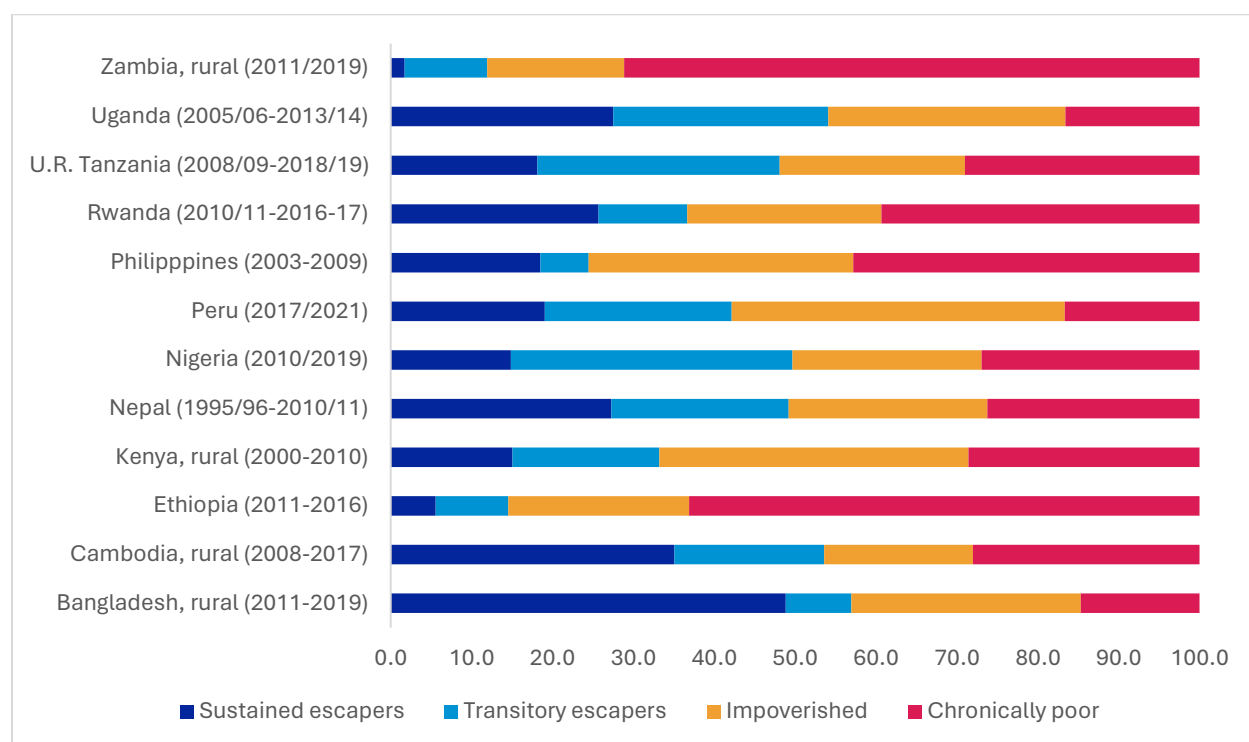
Whether people who fall into poverty can recover quickly or remain persistently poor depends on context – including the type of shock that drives them into poverty, whether they have access to social protection or else the recovery strategies they must resort to. If households who fall into poverty must sell their assets to recover, their future productive capacity can suffer and they may endure poverty chronically. Figure 5 shows how many of those people who experienced extreme poverty in selected low-income and middle-income countries with data – or areas within such countries – made sustained or transitory escapes from poverty, became poor or were chronically poor during the time periods shown.<sup>8</sup>

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<sup>7</sup> See, for instance, ODI (2014), Krishna (2010), Dang and others (2014), Narayan, Pritchett and Kapoor (2009), Krishna and Shariff (2011), Gustafsson and Sai (2008), Zizzamia, Schotte and Leibbrandt (2019) and Warren and Tettenhorst (2022).

<sup>8</sup> As shown in Annex 1, data sources, samples sizes, the periods of observation and the number of waves vary by country, and not all the surveys used in figure 5 are the sources used for the calculation of official country poverty estimates. Comparisons between countries should therefore be interpreted with caution.

Figure 5. Poverty dynamics in selected countries and areas



Sources: See Annex 1.

Notes: People who fell into poverty, experienced sustained or transitory escapes from poverty and were in chronic poverty are shown as a percentage of people who were ever poor during the period of observation. The percentage of those who were never in poverty during the period varies substantially by country, as shown in Annex 1.

Sustained escapes were the most common trajectory in rural areas of Bangladesh (2011-2019) and Cambodia (2008-2017) as well as in Nepal (1995/96-2010/11). Bangladesh and Cambodia experienced sustained economic growth with employment creation and significant wage growth during the periods of observation, with a move away from jobs in agriculture towards employment higher value-added activities, including in rural areas.<sup>9</sup> In contrast, Nepal's sustained escapes from poverty took place along low rates of employment and economic growth. The country's brisk poverty reduction is explained mainly by the end of internal armed conflict in 2006 and by the high and continued flow of remittances, which benefited more than 50 per cent of households in 2011 (World Bank, 2017).

<sup>9</sup> It is worth noting, however, that income inequality has been and remains high in both countries. In Cambodia, a recent fiscal incidence study indicates that fiscal policy contributes to impoverishment – that is, people in poverty pay more in taxes than they receive in public benefits (Karamba and others, 2022). Similar fiscal incidence studies are not available for Bangladesh as of May 2024.

Negative trajectories and temporary escapes prevailed in all other countries. The prevalence of transitory escapes and of impoverishment suggest that many people are not resilient enough to withstand idiosyncratic life course shocks, let alone systemic regional, national or global crises. The share of people who lived in extreme poverty throughout the period was significant in some cases. Namely, in Ethiopia (2011-2016) and in rural Zambia (2011-2019), more than 50 per cent of people in the sample were chronically poor. Few people escaped poverty and many joined the ranks of the poor in these two settings.

The type of grinding, chronic poverty that “traps” people and often scars the lives of their children is rampant in many other countries. It is concentrated geographically, in rural areas that lack infrastructure, access to services and that are far from markets and employment opportunities (ODI, 2014 and 2019; Shepherd and others, 2023). It affects people living in the most extreme forms of poverty, especially members of ethnic minority and indigenous groups. Households in chronic poverty lack capabilities and possess few assets – or receive low returns to the assets they have.

Important policy implications follow. First, “poverty is a problem of the many, not the few” (Narayan, Pritchett and Kapoor, 2009).<sup>10</sup> It must thus be approached as a risk rather than a condition that affects a fix set of individuals. Second, helping people move out of poverty is a necessary but insufficient condition to eradicate poverty. Falls into poverty must be prevented as well. Many households rise above the poverty line only to stumble back beneath it, highlighting the precarious nature of many poverty escapes. Third, persistent and temporary poverty are different experiences and require different policy approaches.

A clear conclusion from the expanding research is that people take initiative to move out of poverty. The notion that people get trapped in a “culture of poverty” that creates apathy must be put to rest once and for all. Whether they succeed in escaping poverty – and who does – depends on the opportunities given and the agency they have to do so, as the life histories in Box 3 illustrate.

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### **Box 3. Escaping poverty through policy interventions in Zambia**

Leah, a single mother with two children in secondary school, juggled a fritter business and a brewing beer business to make ends meet and keep their children in school. In the aftermath of the Covid-19 pandemic, a tax-financed cash transfer programme provided the necessary financial support for her business to survive. In 2022, the Government introduced free education. With this support, Leah was able to redirect the resources she had been using for schooling to instead invest in her businesses

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<sup>10</sup> In South Africa, for instance, Schotte and others (2018) estimated that eight out of ten South Africans had experienced poverty at least once between 2008 and 2014/2015. Of those eight, four lived in poverty throughout the six-year period.

and diversify her income sources to include cultivating rice and maize. Thanks to her additional income, she was also able to join a local savings group, to help her weather future shocks.

When Clementina married her husband, the couple lived in poverty. Once her husband found a job as a cook, they were able to buy a house and other assets and had several children. However, their escape from poverty was only temporary: the family lost their primary source of income when Clementina's husband died suddenly. Her children dropped out of school, and over the subsequent ten years, three of her daughters died of starvation. Just before the start of the Covid-19 pandemic, Clementina became a beneficiary of a tax-financed cash transfer programme, which allowed her to start a street food business. The business was shattered by the Covid-19 pandemic and her household fell into poverty once again. In 2022, Clementina qualified for a new, more substantial cash transfer programme, which enabled her to restart her business and conduct essential repairs to her dwelling, although her family still faced food insecurity.

Leah's and Clementina's experience shows how cash transfers increase people's economic security, even if often temporarily, and improve the wellbeing of current and even future generations. For sustained escapes from poverty, however, complementary interventions are often required. In Zambia, free education complemented the effect of social protection programmes, most of which were relaunched in the Covid-19 pandemic and expanded significantly to cover new beneficiaries.

Source: Shepherd and others, (2023); Unpublished interviews from the Chronic Poverty Action Network.

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## **2.2. Struggling to stay afloat**

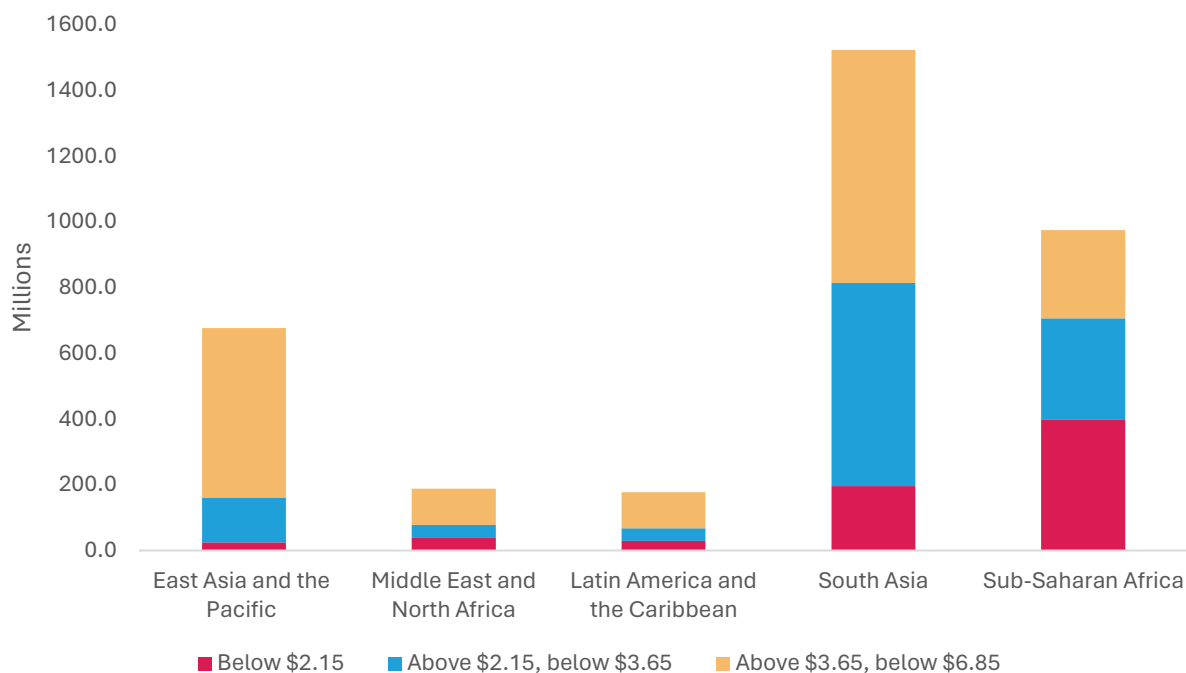
The urgency of preventing falls into poverty cannot be overstated. Globally, almost 1.2 billion people (15 per cent of the world's population) lived between the extreme poverty line of \$2.15 a day and the \$3.65 a day threshold in 2019 (figure 6).<sup>11</sup> Even more people (close to 1.8 billion) lived between the \$3.65 and the \$6.85 a day thresholds. In all, almost half of the world's population, including a large majority of people in South Asia and in sub-Saharan Africa, lives below levels of economic wellbeing that would be considered as living poverty in many upper-middle-income countries.<sup>12</sup> Even a small health problem, an increase in transportation fares or a below-average crop yield can send them into extreme forms of poverty.

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<sup>11</sup> The World Bank reports poverty estimates at the \$3.65 and \$6.85 lines to account for the fact that the \$2.15 poverty line may be too low to define someone as poor in middle-income countries. These two higher thresholds are common national poverty lines in lower-middle-income and higher-middle-income countries.

<sup>12</sup> As way of example, Malaysia's national poverty line was equivalent to \$18.5 a day in 2022.

Figure 6. Population living below different poverty thresholds in selected regions, 2019



Source: World Bank Poverty and Inequality Platform, <https://pip.worldbank.org/home> (accessed 1 April 2024).

Economic insecurity does not end above this basic floor of \$6.85 a day. Many people are teetering on the brink of poverty even as they move up the income ladder. Research in developing regions, including a seminal paper by Birdsall, Lustig and Meyer (2013), has shown that individuals and families wedged between poverty and the middle class struggle to stay out of poverty as well.<sup>13</sup> Many of these “strugglers” work in informal employment, where social protection programmes are largely absent. They benefit little from health insurance or public pension programmes once they retire, and do not have access to unemployment benefits. In many countries, they pay more in taxes than they receive in public transfers.<sup>14</sup> Many strugglers run businesses and generate jobs on which some people in poverty rely, so their fortunes are closely tied up with those of many people living in poverty.

<sup>13</sup> Birdsall, Lustig and Meyer (2013) defined the middle class purely in economic terms, as those people living on at least \$10 a day at the time. This definition of the middle class is applicable only to countries in developing regions. People under this threshold would be poor by high-income country standards. Country-specific studies suggest that the “struggling” class is sizeable in many countries. In South Africa, Zizzamia, Schotte and Liebbrandt (2019) estimate that close to 40 per cent of people who were not in poverty between 2008 and 2017 were struggling and thus highly vulnerable to poverty. Their research suggest that their characteristics are closer to those of people in transient poverty than to the middle class.

<sup>14</sup> For country-specific studies on the effect of fiscal policy on poverty and inequality, see the Commitment to Equity institute’s paper series (<https://commitmenttoequity.org/>).



Economic insecurity no longer ends with the strugglers, either. While, in high-income countries, economic security has traditionally been a defining feature of the middle class, the evidence indicates that this group is (and is feeling) increasingly insecure.<sup>15</sup> An important reason for this shift is growing precariousness in employment and stagnating incomes – two issues that are examined in other papers of this series. Job insecurity and uncertainty about the future are growing while the ability of middle-income groups to cope and recover from adverse events is not.

The recent crises and growing threats from climate change and conflict have exposed these massive vulnerabilities and have made the universal need to strengthen resilience even more pressing. Crises reverberate globally. The largest and more persistent impacts are often felt far from where a crisis originated. The much slower recovery from the Covid-19 and overlaying crises experienced by low-income countries has already resulted in an increase in global disparities in poverty. There is little sign that economic growth or employment will help reduce them in the short term (United Nations, 2024; ILO, 2024). In addition, the unequal education losses brought about by the pandemic – with children in rural areas and those living in poverty being disproportionately affected – may contribute to perpetuating the poverty cycle from one generation to the next.

### **3. Risks and growing insecurity in the fight against poverty**

The drivers of impoverishment, and thus the measures needed to prevent it, depend on local and national context. There is growing evidence of the effect of natural disasters, drought, conflict, violence and other common shocks on poverty. The role of idiosyncratic shocks – events that affect individuals or households differently, such as an illness, a death in the family, a job loss or a bad crop – is as important, particularly in low-income settings. Some of the longitudinal studies that assess income dynamics have established associations between these shocks and falls into poverty, but few have established clear cause-effect relationships (Box 4 summarizes two studies that do establish causality).<sup>16</sup>

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<sup>15</sup> See DESA (2021), Vaughan-Whitehead, ed. (2015) and Hacker (2019). A low probability of falling into poverty has in fact been used as a yardstick to define the middle class (López-Calva and Ortiz-Juárez, 2014).

<sup>16</sup> See also several of the country studies by the Chronic Poverty Advisory Network, available from <https://www.chronicpovertynetwork.org/where-we-work> as well as Zizzamia, Schotte and Leibbrandt (2019) for a detailed study of South Africa. The authors establish associations between falls into and escapes from poverty and other events (job loss/job gains, changes in household size) but are unable to determine causality.

Based on the existing evidence, health shocks stand out as primary drivers of impoverishment in both rich and poor countries.<sup>17</sup> Climate change is affecting health and people's livelihoods in a myriad of negative ways, and thus their risk of falling into poverty, as is persistent conflict and violence. Going forward, efforts to promote sustained escapes from poverty will need to address multiple drivers concurrently.

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**Box 4. Descents into poverty and its drivers: cross-country findings based on a retrospective method**

In a seminal cross-country study on poverty dynamics, covering 400 communities in India, Kenya, Peru, Uganda and the state of North Carolina in the United States over a period of 25 years (generally, 1977-2002) Krishna (2011) found that escapes from poverty occurred in parallel to descents into poverty in all contexts, regardless of income per capita or rates of economic growth.<sup>18</sup> In all settings, most of the people who had fallen into poverty remained persistently poor over the succeeding period. As importantly, the frequency of descents into poverty had increased. That is, people had become increasingly vulnerable to descents into poverty.

In contrast, a smaller follow-up study covering seven villages in India shows a strong flow of transitions out of poverty and few falls into poverty over the subsequent 18 years, between 2002 and March 2020, with a significant decline in chronic poverty (Krishna and Agrawal, 2023). As a result of Covid-19, 60 per cent of households lost their main source of income in 2020, but many had recovered it by July 2021. Very few households needed to sell assets to cope, and very few fell into long-term poverty.

The uniqueness of these studies lies in the detailed information on events that led households into poverty and on the strategies and resources that helped them break away from it. Poor health and health-related expenditures were the main reasons for falls into poverty and re-impoverishment, with significant variation across countries and across communities within each country.

Diversification of livelihood and income sources was the primary driver of escapes from poverty during the initial period (1977-2002). On-farm strategies to diversify income included pursuing new crops, new techniques and new methods of livestock husbandry. The most important off-farm strategy was casual or temporary employment within the informal economy. The smaller follow-up study observed a vast increase from 2002 to 2021 in the number of people who earned regular cash incomes, which helped raise resilience. A sobering lesson from the study is that social assistance

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<sup>17</sup> The effects of employment, underemployment and job loss are discussed in another paper in this series (forthcoming).

<sup>18</sup> Using a retrospective methodology, over 35,000 households were surveyed about their poverty status at the time of the survey, 10 and 25 years before it. The author used a measure of past well-being based on successively acquired assets and capabilities, which people recall better than income or consumption expenditures in the distant past, to assess poverty dynamics and the events and strategies behind them.

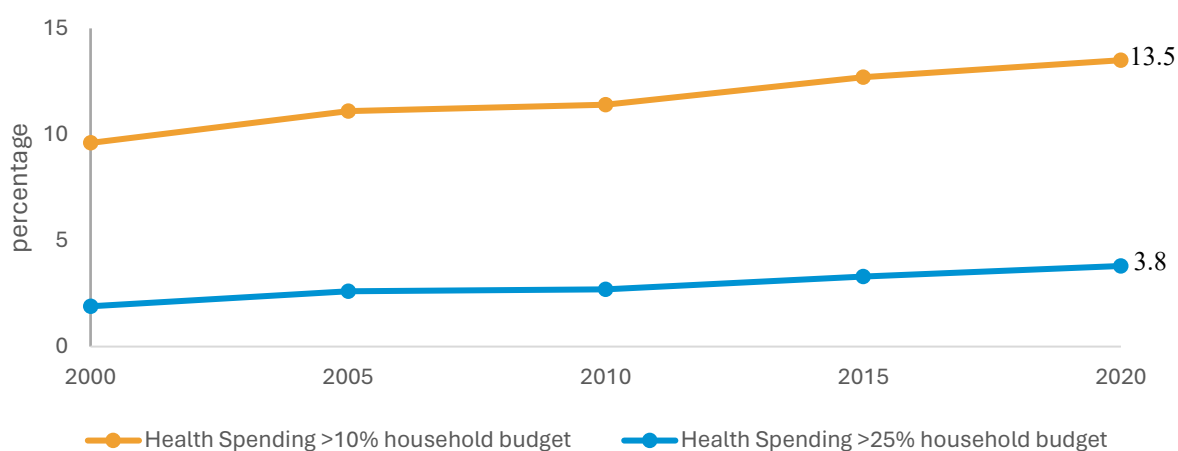
from public programmes and from non-governmental sources played a small role in lifting people out of poverty.

### 3.1. Health shocks, catastrophic health expenditures and poverty dynamics

Internationally comparable data show that out-of-pocket expenditures on health represent over half of the current health expenditure in at least 26 out of 189 countries and areas, and can be as high as 80 per cent.<sup>19</sup> The substantial variation in out-of-pocket expenditures observed at a given level of government spending on health suggests that the way in which a country invests in its health services and delivery also determines how much of total health expenditure is financed from people's pockets. While people in high-income countries tend to spend more on health overall due to higher per capita income, they are better protected against catastrophic expenses than people in poorer countries, through both private insurance and social protection.

Catastrophic health expenditures – where out-of-pocket spending for health care is at or exceeds a certain threshold, usually 10 or 25 per cent of household consumption or income – have been on the rise since 2000. As of 2019, 13.5 per cent of the global population incurred catastrophic health spending, spending at least 10 percent of their household budgets to pay for health care out of their own pockets (figure 7).

Figure 7. Percentage of the global population living in households affected by catastrophic health expenditures (more than 10 or 25 per cent of household budgets), 2000 to 2019



Source: WHO The Global Health Observatory, <https://www.who.int/data/gho/data/themes/topics/financial-protection> (accessed 5 March 2024).

<sup>19</sup> Based on WHO The Global Health Observatory, available from <https://www.who.int/data/gho/data/themes/topics/financial-protection> (accessed 5 March 2024).

There is considerable variation in the prevalence of catastrophic health expenditures across countries. For 86 countries and areas with recent data, at least a quarter of the population is living in households facing catastrophic health expenditures (10 per cent of household budgets) in four countries – with an additional 22 countries where at least 10 per cent of the population faces catastrophic health expenditures<sup>20</sup>. While the risk of catastrophic healthcare expenditure exists in all countries regardless of income level, more than 90 per cent of households facing catastrophic health expenditures live in low-income countries (Xu and others, 2007). Often, catastrophic health expenditures among people living in poverty are the result of two forces: paying for curative, rather than preventative, care, and spending for private health care when public health care services are not available or accessible.

Catastrophic health expenditures often result in impoverishment, yet even relatively small out-of-pocket payments can threaten the living standards of people living in or near poverty. People in low-income countries in Southern Asia and Sub-Saharan Africa suffer from the highest rates of impoverishment due to out-of-pocket health spending (Wagstaff, Eozenou and Smitz, 2020; World Health Organization and World Bank, 2023). Globally, people living in households in the lowest consumption quintile were four times more likely to experience financial hardship due to health expenditures than people living in households in the top consumption quintile (34 per cent and 8 per cent, respectively) (ibid).

Poor health can also lead to impoverishment through the loss of household income and employment. The impoverishing effect of earnings loss due to poor health is significant and often larger than that of medical expenses (O'Donnell, 2024; Shrinivas and others, 2023).

The effects of poor health on poverty became apparent during the Covid-19 crisis, where households became impoverished either through the costs of illness, death or unemployment. People in poverty or near poverty suffered the most from the measures taken to contain the Covid-19 virus – particularly regarding jobs, markets, food security, and school attendance. Many of the poorest lost access to the casual labour opportunities they relied on for subsistence, while others lost access to markets or experienced significant food price inflation (Shepherd and others, 2023).

Certain groups experienced additional hardship. Migrants who had to return to their areas of origin faced extremely difficult journeys home, and discrimination and exclusion once they returned. Women bore a disproportionate share of the added caring responsibilities through lockdowns and experienced heightened exposure to domestic and other abuse and violence. Children in poor and rural areas often suffered significant losses of learning and many were

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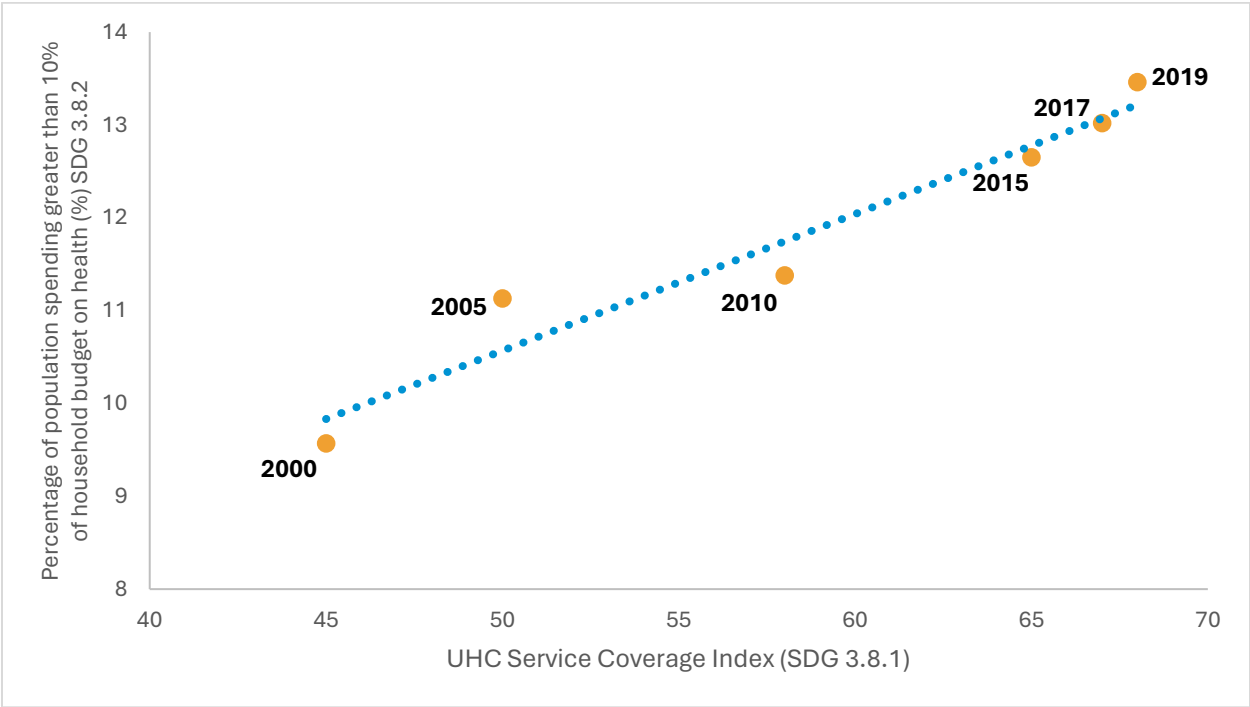
<sup>20</sup> WHO The Global Health Observatory, available from <https://www.who.int/data/gho/data/themes/topics/financial-protection> (accessed 5 March 2024).

unable to access school meals. The resulting widespread food insecurity and malnutrition was often not adequately compensated by food distribution or social protection measures (ibid.).

Asset sales and other negative coping responses, including education losses, combined with the small to non-existent impact of mitigation and recovery measures in many situations, mean that the effects of the Covid-19 pandemic will be felt for many years, particularly among those living in poverty or at its margins.

Reducing out-of-pocket spending and preventing illness could thus make a big indent on poverty. The effects of out-of-pocket health care costs and health-related lost wages are smaller in countries that are closer to universal health coverage (O’Donnell, 2024). However, although health coverage has expanded since 2000, levels of catastrophic health expenditure have also increased (figure 8), raising questions about the adequacy of expanded health services to meet people’s needs.

Figure 8. Global universal health coverage index by percentage of the population with household expenditures on health greater than 10 per cent of total household expenditure or income, 2000-2019



Source: WHO The Global Health Observatory, <https://www.who.int/data/gho/data/themes/topics/financial-protection> (accessed 5 March 2024).

### ***3.2. Climate change and poverty dynamics***

The effects of climate change are not uniform in their reach or magnitude – nor are the abilities of countries, communities and households to cope and respond. People at risk of experiencing poverty and those already living in poverty face high levels of climate risk, feeding a vicious cycle of poverty and exposure. Moreover, at similar levels of exposure, people living in poverty are more susceptible to the impacts than those who are better off, and often have fewer resources with which to cope with and recover from the negative consequences of climate change (United Nations, 2020).

In 2019, 4.5 billion people were exposed to extreme weather events, 400 million of whom lived in extreme poverty (Doan and others, 2023). Given that the majority of people in extreme poverty live in rural areas, the impacts of climate change on the agricultural sector can be particularly dire for those living in or near poverty. Climate change has negative effects on agricultural yields, working conditions, health and educational outcomes (Dang and others, 2023). Not only are people living in poverty more exposed to environmental shocks, but such shocks (especially drought and floods) increase the likelihood of living in chronic poverty, both through direct impacts on agricultural production and food prices, but also indirectly through coping mechanisms that erode household wellbeing in the long term, such as reduced food intake. Taken together, it is estimated that a one degree Celsius increase in temperature alone (among other climate-change induced environmental changes) is associated with a 1.6 percentage point increase in chronic poverty at the \$3.65 a day line (ibid.).

Whether climate actions benefit disadvantaged persons or the well-off more will depend on the context and the precise measures taken. While climate change mitigation and adaptation measures are critical to poverty reduction and preventing falls into poverty, efforts to eradicate poverty should not be significantly constrained by the need to limit or mitigate climate change. A greater alignment between climate adaptation and mitigation on the one hand, and poverty reduction policy and budgeting, on the other hand, is needed. It is vital that climate action adequately takes on poverty eradication as a consistent objective; any potential trade-offs need to be managed upfront. One way to do so is through multilateral climate funds, which advance climate action, economic transformation and social inclusion, but have been slow to deliver and require bringing climate financing mechanisms to levels of decision-making which are much closer to where the risks are affecting lives and livelihoods (Bird, 2022).

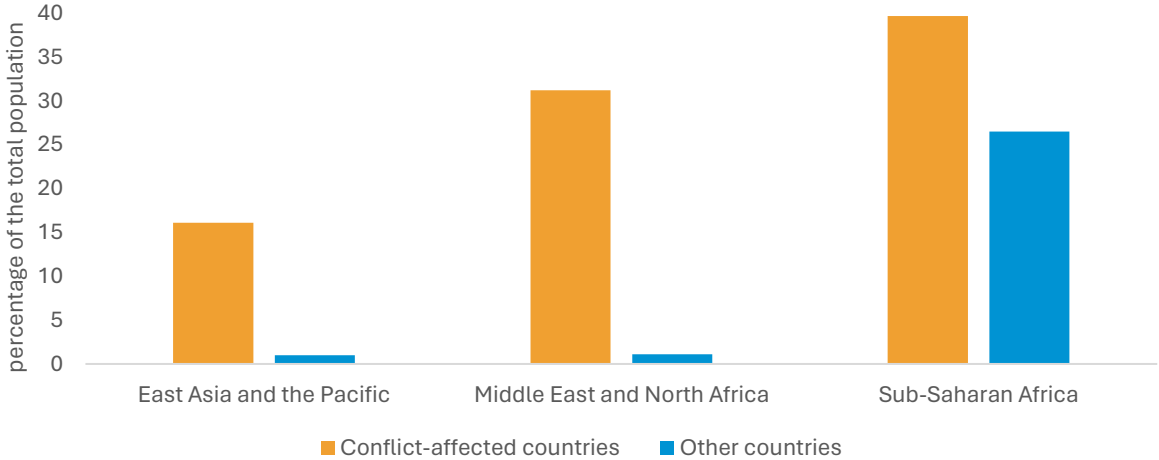
### ***3.3. Conflict, intersecting shocks and poverty dynamics***

A further challenge to balancing action between climate adaptation and poverty eradication is the increasing concentration of people living in poverty in fragile and conflict-affected

countries. Violent conflict shapes poverty trajectories through impacts on national, community, household and individual welfare and can stifle efforts to reduce poverty for generations. Poverty and conflict are often mutually reinforcing, which makes understanding the effects of conflict on poverty dynamics all the more complex. For example, asset loss due to violent conflict can amplify grievances that may also act as conflict triggers.

Globally, the estimated share of people in extreme income poverty living in fragile and conflict-affected countries increased from about 20 per cent in 2000 to 48 per cent in 2019, even though these countries made for only 10 per cent of the world’s population 2019 (Corral and others, 2020). Currently, levels of poverty are much higher in these than in countries not affected by conflict, as shown in figure 9. If current trends continue, two thirds of people in poverty would be living in fragile and conflict-affected countries in 2030 (ibid.).

Figure 9. Percentage of the population in extreme poverty in conflict-affected and non-conflict affected countries in selected regions, 2019



Sources: World Bank Poverty and Inequality Platform, <https://pip.worldbank.org/home> (accessed 28 February 2024); World Bank’s harmonized list of countries in fragile and conflict-affected situations, <https://www.worldbank.org/en/topic/fragilityconflictviolence/brief/harmonized-list-of-fragile-situations> (accessed 28 February).

Notes:

1. Many of the countries plagued by conflict and violence have no or outdated data on the living standards of their populations. In such cases, poverty estimates are based on projections or interpolations of actual data.
2. Conflict-affected countries include countries that were in conflict or under high levels of institutional fragility in 2019 as well as those that had escaped conflict shortly before 2019.

Prolonged conflict creates a “conflict debt”, where the longer violent conflict is active, the longer it takes for people’s well-being, infrastructure and institutions to recover and address the poverty-inducing effects of conflict (World Bank, 2020). Moreover, the impact of conflict on poverty levels can extend far beyond the front lines, as evidenced by the negative impacts

of the ongoing conflict in Ukraine on global access to food, fuel and finance. People living in poverty are particularly exposed to the resulting increases in prices for food and energy, as they dedicate a larger share of their income to these (United Nations Global Crisis Response Group, 2022).

There is increasing interest in the role of climate change as a driver of conflict, although the lack of data and complexity of the pathways connecting the two forces make it difficult to establish causal pathways. Yet given the increasing global trends of extreme weather events and armed conflicts, tackling both will be key defining features of the fight against poverty. Already, more than half of the deaths attributed to natural disasters in the past three decades occurred in areas also undergoing armed conflict (Caso, Hilhorst and Mena, 2023).

Many people who face both violent conflict and climate-related environmental disasters primarily live in high-poverty, low- and lower-middle income countries. For example, in Ethiopia, there were 32.7 million people affected by disasters between 2020 and 2022, 19.6 thousand conflict fatalities over the same period, and 27.7 million people living under the \$2.15 poverty line in 2015 (Diwakar, 2023). Qualitative data on people's lived experiences of poverty also links climate change-related extreme weather events and conflict, for example, increasing conflict intensity between pastoralists and farmers during prolonged droughts in Tanzania (Shepherd and others, 2023).

The International Rescue Committee has identified 13 conflict-affected least developed countries that are home to nearly a quarter of people living in extreme poverty worldwide, that are also globally the least prepared for climate change. These countries frequently experience extreme weather events such as drought and flooding, driving recurring shocks, escalating unmet needs and displacement (International Rescue Committee, 2023). Forced displacement due to conflict and climate change happens primarily within national borders. By the end of 2023, 68.3 million people were living in internal displacement due to conflict and violence, and 7.7 million people, mostly women and children, were displaced as a result of disasters (IDMC, 2024).

The integrated nature of the global economy and physical environment means that people in poverty and the poorest countries are subject to increased downward pressures on their livelihoods and quality of life, from economic shocks, climate-related shocks and armed conflict. Keeping people and households from falling into poverty, and creating sustained routes out of poverty, requires protecting them from the impoverishing effects of shocks that lead to a loss of livelihoods, a loss of human capital and physical assets and a loss of health and lives.



#### **4. Conclusions**

Ending poverty in all its forms requires a shift in the way countries and the international community approach this great development challenge. Progress in reducing poverty has so far benefited those who were closest to the poverty line the most. The living conditions of people who survive in the direst circumstances have changed little and improving them is becoming more and more difficult. The nexus between conflict and poverty is particularly overwhelming. Where conflict endures, ambitions of poverty eradication cannot be successful. Even without the headwinds from climate change and growing geopolitical tensions, the fact that the deepest and most chronic forms of poverty are increasingly found in the poorest countries and regions limit the opportunities of people and their families to move up the socioeconomic ladder.

But reaching the furthest behind is only one step towards eradicating poverty. The research summarized in this paper exposes poverty as a widespread risk. Many more households are affected by poverty than those observed to be in poverty at specific points in time. Managing risk and building resilience are ever more important in the current context of rapid economic, environmental, and geopolitical transformations.

Informed by conventional data on the number of people in income poverty, the policy focus has been on helping people move out of extreme poverty. Growing evidence on poverty trajectories shows that escapes from poverty are seldom a straightforward path, however. Many people lift themselves out of poverty but fall back into it when a shock hits. A greater focus on preventing impoverishment is needed to sustain progress and avoid setbacks.

Escapes from poverty have usually exceeded falls into poverty during periods of rapid economic growth, where such growth has been employment-rich and real wages have risen. However, countries have often missed the opportunities created by periods of expansion to take on the massive investments in education, healthcare, infrastructure and social protection that would have helped people stay out of poverty in the long run and created the foundations to tackle the most chronic, deepest forms of poverty. Similarly, relief efforts during and after major crises – as well as peacebuilding efforts in countries emerging from conflict – have often prioritized short-term recovery solutions while neglecting these longer-term investments.

The value of social protection systems to shield individuals and families from shocks and prevent falls into poverty has been broadly recognized. Yet less than 15 per cent of the population of sub-Saharan Africa and under 25 per cent of the population of Southern Asia were covered by at least one social protection benefit in 2020, when the Covid-19 pandemic

hit,<sup>21</sup> and the institutional capacity and fiscal space of countries in these regions to respond to this and other crises is limited. Considering that health shocks are a primary cause of impoverishment, healthcare coverage is crucial. Even though coverage has increased quickly over the last decades – with almost two thirds of the global population protected by a health scheme in 2020 – benefits are still inadequate in most developing countries (ILO, 2021).

While greater social investments are key, success cases in sustaining escapes from poverty and avoiding setbacks show that social policy must be an integral part of a broader development strategy if it is to address the conditions that cause and perpetuate poverty. Promoting access to decent jobs is the key to poverty reduction. Ensuring access to land, credit and other productive resources, fair inheritance rights, full legal capacity and access to justice by women and men in poverty are also critical measures. Creating an enabling environment for social movements and taking public action against discrimination are necessary to balance the inequitable distribution of power, change norms, promote participation and thus advance social inclusion.

On the whole, accelerating progress towards poverty eradication calls for doing more to integrate analysis and policy making across the social, economic and environmental dimensions. Although a holistic approach to sustainable development is at the heart of the internationally agreed 2030 Agenda for Sustainable Development, few countries have succeeded in implementing the joined-up decision-making that is needed to avoid trade-offs and create multiplier effects between environmental goals, economic transformation and poverty eradication (Colenbrander and others, 2022; United Nations, 2023).

An integrated approach is sorely needed to ensure, for instance, that poverty eradication efforts are not constrained by climate change mitigation measures but, rather, that the synergies between the two are harnessed, or that climate adaptation measures and budgets take on poverty eradication as a consistent objective. Under an integrated approach, policies that reduce vulnerability to future environmental hazards should bring positive returns to people in poverty today. If and where costs to people in poverty are unavoidable, a just transition calls for adequate protection and compensation.

Sound information is key to address these synergies and eliminate poverty at its roots. Unfortunately, data to measure the levels and severity of income poverty and other dimensions of deprivation are not collected frequently enough and there are important information gaps, especially at the very bottom of the distribution. Panel or longitudinal are still scarce in middle- and low-income countries. Understanding how people escape poverty,

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<sup>21</sup> ILOSTAT database, available from <https://ilostat.ilo.org/topics/social-protection> (accessed 26 March 2024).

fall into poverty or remain in it will require strengthening the capacity of national statistical agencies to produce but also to disseminate data, especially in poorer countries.

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Annex 1. Figure 4 sources and sample sizes

Country	Area	Source, years	Sample
Bangladesh	Rural	Bangladesh integrated household survey 2011, 2015, 2019	5,260
Cambodia	Rural	Agriculture, Rural Development and Poverty Reduction Survey 2008, 2011, 2014 and 2017	852
Ethiopia	National	Living Standards Measurement Survey 2011/12, 2013/14, 2015/16	3,388
Kenya	Rural	Tegemeo Agricultural Panel Survey 2000,2004, 2007, 2010	1,243
Nepal	National	Nepal Living Standards Survey 1995/96, 2003/04, 2010/11	434
Nigeria	National	Living Standards Measurement Survey 2010/11, 2012/13, 2015/16, 2018/19	1,326
Peru	National	Encuesta Nacional de Hogares 2017, 2018, 2019, 2020, 2021	2,031
Philippines	National	Family Income and Expenditure Survey 2003, 2006, 2009	6,519
Rwanda	National	Enquête Intégrale sur les Conditions de Vie des Ménages 2010/11, 2013/14, 2016/17	1,920
U.R. Tanzania	National	Living Standards Measurement Survey 2008/09, 2011/12, 2014/15, 2019/20	908
Uganda	National	Living Standards Measurement Survey 2005/06, 2009/10, 2010/11, 2011/12, 2013/14	1,398
Zambia	Rural	Rural Agricultural Livelihoods Survey 2012, 2017, 2019	6,625