The World Bank's New Poverty Focus

A radical change or "more of the same"?

Jane Carter, *April 2013*

The World Bank gained a new President a year ago this month, an American-Korean medical doctor and anthropologist, Dr Jim Yong Kim (1). One year into his presidency, he has announced a new World Bank approach to global poverty (2). It aims "to galvanize international and national support around two goals: to virtually end extreme poverty in a generation and to push for greater equity." Also announced is the introduction of a new "Shared Prosperity Indicator", although the details of how this will be calculated are not yet available on the Bank's website. What, then, is new – or is it really new?

Ending extreme poverty - or at least reducing it to no more than 3% globally by 2030

Seeking to end extreme poverty is of course not new, and the Bank will continue to use "living on less than US $1.25 a day" as its definition of extreme poverty because it is a "compelling" one (3, p.8). It nevertheless acknowledges that "monetary indicators do not adequately accommodate all the dimensions of poverty that represent our mission" (3, p.8). What is new for the Bank is that they have set themselves an ambitious global target of reducing extreme poverty to no more than 3% by 2030. In reaching this target, particular importance is given to Sub-Saharan Africa and South Asia, with some countries in the former region being singled out as posing a particular challenge. In Burundi, Republic of Congo, Liberia and Madagascar, extreme poverty is quoted at being above 80%. In his speech launching the new goals, Dr Kim furthermore emphasised his personal commitment to tackle poverty in fragile and conflict-affected States (4).

Promoting shared prosperity: a focus on the bottom 40% in each country

Where there seems to be more of a change in the Bank's approach is with regard to the second of the two goals: promoting shared prosperity. This is a clear response to concern over growing economic inequalities in many countries, and a recognition that many of the world's poorest people do not live in the poorest countries (5). Thus the Bank states that "Our mission is not just about the poorest developing countries, but about poor people everywhere" (3: p19). Promoting shared prosperity "implies a direct focus on the income of the less well-off, as opposed to the common practice of focusing only on growth of GDP per capita" (3, p.20). The Bank is quick to point out that this does not mean any attempt at wealth redistribution, but rather boosting economic growth amongst the less well off – the bottom 40%. Increasing the income of this "bottom 40%" is to be the focus of future Bank activities. The argument given for this is primarily an economic one - that rising inequality "could eventually stifle the growth process itself by affecting the quality of institutions, causing political instability, and reducing mobility in society" (3, p.23). Egypt is given as an example of a country in which income growth of the bottom 40% was close to zero.

It is far too early to tell if the concept of shared prosperity will radically alter the way in which the Bank does business. One thing that is clear, however, is that the Bank's underlying theory of change remains essentially the same; that it is individuals who can change their circumstances through their own efforts: "The social contract for promoting equity and growth should aim to create an "opportunity society", where the human and productive potential of every individual, regardless of gender, region, ethnicity, or parental background, is maximised" (3, p.28). The document setting out the new approach gives scant acknowledgment to the systemic, structural nature of inequalities between and within countries, and the entrenched resistance to change on the part of those in power.

References

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