THE EVOLUTION OF FIGHTING POVERTY AS AN INTERNATIONAL EFFORT[1]

Krassen Stanchev,[2] Sofia University

Abstract

The 70 plus years of conceptual and institutional evolution of the fight against poverty as an international effort has had its philosophical, economic and institutional foundations, including UN log-rolling between East and West, North and South but resulted in the current policies to end poverty. This article offers a review this history and analyses the contemporary perspectives the efforts of the UN institutions and the World Bank Group to coordinate the reduction of poverty, and discusses the economic factors behind the success of the Millennium Development Goals (MDGs) to halve extreme poverty, revisiting the outcomes for different regions. The understanding of differences between regions helps outlining what worked and what could support the future fight of poverty. It also features the East European countries that in the period between 1990 and 2007 moved from central planning to market economy, some of them eventually becoming new members of the EU and already belong the group of high-income countries. Their case underpins the analyses of the current constellation of factors to fight poverty. Previous optimism of economists and statisticians is questioned through a critical analysis of the external assistance in poverty fighting strategies, the persistence of high extreme poverty shares in countries in Sub-Saharan Africa, by statistical indications of slower pace of poverty reduction in 2018-2019, and, finally, by the negative externalities of the Covid-19 pandemic and the sharp and deep economic slowdown globally. The paper end by an account of policy mixes that could speed up or at least keep the direction and the trend of the poverty reduction world-wide.

SOME ABBREVIATIONS

AfDF - African Development Fund
ADB - Asian Development Bank
ECOSOC or ESC – UN Economic and Social Council
HIPC - Highly Indebted Poor Countries
GA – General Assembly (of the UN)
GEP - Global Economic Prospects
GHSI - Global Health Security Index

---

[1] This article has become a foundation of further study, already co-authored with Prof. Vesselin Popovski on extreme poverty eradication after the COVID-19 pandemic, which is about to be published as a chapter 1 ("Extreme Poverty Eradication: Conceptual Evolution and Policy Challenges") of Narinder Kakar, Nicholas Robinson and Vesselin Popovski (editors), Fulfilling the Sustainable Development Goals, by Taylor and Francis publishing house (Routledge).
I would like to thank Professors Kraker and Popovski for convincing me to undertake the research.

[2] Dr. Krassen Stanchev is an associate professor teaching Public Choice, Macroeconomic Analysis of Policies and history of economic ideas to humanitarian post-graduates at Sofia University), he is also Board Chairman, one of founders and former Director of the Institute for Market Economics (www.ime.bg), ex-MP and committee chairman of Bulgaria's Constitutional Assembly (1990-1991). Since 2006, he worked in the countries of Western Balkans, Central Asia, the Caucasus, Ukraine, Russia and Egypt, leading teams and/or being a subcontractor of EU, UN, USAID or the World Bank programs. He is a honorary board member of Bulgarian Chamber of Commerce and Industry, a member of Mont Pelerin Society (www.mps.org), and of the Network for Constitutional Economics and Social Philosophy (NOUS: http://nous.network/en/).

IFIAC - International Financial Institutions Advisory Commission
JHU – John Hopkins University
LaDB - Latin American Development Bank
MDG - Millennium Development Goals
MDRI - Multilateral Debt Relief Initiative
MPI - Multidimensional Poverty Index
NIEO - New International Economic Order
OPHI - Oxford Poverty & Human Development Initiative
OWD - Our World in Data
PAL - Poverty Action Lab
PRGF - Poverty Reduction and Growth Facility
PRSP - Poverty Reduction Strategy Papers
SDG – Sustainable Development Goals
SSA - Sub-Saharan Africa
UDHR - Universal Declaration of Human Rights
UNHCR – UN High Commissioner for Refugees
WDL - WorldDataLab
WDR - World Development Report
WHO – World Health Organization

INSTEAD OF INTRODUCTION: 73 YEARS OF THEORETICAL EVOLUTION

From ancient Judea Jubilee tradition and bread and olive oil subsidies in the Roman and Byzantium empires to contemporary socialist and populist movements and welfare state of North America and the EU, the policy to help the poor has been a core part of the Real Politik. As an international policy, however, fighting poverty is a relatively new phenomenon.

If one rolls back the chain of historic events, the endeavors to formulate and attain the objective of limiting and even eliminating poverty, had emerged as an internationally recognized policy goal relatively recently.

The first mention of such policy is the Article 25 of the 1948 United Nations Universal Declaration of Human Rights (UDHR), adopted in 1948. It sets an abstract qualitative definition of everyone's "right to a standard of living adequate for the health and well-being of himself and of his family" and lists eleven types of welfares (from nutrition to widowhood and old age). The spirit of the Declaration was that signatories commit not to act in violation of these rights.

For about 40 years this context-inclusive approach to poverty reduction was similar to the understanding of economic development in general as "an extension of the range of choice.., an increase in the range of effective alternatives open to people". This is "both the core objective and the criterion of economic development", wrote out of experience in Malaysia and West Africa Peter Bauer in 1957.[3]

Since 1848, the reduction of poverty objective swung between two schools of thought, and in 2020, to some extend thanks to the CIVID-19, they tend to merge.

The first addressed wellbeing as positive externality from economic development and growth, in Bauer's sense. This approach was advanced further by Amartya Sen, the first economist to be awarded a Nobel Prize for studying the links between social choice and poverty. He titled one of his books "Development as Freedom". In 2015 Thomas Sowell argued that there is randomness of incomes, not a direct causality between individual and/or collective intentions and goals, and the eventual outcomes of economic and policy actions. According to him, the randomness of income depends on myriad of circumstances under nobody's control. The task

[3] Peter T. Bauer, Economic Analysis and Policy in Underdeveloped Countries, Durham, N.C.: Duke University Press, 1957, p. 113.

is to explain “the things that created and sustained higher standards of living” (because the humanity begun its development in a state of poverty that lasted for a very long time).[4] At the eve of the post-1800 exponential growth of prosperity Adam Smith viewed his mission as an inquiry into “nature and causes of the wealth of nations”. Thomas Sowell reminds us the fact that classic economic thinking focused on wealth creation for the obvious reason that poverty was so common and dire social phenomenon that normal people have no choice but striving to escape out of it.

The opposite approach was and is to understand poverty as a relatively separate phenomenon, theoretically distinguishable from other strolls of economic life, and therefore subject to a purposeful policy action to limit and manage it as a social phenomenon. The post WWII economic models described economic growth through levels of saving and investment (the productivity of capital). Under this explanation, the poverty should be theoretically dealt away by incentivizing savings and investment, debt relieves and other measures that help overcoming the “poverty trap” (i.e. low incomes prevent saving and thus investment). This approach helped monetization of policies and calculation of resources needed to lift of populations out of poverty, e.g. the calculation of the poverty gap – an abstract assessment of the resources to bring the extremely poor above the respective poverty line.

Policies, however, tend to induce complex, negative and positive externalities to other walks of social life. Their analysis by economists, statisticians and policy makers had reformed the policy agenda of fighting poverty. Some policy instruments, like government debt relief assisted by IMF and development banks, required redistribution of already produced income, and themselves did lead to unforeseen consequences, while many details of the real economic behaviors of the poor were left without attention.

These consequences were analyzed by economists like William Easterly and many others. The omissions were studied and explained by Abhijit V. Banerjee and Esther Duflo’s Poverty Action Lab (PAL) in 2003-2011. Their studies summarized in “Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty” (New York, Public Affairs, 2011) had won the authors, along with Michael Kremer, the Nobel Prize in Economic Sciences in 2019 “for their experimental approach to alleviating global poverty”.

The discussion between economists and politicians of both schools led to better understanding of economic wellbeing and poverty. In recent years a profound and practical understanding of poverty was provided by Nobel Prize in economics laureates, like Arrow, Sen, already mentioned Duflo, Banerjee and Kremer, Angus Deaton and others.

“WASHINGTON CONSENSUS” AS POVERTY ERADICATOR

The attention to quantitative policy objectives was raised by a UN document that was never implemented - the 1974 UN General Assembly’s Declaration on the Establishment of a New International Economic Order (NIEO). It recommended that “industrial countries” and other “donors” to UN institutions spend more on debt relief, support poorer countries’ industrial policy and relax existing rules of development and debt financing by the World Bank and IMF. The relief was required to be “in order and magnitude that is commensurate with the needs of the most affected” countries.[5]

---

[4] Thomas Sowell, Wealth, Poverty and Politics: An International Perspective, New York, Basic Books, 2015, Chapter 1, chapter 13.

[5] See: Programme of Action on the Establishment of a New International Economic Order. UN GA, May 1, 1974: https://digitallibrary.un.org/record/218451?ln=en . The spirit and the letter of this document was hardly acceptable: with an unclear rhetoric. it presumed responsibility of the “industrial nations” for the economic backwardness and called for an autarchy of developing nation in terms of natural resources, trade and economic institutions. In the next 10 years, IMF and the World Bank promoted the so called Washington Consensus that was accepted by most of the UN member states.

The detailed reading NEIO background documents leaves the impression of a political attempt to force developed countries to deliver a Blanc Check to governments that in fact restrict economic development (understood as in Bauer's terms as broadening the range of choices). The attempt then, in the 1970's, failed because "the donors" disagreed but eventually the redefinition of the missions and mandates of the World Bank and IMF in the new millennium had contributed to the internationalization of the policies to end extreme poverty.

Politics aside, the microeconomic rationale behind this language was obvious: high government debts require high taxes, thus reducing the residual income and savings of the population, therefore the relief would expectedly increase the amount of public resources available for development and of private opportunities to work, consume and safe. With the time other measurable goals were formulated for many segments of the wellbeing such as poverty as an income per person, food safety, hunger, infant mortality, life expectancy, etc. The incorporation of these (longevity, literacy, and health) dimensions or consequences of poverty took place in 1980s, and the measure of poverty as "one dollar a day per person" was introduced with the 1990 World Development Report (WDR)[6] and a measurable target to halve the proportion of people who live on this income by 2015.

Gradually, the poverty reduction objective as a cornerstone of international development policies than was modified by the MDGs in 2000 and by the SDGs in 2015. This process was aided by other politically unforeseen developments.

The 1990s coincided with the collapse of the Iron Curtain in Europe and the former socialist countries embarked on the path of market reforms. The most successful followed a policy mix that become known (and sometimes misunderstood) as "the Washington Consensus": fiscal discipline, streamlining taxes, liberalization of interest rates, prices, trade and investment, leveling the playground for domestic and foreign direct investment, securing the property rights (incl. privatization and bankruptcy), and deregulation. This was a reference to basic economic institutions that were restricted in indebted countries and destroyed by the system of central planning. The Consensus gave an extended formula of above-mentioned theory of wellbeing as a positive externality of economic growth.

The 1994 Human Development Report (HDR) promoted the idea that human rights should be guaranteed by an enhanced human security, in seven dimensions: economic, food, health, environmental, personal, community and political security. The "economic security" was thus statistically and politically linked to human development. The 1995 report of the UN World Summit for Social Development in Copenhagen expanded previous definitions of poverty, underlining that it "depends not only on income but also on access to services". It saw poverty as a social and policy problem along with unemployment and social exclusion, pointed at poverty as a "…deprivation of basic human needs" (food, safe drinking water, sanitation, health, shelter, education and information). It called for "stronger international cooperation and the support of international institutions to assist countries in their efforts to eradicate poverty and to provide basic social protection and services".[7] The Summit declared 1996 a Year for the Eradication of Poverty.

Seeing poverty as a social problem was an important paradigm shift: the task henceforth was already to identify the most expedient policy mixes to deal with the problem. The

[6] Ravi Kanbur and Lyn Squire, The Evolution of Thinking about Poverty: Exploring the Interactions, Gerald M. Meier and Joseph E. Stiglitz (editors), Frontiers of Development Economics: The Future in Perspective, World Bank, Washington D.C., 2001, p. 184-189. The authors explain that a) the measure leaves without quantitative assessment many important phenomena (differences of the cost of living between countries, non-markets transactions, intra family redistribution, etc.), and b) conclude that including complex measures does not have a principal impact on sets of policies to end poverty.

[7] See Chapter 2 of the Report, especially page 41, and also paragraph 2, 6 and Commitment 2 of the Copenhagen Declaration.

understanding of poverty left the field of economics and human rights and became a norm in international policy initiatives, ensuing eventually the MDGs and SDGs.

1974 NIEO policy targets, 1994 HDR concept of development and 1995 Copenhagen Summit added new institutional dimensions to the Washington Consensus, such as: public and corporate governance, limiting corruption, and observation of international standards in trade, finance and central banking, existence of social safety nets as well as targeted poverty reduction policy. These institutional requirements sought a greater efficacy of international and domestic development policies.

The 1996 Highly Indebted Poor Countries (HIPC) initiative was instrumentalized by the IMF and World Bank. Besides criticism,[8] the IMF 2020 HIPC's review found that progress in poverty and inequality reduction accelerated thanks to MDGs and SDG, and in particular thanks to the 2005 Multilateral Debt Relief Initiative (MDRI). The latter gave an option of 100% of eligible debts to be written off if benefitting countries adopted (with civic participation) own Poverty Reduction Strategy Papers (PRSP).

By 2015, when the MDRI was discontinued, the IMF and the World Bank had involved in the effort the African Development Fund (AfDF), Asian Development Bank (ADB) and Latin American Development Bank (IaDB), helping altogether 35 countries, most of them in Africa but also in Latin America and Asia.[9] The MDRI was terminated in 2015.[10]

The 1997 WDR examined role of the state. It found too simplistic to assume that "good advisers and technical experts would formulate good policies, which good governments would then implement for the good of society". The president of the World Bank, James Wolferson, noted that "Building a more effective state to support sustainable development and the reduction of poverty will not be easy".[11] To supplement the role of the governments, a new institutional requirement was coined out: international organizations (and national governments) shall discuss, draft and implement development programs in cooperation with NGOs and other stakeholders. It was the independent analysis of government failures that motivated the introduction of the above mentioned PRSPs. A growing number of economists (David Dollar, Simeon Djankov, Miroslav Prokopijević, William Easterly, Peter Bauer – to name just a few) studied how development funding is allocated, and questioned both its efficacy and integrity. In order to overcome irregularities IMF designed new instrument and an attempt was undertaken to reformulate the missions of IMF and the World Bank.

The Poverty Reduction and Growth Facility (PRGF) of the IMF tasked "to make the objectives of poverty reduction and growth more central to lending operations in its poorest countries", operated from 1999 to 2009, and extended loans to 78 African and Asian countries (including four ex-USSR states)[12]

On the turn of the centuries, the US Congress commissioned a review of the Bretton Wood's institutions by the International Financial Institutions Advisory Commission (IFIAC), led by Prof. Allan H. Meltzer. Its core recommendation was that IMF should primarily focus on crisis prevention (crisis management, improved quality and increased quantity of public information, and macroeconomic advice to developing countries). Facilities like PRGF shall not deal with long-term lending, it is a competence of IBRD and other development banks: "If these banks did a better job, there would be no need for the PRGF", wrote Meltzer. The development banks' programs, IFIAC stated lack focus, are often loosely related, or

[8] See, e.g.: Reducing Poverty: is the World Bank's strategy working? PANOS Institute Report No 45, London, Panos, 2002.

[9] See: MDRI Factsheet, IMF, March 2016; the remaining funds were transferred to Catastrophe Containment and Relief Trust (thus, assisting achievements of other SDGs).

[10] The remaining balance was transferred to Catastrophe Containment and Relief Trust, assisting other SDGs.

[11] WDR 1997: the State in a Changing World, Washington D.C., Oxford University Press, IBRD, 1997, pp. IV, 2.

[12] See: PRGF Factsheet, IMF, July 31, 2009.

unrelated, to their stated goals and, all too frequently fail to accomplish their objectives". Meltzer explained: "All of the fault does not lie with the development banks, but they have not found ways around the obstacles that some governments create. And they continue to lend despite the obstacles and the resulting failures."[13]
In this context it was logical that 2006 "Equity and Development" WDR analyzed the global poverty as a systemic economic phenomena that includes national, international and social dimensions of equality, interrelations between well-being and equity, property rights, investment, justice, regulatory fairness, and longevity.[14]

MDG: THE OPTIMISM OF THE LAST 15 YEARS
With the system of measuring poverty and the broad understanding of interconnected dimensions of living standards, by 2005 it has it has become obvious that 1990 goal to halve the extreme poverty by 2015 is to be accomplished. This became obvious not only to statistician and economists, but – thanks to them - for the public at large as well.
If one takes the adjusted (in 2015) extreme poverty measure of USD 1.9 per person per day, the dynamics was that in 1990 the population living in extreme ooverty was 35.8% of the global population, which continued to grow, by 2005 the absolute number of extreme poor went down by 29.9%, or 20.7% of the global population. The table below demonstrates the development by 2015.

Population group	1990	2005	2015
Earth population	5.31 bln	6.52 bln	7.35 bln
Not in extreme poverty	3.41 bln	5.17 bln	6.62 bln
In extreme poverty	1.9 bln	1.35	0.733 bln

Source: World Bank, Our World in Data (OWD)

The overall target to halve the number of extreme poor was accomplished. The conclusion about MDG was that global agenda can make a difference, irrespectively the global recession of 2008-2009. In terms of poverty, it was upsetting that 1/5 still lives in poverty and hunger, with limited to no access to healthcare, medicine, clean water and other services, and also the situation with inequality between genders, household with different levels of income, urban and rural areas within countries and between countries, differences in environmental conditions between the poor and the rich. All these were affecting more radically the poor and those living in zones of conflict (which still rests as largest threat to human flourishing).
Excluding the most prosperous part of the globe and disregarding differences within county groups, the shares of population in extreme poverty (USD 1.9 per day) in 2005 was as follows:

- Sub-Saharan Africa – 50.7%;
- Fragile and conflict-affected situations – 44.7%;
- Low income countries – 33.3%;
- Low and Middle Income countries – 25%;
- Latin America and Caribbean – 9.9%;
- Europe and Central Asia – 4.9%;

[13] For details, we recommend the Prof. Meltzer's summary for the German IFO Institute: The Report IFIAC: Comments and Response to Critics, CESifo Forum 1 (4), 2000, pp.: 9 - 17: https://www.cesifo.org/en/publikationen/2000/journal-complete-issue/cesifo-forum-4-2000
[14] See: WDR 2006, Equity and Development, Washington D.C., World Bank and Oxford University Press, 2005.

- Middle East and North Africa – 3%.[15]

This was the climate of ideas on the eve of 2012 UN Conference on Sustainable Development in Rio de Janeiro that formed the vision to "make sustainable development a reality for seven billion people today, and to define the future we want for nine billion by 2050".
By then, the poverty gap, or the amount of money that would be theoretically needed to lift the incomes of all people in extreme poverty up to the international poverty line of USD 1.90 a day, were predicted to go down to USD 161 bln in 2013, from 28O bln in 2005. The global GDP in 2012 was estimated to be USD 71.2 trln, of which the Sub-Saharan Africa share was barely 3% while 96% belonged to non-challenged by extreme poverty regions. Theoretically, the cash needed to completely cover the poverty gap was 2.2 of 2012 global GDP.
Given the global circumstances and comparatively moderate global GDP decline of 2.9%[16] during the 2008-2009 recession motivated the call to completely deal away with poverty and hunger. For the 2012 Rio Summit participants this would have been an inexcusable political mistake not to take the lead.
When strategizing the Millennium Promise Alliance (with the mission to end extreme poverty and hunger), Jeffrey Sachs (then UN director overseeing the work on the MDGs), fortified the end-of-poverty goal and stretched the list of sustainable development objectives. In his "The End of Poverty: Economic Possibilities for Our Time" (2005) he proposed an annual spending of 0.7% of developed nations GDP per annum would be sufficient to end poverty in 15 years. He encouraged debt reliefs for low income countries (the UN 2005 supported the above reviewed conduits to do so) and proposed immediate doubling (and then gradual increase to the level of above quoted poverty gap assessments) of the annual development aid programs.
Similarly, the optimism was supported by the late Swedish statistician Hans Rosling, who by 2015 has become if not a households name, but a source of reference to political scientists from around the globe. His extrapolations made him a firm believer in ending poverty and as an advisor to WHO, UNHCR and a collaborator of UN Population Division he managed to make others belief this objective is attainable. "Do not Panic: How to End Poverty in 15 Years" (2015) was one of his last documentaries. In this, summarizing his previous projections,[17] he closely linked poverty elevation to overcoming global demographic challenges.
Simultaneously with above-mentioned "Rethinking Poverty", in 2010-2011 by Sabina Alkirea and James Foster of the Oxford Poverty & Human Development Initiative (OPHI) proposed the Multidimensional Poverty Index (MPI).[18] MPI links monetary (consumption) measures of poverty with ten human security indicators and HDRs and is correlate with other SDG-associated challenges.

THE EXTRAORDINARY SUCCESS OF THE POST-COMMUNIST COUNTRIES

It is well established that the population in extreme poverty declines globally mostly because China (since 1980s) and India (since 1990s) promoted basic economic reforms that lifted 1.5 billion individuals out of extreme poverty. The unleashed growth in the last ten years China

[15] Source: OWD, Extreme Poverty. The figures account for differences in prices levels, and for inflation; all estimates are in international dollars using 2011 PPP conversion rates.
[16] See: Ayhan Kose, Naotaka Sugawara, Understanding the depth of the 2020 global recession in 5 charts, World Bank Blog, June 15, 2020: https://blogs.worldbank.org/opendata/understanding-depth-2020-global-recession-5-charts#
[17] See his Ted Talks, the portal GapMinder ` (founded in 2005) and his post-mortem "Factfulness: Ten Reasons We're Wrong about the World – and Why Things Are Better than You Think" (2018).
[18] See their article "Counting and multidimensional poverty measurement", Journal of Public Economics Volume 95, Issues 7–8, August 2011, pp.: 476-487. The Annual MPI is co-published by OPHI and UNDP since 2011.

reduced the number of extremely poor by 12-13 million per annum in China, India - by 2.7-2.8 million. [19] China is very likely to end extreme poverty in 2021or 2022. In 2020, its share of extremely poor is lower than that of the USA (1.6%).
The Washington Consensus, despite very different country experience, was the also the policy mix to bring down poverty in the Eastern Europe and ex-USSR.
In the last 15-20 years the share of populations in extreme poverty (USD 1.9 per day) often shrank more than 10 times in many countries.[20] Today only in Turkmenistan and Uzbekistan it is just above 4%, and in Georgia – just below 4%.
All other 27 countries have extreme poverty shares below 3%, in all new EU member states (except for Romania – 2%), ex-Yugoslav countries (except Macedonia – 3%) and in Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan. Moldova, Mongolia, Russia and Ukraine the extreme poverty headcount is below 1% of the population. In thirteen countries the extreme poverty is practically extinguished.
There are common economic policy denominators for ex-Communist countries:

- Definition, restoration and protection of private property rights;
- Liberalization of trade, investment and prices;
- No fancy industrial policies, kept public spending (most often) on track with revenues, streamlined and simplified taxes, adhered (with some exceptions) to sound monetary policies, and, except for the Eurasian Economic Union states and Ukraine, allowed for completion in bank ownership;
- Globalized, and integrated (politically and economically) with the EU and other centers of prosperity.

Similar policy mixes one can observe in China, or India, or countries as Indonesia, Ghana, and Ethiopia, where the progress in reduction of poverty is also remarkable.
Most Eastern European countries kept their former social safety nets unchanged, but rationalized them. Only the Republic of Georgia abolished state pension and healthcare funds, and Kazakhstan introduced a Chilean style pension reform.
This is the key difference between China and India (and other fast growing economies of East Asia) and Eastern European countries. Respectively, the government social spending differs substantially, labor markets are much freer in China and ex-USSR countries (respectively youth unemployment was and still is lower too).
What Eastern Europe countries spend on pensions, China spend on infrastructure. For the 2010-2015 period the average annual infrastructure investment here was 8.3% of GDP, twice more than Russia, and three time more than OECD and East European countries.[21] (Government spending on education is roughly the same in India, China and Eastern Europe). 10-15 years ago it was widely believed (by ADB, ILO, UNDP, etc.) that such public investment would help reducing poverty. The statistics suggests that there is a correlation, but there are no detailed recent studies.
The economic growth rate of all post-Communist economies from mid-1990s to 2009 was 2.5-3 times higher than growth rates in the EU or North America, the global recession was often sharp but short-lived, then the pattern resumed in 2010-2011. Post-recession

[19] The Poverty Clock of the Vienna based WorldDataLab (WDL) demonstrates this effect per minute and tracks the progress of other SDGs in real time, see: https://worlddata.io/ .
[20] Measures are most often available through the World Bank for the years after 1995, none of the countries had a statistical measure for the period before 1989 in Eastern Europe and before 1991 in ex-USSR. For the current situating we use WDL estimates.
[21] See: Annual average infrastructure expenditures as percent of GDP worldwide from 2010 to 2015, by country, Statista, August, 2019: https://www.statista.com/statistics/566787/average-yearly-expenditure-on-economic-infrastructure-as-percent-of-gdp-worldwide-by-country/ .

employment rates in Eastern Europe are at highest historic levels, wages grew relatively fast. However, the East European growth rates even for the boom period before 2008 were around 6% of GDP, were far below China and India growth in those years.
The poverty reduction progress in individual ex-Communist countries was as remarkable as in China: OWD statistics reveals that the share of population in extreme poverty in Kyrgyzstan, Moldova, Georgia and Kazakhstan 20 years ago was respectively 42.1, 38.5, 19.4 and 10.3 percent; now – 1 or below 1%, in Georgia – 3% at the beginning of 2020.
There is one regularity evident from the experience of ex-Communist countries: the faster economies liberalize the faster the economic growth and poverty reduction.[22]
This is also evident in Bulgaria. In 1995 the share of the population in extreme poverty was 5.5%, by March 1997 it grew to 36-37%, most hardly affecting rural areas (about 47%), senior citizens and minorities (Roma – more than 80%, ethnic Turks – 45%).[23]
The country was developing in the first half of the 1990's in parallel with Central European states. The trend was turned down by the 1995 government decision to support loss-making state-owned enterprises. This led to a banking crisis,[24] hyperinflation (from April 1996 to March 1997 it was the highest in the world, ranking 17th highest inflation in the history of the 20th century); from April to December 1996 real industrial wages were going down by 19% a month; in January 1997 the average monthly wage was USD 40, the pension – 20; in February USD 20 and 5; savings evaporated, from 52% of GDP in the end of 1995 to 6% in March 1997.
The economic crisis was resolved by stopping the printing press, reforming the central bank into a currency board, and, in a sense, returning the original Washington Concusses – "growth is good for the poor".[25] The next poverty assessment found that by the end of 2001 the share of the population in extreme poverty shrank almost by 2/3, to 12.8%. "The improvement can be attributed to growth and the economic recovery, which has lifted the consumption levels of many households", pointed out the report. "Despite the declining poverty rates, many Bulgarians feel that their living standards have not improved dramatically. Qualitative surveys suggest that nearly three-quarters of the population believe that they live in poverty."[26]
By 2017, the extreme poverty in Bulgaria have been gradually reduced to 1.3% and the multidimensional poverty measure was 1.7% of the population. Before the COVID-19 pandemic hit the country, the extreme poverty was already 1%. The shock of 1996-1997, however, had a long lasting stigma for the country – it is most often named in the press "the poorest EU country", and about 30% of the Bulgarians are convinced they love in poverty.
The trend of (non-extreme) poverty reduction was reversed in some countries even before COVID-19 recession, irrespectively of their economic potential. The case in point is Russia: its national poverty rate is USD 3.20 a day (at 2011 international prices); in 2012 the share of the population under this threshold was 10.7%, in 2019 – more than 14% and this year –

[22] This was one of the key IMF findings in the 2014
Regional Economic Issues Special Report on the "25 Years of Transition Post-Communist Europe and the IMF", authored bt James Roaf, Ruben Atoyan, Bikas Joshi, Krzysztof Krogulski IMF staff on the occasion of the anniversary of fall of the Berlin Wall.
[23] See: Bulgaria: Poverty during the Transition, World Bank, 1999, pp.: ii-v.
[24] In 1996 Bulgaria registered the most costly banking crisis in the transition – 42% of GDP. Other countries had similar experiences: Macedonia – 30% of GDP (due to a Greek blockade), Czech Republic – 25% of GDP in 1998 (newly privatized firms stopped repaying credits), and Kyrgyzstan (18% of GDP) and Kazakhstan (10% of GDP) in effect to the 1998 Russia government debt crisis. (See: Helena Tang, Edda Zoli and Irina Klytchnikova, Banking Crises in Transition Countries: Fiscal Costs and Related Issues, World Bank, 2001, p. 35.
[25] An article with such a title, by World Bank economists David Dollar and Aart Kraay received both an approval and criticism when it was published in the "Journal; of Economic Growth" (vol. 7, pp.: 195-225, 2002)
[26] Bulgaria Poverty Assessment, World Bank, October 2002, pp.: 18-19.

above 15%. For the sake of comparison: Bulgaria national poverty line is USD 5.50 a day, in 2017 7.5% of the population lived under this line.[27]

PROGRESS AND POST COVID-19 PROSPECTS OF POVERTY REDUCTION

As Duflo and Benerjee predicted in Poor Economics (2011), relying on general economic growth (the old Washington Consensus) for poverty reduction, turned out to be a low hanging fruit.

In 2019 UN projected that the global poverty line will go down to 8.2% of the Earth's population. But the pace of the pace of progress had slowed down and by 2030 forecast was 6%.[28] The explanation: not only the last margins are rather complex to address line in China and Eastern Europe, but lack of social protection and insurance against natural disasters especially visible in disparities between low-middle and low-income countries and the rest of the world, the UN report found.

If in the 1990s the extreme poverty was most visible in East and South Asia, now it is concentrated in to Sub-Saharan Africa. The share of Sub-Saharan poor did not change between 2000 and 2015, it event grew after 2015 while other regions almost reach the point of ending extreme poverty.

World Bank forecasts is that in 2030 almost 90% of the world poorest will live in Sub-Saharan Africa, if the last decade pattern of economic growth is sustained.

The COVID-19 swept away even half-optimistic forecasts. The World Bank updated poverty projections for 2020 two times since the outbreak of the pandemic.

Latest projections, based on 2020 global economic growth assumptions,[29] is that the number of those living in poverty will increase by 71 to 100 million people. These are unexpected "new poor", they will move the poverty rate to higher than previously predicted 2020 level. This scenario may well prove optimistic: 2020 multidimensional poverty line for currently most poor countries is 22%, as MPI states: this fact will negatively affect the progress in poverty elevation in 70 developing countries, bringing them back to the conditions of 2015 or even 2010. 81 million of the new poor could appear in Sub-Saharan Africa and South Asia, Europe and North America unaffected.

COVID-19 recession hits more countries than any other recession in the last 150 years – 93% of the countries in the world. The only precedent is the Great Depression, with 84% of the world in 1931. Historic reconstruction of the GDP dynamics suggests that all past recessions were less sharp and deep, and that underdeveloped regions suffered relatively modest declines of GDP.

"What began as a health crisis has quickly become the worst human and economic crisis in a lifetime", found the July 2020 session of the UN's Economic and Social Council (ESC). In contrast to past losses of output due to pandemics, COVID-19 impact on developed economies would shrink times more output than reconstructed previous GDP declines in effect of the Spanish Flu (4.8%), the Asian Influenza (2% of GDP in 1957) or Hong Kong Flu (1967-1969 – 0.7%).[30] In July 2020, the European Commission estimated a 13.1% reduction in the Union's EU GDP in 2020, decline in consumption and investment of 14.9% and 16.7%. The poorest EU regions and households were most severely hit by lockdowns. EUROSTAT reported that on annual basis the Eurozone GDP contracted by 12.1%, that of the EU – by

[27] See historic statistics at MacroTrends: https://www.macrotrends.net/countries/BGR/bulgaria/poverty-rate.

[28] UN, The Sustainable Development Goals Report 2019, New York, 2019, p. 22.

[29] Daniel Gersnon Mahler, Christoph Laknerr, R. Andres Castaneda Aguilar, and Haoyu Wu, Updated estimates of the impact of COVID-19 on global poverty, World Bank blog, June 8, 2020: https://blogs.worldbank.org/opendata/updated-estimates-impact-covid-19-global-poverty . See for details in Global Economic Prospects (GEP), World Bank, June 2020, chapter 1.

[30] See: Andrew Burns, Dominique van der Mensbrugghe, Hans Timmer, Evaluating the Economic Consequences of Avian Influenza, World Bank, 2009.

11.9%. The unprecedented economic slowdown in richer parts of the world will negatively affect the not so rich and the poorest regions.

Past recessions most often occurred for pure economic reasons: someone did not wanted or had no money to buy something. 2020 recession results from restrictions imposed on the human and physical factors of the economy. If the restrictions persists, the global economy could plunge even deeper, warned the June report on GEP. For now the baseline forecast is 5.2% contraction in global GDP in 2020,

Lockdown policies depend on the perception of the threat, the inevitably limited knowledge about the virus, and the country capacity to cope with the pandemic. All these factors are subject to change as one speaks about them. UN, World Bank Group. OECD, EU and regional and national institutions have updated their assessment of the situations at least three times since January.

According to June GEP, the found that East Asia and Pacific, after a GDP decline of almost 8% since the beginning of the year, is expected to rebound by the year end. Sub-Saharan Africa and South Asia, the regions of "old" and highest risk of "new" poor, would likely shrink by 2.8 and 2.7% of GDP respectively. Eastern Europe and ex-USSR - by 4.7%, the EU countries – by more than 6% of GDP. Middle East and North Africa economies look a bit worse - an average GDP decline of 6.2%. Latin America and Caribbean GDP forecast is – 7.2% decline.[31]

Like in previous pandemics, the poorer countries were less affected economically. The situation may change, however. E.g. no 2020 GDP decline was expected in India, but mid-October statistics shows contraction of different sectors from between 9.2 (healthcare) to 23.1% (automotive industry).[32] These economies are expected to rebound in 2021. Sub-Saharan Africa (where the largest economies of Nigeria and South Africa were the hardest hit by the pandemic and contracting economic activity) is forecasted to register second highest regional GDP growth in the world in 2021 (of 3.1%). South Asia will, perhaps, grow modestly, because the largest economy of India is expected to decline by 3.2% in 2021.

From historic pandemics we know that they are socially "unbiased", killed princes and paupers, emperors and beggars with equal lack of mercy. The COVID-19 statistics so far paints a similar picture.

2019 Global Health Security Index (GHSI), a month before the outbreak of COVID-19 ranked "Best Prepared to Deal with a Pandemic" - USA, UK, the Netherlands were at the top Poorer East European countries were far behind but still among the top 60 of 195 GHSI countries. Nevertheless, the ex-Communist countries registered times less (typically around 10 per every 100,000 citizens) COVID-19 deaths compared to the "best" countries in the first 7 months. Only Russia is an exception. There is a correlation between low number of deaths and historic specificities of these countries: unreformed healthcare, high number of hospital beds per 100 thousand residents, long history of mass vaccinations, and high percentage of out-of-pocket payments, population density and distanced life styles.[33] Except for Nigeria and South Africa, Sub-Saharan countries have as low rates of COVID-19 deaths as Eastern Europe.

By December 2020, the seemingly common COVID-19 advantages of Eastern Europe had completely vanished, except, for now, for Slovakia and Georgia.

---

[31] All reference to GDP statistics is from GEP, World Bank, June 2020: https://www.worldbank.org/en/publication/global-economic-prospects

[32] Estimated impact from the coronavirus (COVID-19) on India in 2020, Statista, 18 October 2020: https://www.statista.com/statistics/1111641/india-estimated-economic-impact-of-coronavirus-by-market/ .

[33] See details: Krassen Stanchev, IV. Health Security, Marcin Zaborowski (editor), Human Security in Central Europe, Visegrad Insight, August 2020, pp: 34-43.

Some of these correlations are obviously valid for economically disadvantageous and poverty distressed countries and regions. JHU COVID-19 data base shows that confirmed infections (concentrated in five countries) are four time more in Europe than in Africa (which has four times larger population). One should also note other important factors.
The African population is younger than that of the EU or North America.
And as a continent Africa is the fastest growing economy of the world in the last five years and had registered decent growth rates since 1990.
These are likely to help Africa in catching up on living standards in the decays to come.
Still however, the immediate future of poverty reduction remains at risk of deterioration due to the combined impact of the pandemic and the legacy of underdevelopment and missing safety nets.
The July the ESC report to the High Level Political Forum of UN summarized the following legacies and risks ahead of SDG1;[34]

- The poorest and the most vulnerable segments of global population (women, children, senior citizens, persons with disabilities, migrants and refugees and informal sector workers, are being affected disproportionately by the pandemic;
- 71 mln. such people are pushed back to extreme poverty in 2020; the 2020 and 2021 forecasts of extreme poor were downgraded to 8.8 and 8.7% of the population (from 7.7 and 7.4 respectively);
- "Vulnerable countries (least developed and land-locked developing countries, small islands and countries in humanitarian or fragile situations) "stand to be hit the hardest in the long term owing to the fragility of their health systems" and due to the "limited coverage of their social protection systems, limited financial and other resources, vulnerability to external shocks and excessive dependence on international trade";
- If before the pandemic, "the share of the world's workers living in extreme poverty fell, from 14.3 to 8.3 to 7.1 per cent in 2010, 2015 and 2019, respectively", while progress "was less encouraging for young workers: in 2019, 12.8 per cent of the world's young workers lived in extreme poverty, compared with only 6 per cent of all adult workers";
- No change since 2016 was reported: 55% of the world's population (4 billion) do not benefit people from any form of social protection;
- And "hurricanes, floods, earthquakes, wildfires and other extreme natural disasters exacerbate poverty: in 2018 "39 million persons were reported as affected, 29 million of whom saw their livelihood disrupted or destroyed".[35]

POST-COVID-19: THE POLICY MIX THAT MAY WORK

COVID-19 situation is likely to bring about a synthesis of the recommendations of the two school of thought about poverty, described here. This also includes the ESC conclusion that "the above-mentioned data underscore the need for international solidarity and cooperation more than ever".
The good news shall be that even if the extreme poverty levels deteriorate, it is hardly possible that SDG1 targets are back to the levels of before 2010. This expectation is justified

[34] All references below from: Progress towards the Sustainable Development Goals
Report of the Secretary-General, New York, UN, July 2020: https://undocs.org/en/E/2020/57 or The Sustainable Development Goals Report 2020, New York, UN, pp.: 24-26.

[35] The report give the following example about the differences between regions: "half of unemployed people in Australia and New Zealand receive unemployment payments, and 44% in Europe and Northern America. In contrast, just 3 per cent of the unemployed in sub-Saharan Africa and 12%in Latin America and the Caribbean receive such payments."

by the fact that extreme poverty is concentrated in particular regions of the world, which have the potential to restore and sustain higher (although still catching up) levels of economic growth than the rest of the world.
However, the main challenge again is finding the policy mix that does not hamper economic growth. World Bank's GEP recommends a massive but targeted government spending, and praises countries that seem able to mobilize resources for recovery up to 10% of GDP or more. "Targeted" means expenditures that support and allow for economic freedom and innovation, productivity driven growth, smart energy solutions, infrastructure and education spending with predicable if not inevitable positive externalities."
The latest, end of October 2020 data on COVID-19 shows the speed the virus spread around the world accelerated but demonstrated again that this is first of all the situation in advanced economies while in emerging markets and developing economies the pace is more than three time slower and in Sub-Saharan Africa and East Asia Pacific regions is three time slower than in the economies of Eastern Europe and Central Asia.[36]
Benerjee and Duflo wrote that "low hanging fruits" in poverty reduction are no longer available. This is true for positive externalities from economic growth first of all. In a sense we are back to the challenge to "inquire into the nature and causes of the wealth of nations". The institutional requirement for good public governance and integrity remain even more valid than before COVID-19.
The problem here is two-fold. The pandemic blocked the human and physical factors of the economy, the government response everywhere is to peddle up the spending and monetary side of the economy. Irrespectively how one defines "targeted" spending policies, higher government expenditures to GDP entail risk of misrule and corruption. The entire criticism of foreign aid is not only still valid but reinforced. Easterly wrote that "foreign aid has on average probably no effect on long-run growth" [37]. He echoed Sen's trust in democracy as a universal value, stating that "we need to convince many more that all people everywhere – women and men, black and white, rich and poor – deserve to be free at last."
Benerjee, Duflo and Kramer's experimental approach to poverty elevation is reiterated. The personal understanding of and motivation for wellbeing is not a standard cost benefit analysis. This is a well-established fact that values we assign to things are totally subjective and there is no objective accounting for individual preferences. Angus Deaton won a Nobel Prize 2015 for his "analysis of consumption, poverty, and welfare". With setbacks, this approach to ending poverty is practical, localized and involving the endeavors of the poor themselves and is likely to make a difference again.

[36] World Bank Group, Global Monthly, October 2020: http://pubdocs.worldbank.org/en/639561603819307073/Global-Monthly-Oct20.pdf. See also: Rate of COVID-19 cases in the most impacted countries worldwide as of October 28, 2020 (per million population): https://www.statista.com/statistics/1174594/covid19-case-rate-select-countries-worldwide/ and Number of novel coronavirus (COVID-19) confirmed cases and deaths as of October 27, 2020, by region: https://www.statista.com/statistics/1101373/novel-coronavirus-2019ncov-mortality-and-cases-worldwide-by-region/
[37] William Easterly, Economics of International Development, London, IEA, 2016, p. 16.

BIBLIOGRAPHY

Bauer, P. Economic Analysis and Policy in Underdeveloped Countries, Durham, N.C.: Duke University Press, 1957, p. 113.

Burns, A. Dominique van der Mensbrugghe, Hans Timmer, Evaluating the Economic Consequences of Avian Influenza, World Bank, 2009.

Easterly, W. Economics of International Development, London, IEA, 2016

Sowell, T. Wealth, Poverty and Politics: An International Perspective, New York, Basic Books, 2015, Chapter 1, chapter 13.

Programme of Action on the Establishment of a New International Economic Order. UN GA, May 1, 1974: https://digitallibrary.un.org/record/218451?ln=en .

Kanbur R. and Lyn Squire, The Evolution of Thinking about Poverty: Exploring the Interactions, Gerald M. Meier and Joseph E. Stiglitz (editors), Frontiers of Development Economics: The Future in Perspective, World Bank, Washington D.C., 2001, p. 184-189.

Reducing Poverty: is the World Bank's strategy working? PANOS Institute Report No 45, London, Panos, 2002.

WDR 1997: the State in a Changing World, Washington D.C., Oxford University Press, IBRD, 1997, pp. IV, 2.

IFIAC: Comments and Response to Critics, CESifo Forum 1 (4), 2000, pp.: 9 - 17: https://www.cesifo.org/en/publikationen/2000/journal-complete-issue/cesifo-forum-4-2000

WDR 2006, Equity and Development, Washington D.C., World Bank and Oxford University Press, 2005.

Kose, A. Naotaka Sugawara, Understanding the depth of the 2020 global recession in 5 charts, World Bank Blog, June 15, 2020: https://blogs.worldbank.org/opendata/understanding-depth-2020-global-recession-5-charts#
Talks, T. the portal GapMinder ` (founded in 2005) and his post-mortem "Factfulness: Ten Reasons We're Wrong about the World – and Why Things Are Better than You Think" (2018).

Annual average infrastructure expenditures as percent of GDP worldwide from 2010 to 2015, by country, Statista, August, 2019: https://www.statista.com/statistics/566787/average-yearly-expenditure-on-economic-infrastructure-as-percent-of-gdp-worldwide-by-country/ .

Regional Economic Issues Special Report on the "25 Years of Transition Post-Communist Europe and the IMF", authored bt James Roaf, Ruben Atoyan, Bikas Joshi, Krzysztof Krogulski IMF staff on the occasion of the anniversary of fall of the Berlin Wall.

Bulgaria: Poverty during the Transition, World Bank, 1999, pp.: ii-v.

Tang, H. Edda Zoli and Irina Klytchnikova, Banking Crises in Transition Countries: Fiscal Costs and Related Issues, World Bank, 2001, p. 35.

Bulgaria Poverty Assessment, World Bank, October 2002, pp.: 18-19.

UN, The Sustainable Development Goals Report 2019, New York, 2019, p. 22.

Mahler, D. G. Christoph Laknerr, R. Andres Castaneda Aguilar, and Haoyu Wu, Updated estimates of the impact of COVID-19 on global poverty, World Bank blog, June 8, 2020: https://blogs.worldbank.org/opendata/updated-estimates-impact-covid-19-global-poverty .

Estimated impact from the coronavirus (COVID-19) on India in 2020, Statista, 18 October 2020: https://www.statista.com/statistics/1111641/india-estimated-economic-impact-of-coronavirus-by-market/ .

Stanchev, K. IV. Health Security, Marcin Zaborowski (editor), Human Security in Central Europe, Visegrad Insight, August 2020, pp: 34-43.

World Bank Group, Global Monthly, October 2020: http://pubdocs.worldbank.org/en/639561603819307073/Global-Monthly-Oct20.pdf.