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# COVID, Climate Change, Conflict, and Global Poverty: An Interview with Michael Woolcock, Lead Social Scientist at the World Bank

Michael Woolcock

Interviewed by Roland Hoksbergen

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On January 19, 2021 the [Accord Research Alliance](#) (ARA) teamed up with us at *Christian Relief, Development, and Advocacy* to interview Michael Woolcock about the recent World Bank Publication, [Reversals of Fortune: Poverty and Shared Prosperity 2020](#), that Dr. Woolcock co-directed. The interview was broadcast as a webinar and is presented here in print.

**Dr. Michael Woolcock** grew up in Australia and came to the United States for graduate education in sociology at Brown University. Upon graduation in 1998, he took a position at the World Bank, and is now Lead Social Scientist in the World Bank's Development Research Group. For fifteen of the last twenty-one years he has also been a (part-time) Lecturer in Public Policy at Harvard University's Kennedy School of Government.

His current research focuses on strategies for enhancing state capability for implementation, on crafting more effective interaction between informal and formal justice systems, and on using mixed methods to assess the effectiveness of "complex" development interventions. Over the past twenty-three years he has authored over a hundred journal articles and book chapters, and co-authored or co-edited ten books, on topics ranging from social capital, history, and law to state capability, popular culture, and research methods. In 2015-17 he helped establish the World Bank's first Global Knowledge and Research Hub. He has contributed to several of the World Bank's major reports, including the one discussed in this interview, [Reversals of Fortune: Poverty and Shared Prosperity 2020](#), which he co-directed with Samuel Freije-Rodriguez.

Michael was also a speaker at the 2019 Accord Network Summit, a guest on an earlier ARA podcast, and currently serves on the editorial board of the Accord Network journal, *Christian Relief, Development, and Advocacy*, for which Roland Hoksbergen is the chief editor.

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**RH: Michael, thank you so much for being with us today. How did you get from Australia to the World Bank? What parts of that journey would you like to tell us about?**

**MW:** First of all, let me thank you, Roland, and all your colleagues, and everyone else who's listening today. It is an honor and privilege to discuss this report.

To answer your question: in my mid-twenties, like a lot of people at that time of their lives, I was wondering

what God wanted me to do with my life. I considered my skill set, which seemed fairly modest, but I offered it up. My favorite parable is the one about the loaves and the fishes. That sense of offering up what little you have, which often feels so vastly inadequate to the nature and scale of the challenge at hand, is an ever-present reality for me... But somehow, in ways we never understand, one's offering gets multiplied and does what it is supposed to do, in abundance.

So I made that step. What I thought was the biggest problem in the world was that so many people were just needlessly dying, due to the absence of food, the absence of justice, the absence of resources and

opportunities. At that time – in the eighties and nineties, as the Cold War ended – it was still an open question as to whether and how those kinds of opportunities and resources could be extended to everyone. But if they could, I wanted to be a part of that process and to offer up my little bit as best I could.

I knew enough sociology at that time to know that networks are everything, and that who you know counts for an awful lot, so I wanted to become part of the networks in which key ideas and decisions pertaining to international development were being formulated and debated. Over time, I felt a particular call to work at a pretty high level. Not everyone is called to do that, and no hierarchy or superiority is implied – I just offered up what I could and sought to connect it into the networks I was slowly starting to understand and be part of. If I was going to make the sacrifice of leaving a happy life and family situation in Australia to spend probably the rest of my days doing this, then I wanted to do it at a high level. I knew I had to get a good graduate education and be part of the social networks of decision-making that are part of the process. So I chose to go to Brown University to study sociology, because that was my discipline, and I wanted to study under this great social theorist, Dietrich Rueschmeyer, who could mentor me in the particular thing that I wanted to think I was okay at.

I also needed to be part of this broader network of development researchers and policy advisors, so I went to Brown because it was part of the Ivy League, which enabled me to spend my third year of graduate school in the Department of Economics at Harvard. It was this combination of sociological grounding and a familiarity with economics and economists (not necessarily the same thing!) that turned out to be ideal preparation for the position I was offered at the World Bank. By a whole series of circumstances and steps that I will not describe here, in the mid-1990s the World Bank, under the leadership of then-president James Wolfensohn, established a Social Development department. There had been social development staff working on social development issues for many years at the Bank, but they had never had a dedicated institutional space, and thus a collective voice. They did not have a formal place in the organizational chart, and as any student of bureaucracy knows, unless you are in the chart, you effectively do not exist. Having created the Social Development department, however, it seemed no self-respecting economist in the Research Group wanted to serve on the Social Development board, so they opened up a position to a non-economist for the first and only time; I was lucky enough to secure the spot. Actually, they gave the job to someone they had advertised it for – someone with fifteen years of research experience – but they gave me a job anyway by creating an additional slot for me. I will be eternally

grateful to the people who had the foresight, or the courage and the wherewithal, to do that. Soon after I started at the Bank, I got an opportunity to teach part-time at Harvard's Kennedy School of Government – so that combination of doing, thinking, and researching inside the World Bank, but also teaching a class most years at the Kennedy School, is what I have done (apart from four years living in the UK, on two separate occasions) for the last twenty-three years.

**RH: One of today's listeners acknowledges your involvement in research and report-writing, but wonders what else the World Bank does.**

**MW:** Actually, report writing is a very small part of what the Bank does. Most of the power, influence, and politics of the World Bank comes from its lending and grant giving. There are two different types of financial assistance we provide. All but the poorest (and most 'fragile') countries of the world (there are about 36 of them) are eligible to receive loans from the World Bank to serve their particular development priorities. For the very poorest/most 'fragile' countries, the World Bank provides grants through one of its branches called the International Development Association (IDA). Together, loans and grants add up to billions and billions of dollars each year. After all, we are a bank, and we lend money, and that is where most of our good work happens. But precisely because there are billions of dollars in play, it is also where lots of crazy stuff happens and where opportunities for malfeasance arise, such as when working with openly corrupt governments. Ethical questions abound... But the underlying premise of multilateral institutions is that development is made possible, especially during global crises such as the present moment, by having globally-supported financial institutions in place for providing countries, especially the poorest countries whose public health budgets are being decimated, with quick access to resources, expertise and forgiveness for existing forms of debt. All that is really the bread and butter of the World Bank. What I do for a living is deep in the outfield of what most people at the Bank do most of the time. I am not modally representative in any way of what World Bank staff actually do! But I just wake every day, like all of you, and offer up what I have. That has to be enough, because that is what we are called to do.

**RH: What is it like working as a person of faith at the World Bank? You've already noted that you see it as a calling. But what is it like day to day, week to week? How do you live out your faith while working at the Bank?**

**MW:** It has been a pleasant surprise, or maybe not really a surprise, to discover that in a global

organization, where there are people from literally everywhere, a surprising number chose to work there for faith-based reasons that are versions of what I just described about mine. I have the pleasure of working with Muslims, Hindus, Buddhists, Jews, Christians, Mormons, everyone. But there is a commonality of shared intention that I think holds true across all the major world religions, which is that they exist, in part and on a good day, to help those who are the least privileged, those with the least access to key services, who are the least able to defend their rights, contribute to life of their community, and to realize their aspirations. The World Bank's mission, and certainly the mission of most of its staff members, is consistent with these ideals; what was pleasantly surprising was learning how many of my colleagues come at this from their own religious (or secular) standpoint as an explicit matter of principle, and then try to live it out. I love being part of that collective effort; at one level you are trying to integrate yourself with people who come at this from very different theological perspectives, but ultimately the commonality that you share is vastly more important than whatever differences there might be. We all think we are using the gifts God has given us - our talents, our resources, our access, and the connections we have - but we are doing that in the service of our counterparts, together seeking to make the world a slightly better place than it would be otherwise.

Yes, there is a whole lot of politics and shenanigans that go along with trying to live out your faith on a day-to-day basis, but that is the case whether you work at the Bank or at the UN or anywhere else. And yet there are also moments of incredible grace for me, such as when you're in a big room with hundreds and sometimes thousands of people from everywhere in the world. I think God is looking around at everyone in that room and just smiling and hugging everyone, thinking "This is the world; these are my people, this is what we created." And on a good day, when we all get on together like that, it is just magical.

Of course, such moments don't happen all the time, and others use those same social differences to divide the world, but I do my work at the World Bank for similar reasons that everyone else from a faith tradition does it. There does not have to be any contradiction to the broader mission of the organization, because the mission of the organization and of the Poverty and Shared Prosperity Report is to document and respond to those who get left behind, and to redress the deep and unequal processes that create and sustain them. The importance of taking on that challenge is a common Christian theme, but also a common Muslim theme, Hindu theme, Buddhist theme, Jewish theme, and almost everyone else's theme.

**RH: Let's move on to the report. Before we get into the details, please talk about the background of the report. When was the first one written, how often is it updated? What is the purpose of the report? And have there been major changes over time?**

**MW:** Under president Jim Kim in 2014, the Bank underwent a reorganization of sorts and in keeping with a "McKinsey-esque" kind of approach it was deemed that we needed a very clear mission statement. We decided we should be consistent with the Sustainable Development Goals (SDGs) of the UN, but we also needed our own goals. Those two goals were, first, the elimination of extreme poverty, which is Sustainable Development Goal #1, to be measured by progress toward a global extreme poverty rate of 3%; and second, the promotion of shared prosperity, which is our way of talking about reducing inequality. Shared prosperity would be measured by the extent to which those in the bottom 40% of an income distribution are benefitting disproportionately from a growth process, which sometimes happens and sometimes does not. Levels of inequality are lowered when the bottom 40% grows faster than the rest.

Once those were the twin goals, then our leadership decided we needed a report card, a periodic check-in to see how things are going. Is the world at least headed in a direction in which extreme poverty is declining and shared prosperity is increasing, even if it is hard to make the claim that the World Bank is a major causal factor? The first report card, as it were, came out in 2016 and was mostly focused on inequality, looking at its various forms and manifestations. It was then decided that it was only necessary to issue a report every other year, so the next report was released in 2018. This second report focused on questions of data and how to expand the depth, breadth, and quality of data needed to answer questions about global trends in poverty and inequality in a more comprehensive, integrated, and accessible way.

The original vision for the 2020 report, which was the one that my friend Samuel Freije-Rodríguez and I were recruited to articulate, was to look at political economy and implementation questions. If there is some broad agreement on how to promote a growth process, why is it that this happens so fitfully, or in such a piecemeal way around the world? That is where we started; that was the original briefing note that we wrote and circulated and had approved. We were chugging away on that until April, when it became clear that COVID was not going to be just a small little blip on the screen but instead a historic and existential event, and of great consequence for global poverty.

That realization totally upended what we had been asked to write on, which meant that we had the stressful task before us - not just of reengineering what we were

doing in a matter of weeks, but trying to write a report in the midst of a pandemic that we figured might only get worse, not better, over the window of opportunity when this report was going to get written and released (which was the last part of 2020). So that is where we are. *The Poverty and Shared Prosperity Report (PSPR)* is a biennial document that provides an update on progress towards attaining the World Bank's twin goals of poverty reduction and shared prosperity. It is not the World Development Report, with which some listeners might be more familiar – that is a more formal, extensive, theory-grounded statement around a broad theme in development (the next one will be on data). The essence of the PSPR is to provide an update on these twin goals, but then to ground the analysis in a particular thematic issue.

**RH: Do you have a sense of who reads the report, who takes it seriously, and what kind of influence it has?**

**MW:** The *PSPR* has already been downloaded some 80,000 times and cited in the media over 2,500 times. I don't know the specific breakdown of its readership by particular groups, but it is targeted to policymakers, government officials, practitioners, advocates, students, and researchers. When you are writing it, you are very conscious that this high-profile coverage is the sort of reception it is going to get – indeed, it is quite stressful to write something that you know is going to be read and critiqued by lots of different people in lots of different countries in lots of different ways... An underappreciated aspect, especially considering the research interest of many in the audience today, is that we make all the data we use available for free to everybody, so that anyone who wants to use the data or replicate our analysis can, in principle, do just that. Compared to when I was in graduate school, when many of us were still working with data out of dated, incomplete tables in the annex of big UN reports, the ready availability of current data from nearly every country in the world is just extraordinary. There is a huge behind-the-scenes effort to make all that happen in a coherent, accessible way. As for the report, it is focused on these twin goals, but we know there are also a lot of researchers doing their own analyses, as well as professors teaching classes on global poverty and development, so everyone now has easy access to what is pretty close to the most comprehensive data and analysis of global poverty available. Beyond the global level, there are other analysts trying to assess these issues at a more granular level, looking closely at the particular issues and themes we raise and discerning the extent to which they play out in their own country, their own state or their own communities. And of course there is the policy crowd in Washington, New York, Geneva and elsewhere who take very seriously the

global agenda encapsulated in the SDGs and know that while these twin goals are important in their own right, they are also central to realizing all the other development goals. To the extent that poverty and inequality is the set of issues around which so much else turns, a report that summarizes these key issues at the global level, especially in the midst of a devastating pandemic, becomes really crucial to a lot of people.

We try to present this empirical material as best we can, but you do not write these reports or work for the World Bank without realizing that there are still enormous gaps in the data. And regarding global poverty itself, there is also controversy in certain quarters over whether the Bank is part of the problem or part of the solution, so every day you live with the knowledge that many people are going to loudly dispute the findings, no matter how carefully they are done. You do not have to like that reality, but you do have to be okay with recognizing that there can sometimes be big tradeoffs people make in order to do this work. In the end, one can only write these reports in good faith and put them out into the public domain, believing that they do much of their most important work precisely through the sort of conversations that you and I, and those attending this seminar, are having now.

**RH: The title is called Reversals of Fortune. Can you explain the title and why Reversal is plural? What does the report cover?**

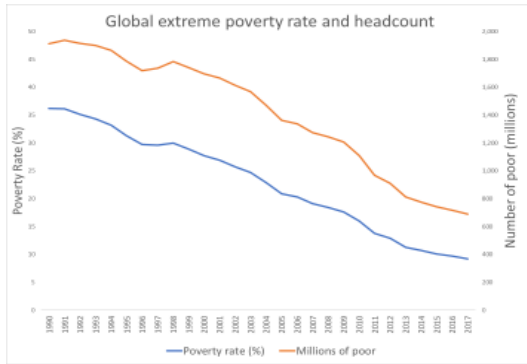
**MW:** I have some slides, taken from the report, that tell the story quite well.

Slide #1 (next page), on the left-hand side, shows us the trend in global poverty since the World Bank started systematically collecting data on it back in the early 1990s. You can see that there has been an underappreciated but massive fall in global poverty: in 1990 – thirty years ago – over a third of the world's population was living in extreme poverty – that is, on less than \$2 a day. But with a little blip around 1997-98, which was the Asian financial crisis, that number has gone down every year to now be at 7%, which is just extraordinary. For all the criticisms in various quarters about capitalism and globalization, it is just historically unprecedented that such a rapid and sustained rate of global poverty reduction has occurred. Sure, a lot of that is driven by China and India, but this is a global report trying to assess trends in global numbers, so those aggregate declines in extreme poverty are really important. When we talk about a reversal of fortune, however, the depressing headline of the *PSPR* is that this steady decline in global poverty has basically come to an end; that thirty-year window has closed, at least for now.

Slide #1

## Signs for concern predated current crisis

Slowdown in pace of extreme poverty reduction since 2013



Reduction in Shared Prosperity between 2010-15 and 2012-2017

	Economies (number)			Average change in SP, unweighted (percentage points)
	Total	Higher SP	Lower SP	
East Asia and Pacific	5	4	1	0.14
Europe and Central Asia	24	15	9	1.37
Latin America and the Caribbean	13	3	10	-1.10
Middle East and North Africa	3	0	3	-2.53
South Asia	1	0	1	-0.11
Sub-Saharan Africa	2	0	2	-5.40
Rest of the world	20	13	7	1.74
Fragile and conflict-affected states	2	0	2	-1.13
International Development Association	8	3	5	-1.24
Low income	2	0	2	-5.40
Lower-middle income	13	8	5	-0.01
Upper-middle income	21	5	16	-0.31
High income	32	22	10	1.66
All	68	35	33	0.52

For the figures on the right, which document changes in shared prosperity (economic growth in the bottom 40% of the population), the story is more mixed, in part because it is one that is much more difficult to measure (so we have fewer data sources to draw upon), and in part because inequality generally tends to change quite slowly. (We could have a half hour conversation on that!) But when you look at the early results that have come in from countries around the world since the pandemic, you see that there has been a consistent rise in inequality as a result of the pandemic. The reasons for this have been discussed by others and are relatively well understood. For example, those people who work in services industries and in factories – all the places where a lot of poor people work – are the ones with a high risk of contracting and spreading COVID. People living and working in such circumstances cannot earn a livelihood, like a lot of us do, by staring at screens all day in splendid isolation, and are far likely to have health insurance, unemployment benefits, or access to affordable medical care. Minority groups, who tend to be poorer, have also suffered higher infection and death rates than majority groups.

By June, as data started to come in on the effects of COVID, it became clear that poverty reduction and the exacerbation of inequality were both shifting in directions that were historically unprecedented. More broadly, the global economy was contracting at levels that had not been seen since the Great Depression, or so it seemed to be in September 2020. The world was

thus facing a massive economic contraction, an increase in poverty, and rising inequality – all of which were happening at rates that, at least in our lifetimes, for the last seventy years, had not been seen before. That was the reversals (plural!) of fortune part. “Reversal of Fortune” also happened to be the name of a famous paper from twenty years ago by Daron Acemoglu, Simon Johnson, and James Robinson (2002). This important paper looked at the ways in which colonialism and institutions had led, over time, to countries that were once rich becoming poor, and those that were poor becoming rich. We just took that title and said that the world was now living through its own reversals – a product not only of COVID, but violent conflict and climate change. The Report’s original title was “Reversing Reversals of Fortune,” but our translators did not like that and it risked taking on too much to imagine that our little humble team could somehow, in the midst of an ongoing and fluid set of overlapping crises, map out a plan for redressing the compounding effects of a pandemic, civil wars and climate change! So we agreed it was enough to just document and explain the reversals of fortune; at the end, we can talk about how we came to articulate the principles we need to address deep complexity rather than a laundry list of policies that might bring about a reversal of the reversals.

**RH: What are the definitions of poverty and shared prosperity that you use in the report? Why did you choose them, and why they are important?**



**MW:** Since the 1990 World Development Report, when the Bank first tried to measure global poverty, there has been a lot of debate around how one should actually do that. I will not go into all of the methodological details, or the various critiques of the ways the World Bank measures extreme poverty (much of which I am quite sympathetic to). However, for the purposes of needing something, and something that is comparable enough across different countries and different levels of development, we actually use three poverty lines. Measured monetarily, poverty is a continuous rather than a discrete variable, which means in real life there is no actual “line” and no qualitative difference between going from living 5 cents below a “poverty line” to five cents above it. But to the extent that you need to have some form of monetary benchmark, we use the line that corresponds to the poverty rate in the poorest fifteen countries in the world. That is where we get the \$1.90/day line (roughly \$2/day). But then, as countries get richer, it costs more to live; obviously no one can live in the USA on \$1.90/hour, let alone \$1.90/day. Sometimes it almost seems like you need \$1.90/minute!

Following the same logic, we also produce two other poverty lines, one corresponding to the poverty rate in lower middle-income countries, which comes to \$3.20/day, and another for the upper middle-income countries, which is \$5.50/day. As you would expect, as people move up from the bottom of the income distribution, at \$1.90/day, that means you would see a rise in the level to \$3.20, unless there were a rise also in the people who had been making \$3.20/day, and then moving up to the \$5.50, but it usually takes several generations for that steady rise to happen. Thus far there has not been a lot of movement in the \$3.20/day and \$5.50 lines, in part because quite fundamental changes in the economy and society are required to generate the sustained economic growth that enable more people to rise above those numbers, but also because people move into these higher levels of income as the number of those living in extreme poverty declines. It bears repeating that people are still desperately poor even when their incomes double from \$2 a day to \$4 a day.

One of the innovations for the previous Poverty and Shared Prosperity report (in 2018) was to recognize that poverty is not just an income issue. There are many different ways that people can be poor and be discriminated against, so to get an empirical handle on this we use what we call a multidimensional poverty index, which incorporates not just income but also access to health, education, and infrastructure. And there are other ways that scholars have tried to get at the multifaceted nature of poverty. What is really interesting to me is the high variability with regard to the

extent to which income poverty correlates with other dimensions of poverty. In some countries the different dimensions are mostly aligned, but in other countries, not so much. Niger, for example, shows big differences between those who are income poor versus those who do not have access to health and education, versus those who are just cut off and isolated by not having access to roads and other forms of infrastructure. There is no clear relationship there, so an interesting research agenda would be looking at the conditions under which the different dimensions of poverty are closely aligned with one another versus others in which various measures are needed to better understand why poor people are poor (and thus what might be done to enhance their welfare).

It is hard enough just getting income metric data. We mentioned the thirty people the World Bank has just to do this – they spend their lives trying to reconcile the income measures of data from Peru and Pakistan and Paraguay, for example. These measures come from all over the world, and each country, rightly, measures poverty in its own way (albeit often with World Bank assistance). But once you start adding anything new to the household surveys used to measure poverty – in the spirit of trying to be more inclusive, of trying to recognize that there are diverse ways of being poor – the quality and the quantity of data that you have access to falls away quite sharply. Maybe if we are having this conversation in 30 or 40 years the world will be all nicely mapped out and we will have a detailed real-time discussion around poverty dynamics... But for now, we are still in the very formative stages of getting the data we need, not just in measures of income poverty, but especially for all the multidimensional ways in which people can be poor.

**RH:** Can you say more about shared prosperity?

**MW:** Shared prosperity is the extent of growth in the bottom 40% of the population – in its own right (which, if it’s positive and sustained, reduces poverty) and relative to the rest of the population (which, if it’s higher and sustained, reduces inequality). You can see on Slide #1 that we only have data from roughly 68 of the world’s 190 economies for assessing the nature and extent of shared prosperity. Measuring shared prosperity is even more challenging than measuring poverty, because we need to have two data points in time, spaced out far enough (at least five years), so that any change can actually be detected. But it is just really hard to get detailed data across the income spectrum from every country in the world spaced five or more years apart such that you can assess the growth of the bottom 40% relative to everybody else. Even then, 53 of those 68 economies are upper middle- or high-income countries. The places where we need data the most are

the poorest and fragile states, and countries in conflict. But the data are rarely available in such places because data gathering on this issue is not a priority for their governments, or because it is literally too dangerous to collect that kind of information from people. One can also try to use satellite data (e.g., on nighttime luminosity, comparing rich and poor neighborhoods), and top-rates on cell-phone use (poor people do it frequently in small amounts; rich people do it infrequently, in large amounts)... But household surveys remain the gold standard for measuring poverty and inequality, and even though things improve a little every year, we still have a long way to go. Everyone in the world would like to have a detailed discussion about inequality measures, and there is a lot of interesting qualitative work that can be done around that question in very specific places, but when you are trying to tell a global story that integrates different ways of measuring these things across 190 economies, it gets really hard. That is why we try to tell a more nuanced story around shared prosperity, because that is what the data suggest. Yet it is also the case that we don't have enough data from the places where we really need it most, and it is going to take a while for us to have it.

**RH: Let's talk about the data and other such methodological issues. It is obvious that obtaining good data is problematic. How has COVID impacted your data gathering? How do you maintain reasonable sources of data in such a time as this?**

**MW:** I will try to simplify a complicated story, and complicate what some might think is a simple story... One big issue is that countries should be allowed to measure poverty as they think best. They are sovereign nations, with elected governments that have policy priorities and public resources that they should use to respond to the concerns of their citizens. Being in accordance with the survey measurement protocols of the World Bank and the UN might be nice, but it is not likely to be a high priority for them. To the extent that the World Bank can advise and offer itself as a repository of global expertise on these things, it does so. But at the end of the day, you are still left wanting to respect the principle that countries should measure these things in their own way. This is all fine, until you are a 30-year-old consultant at the World Bank who is given 130 different data sets from 150 countries, collected in 100 different ways, who then has to follow specific internal methodological protocols to ensure that how the Brazilians have measured it can be reconciled with how the Congolese have measured it, and then turn all of that into something that becomes the simple, clean graphs like the one we see in Slide #1!

There is an enormous amount of work that goes into all this. Even seemingly basic distinctions between

whether you measure poverty by income, expenditure, salaries, assets, or recollections of how much money their small business has earned in the last month or weeks make a difference when assessing poverty, and greatly complicates efforts to aggregate and compare. Most Latin American countries, for example, measure economic welfare through income, whereas most of the rest of the world wants to measure it by how much people spend, on the grounds that poor people are more likely to be able to recall their expenditures, and also because their expenditures vary more - if one works in agriculture, for example, there will be boom periods when crops come in and you get a lot of money, but other times when you have very little money and thus need to balance expenditure over the course of the year. Which is hard to do. If you are working in manufacturing, you might expect your salary to be a little more consistent and perhaps be verified in the form of a pay slip. Either way, there are strengths and weaknesses to both approaches, especially when working in very poor communities - but they will likely yield different findings that then have to be reconciled to tell a credible global story about trends in poverty reduction and inequality.

If you are working on a report like this, how do you reconcile the various ways in which data is collected? Researchers have found ways to do that, but these are the kinds of nerdy challenges that someone wanting to tell a global story about poverty has to deal with all the time. To hark back to your earlier question, most of what we do when we are trying to extrapolate into the future or even just describe what is going on now, is done on the basis of extrapolating on past trends, working with growth data (which is strongly correlated with poverty) or using data that is collected more frequently, such as telephone surveys. But every approach has its limits, so there are always difficult trade-offs to be made.

One of the big challenges for the report, and that you can see in Slide #1, is that data stop at 2017. Why does it do that? Because that is how long it takes to go from having enough household surveys that have been properly cleaned and analyzed so they can be reconciled. It is about a two-year process, and not every country is collecting poverty data every year. This means you have to adjust the data to fit a common year - if the data were collected in 2018, we have to try to get that back to 2017. If they were collected in 2016, we have to nudge it forward so that we have a single year and we can line all these things up. The harsh reality is that we will not have detailed household level poverty survey results that include COVID until at least the next report in 2022, but even then, researchers will be looking only at what was available up until around 2019 and 2020. It could be several more years before we have the sophisticated household level data surveys that we

need to be able to tell precise stories at the level of detail we want to. To assess present and future trends, we are largely using the national accounts data on economic growth, which is not in real time, but at least gets updated every six months and enables us to make good-enough estimates of current poverty trends at the national level. As such, new data will be coming out in March of this year that will provide a clearer sense of where poverty is going. (There will doubtless be blogs on this, so if you're really keen, keep an eye on the World Bank's Poverty website: <https://www.worldbank.org/en/topic/poverty>).

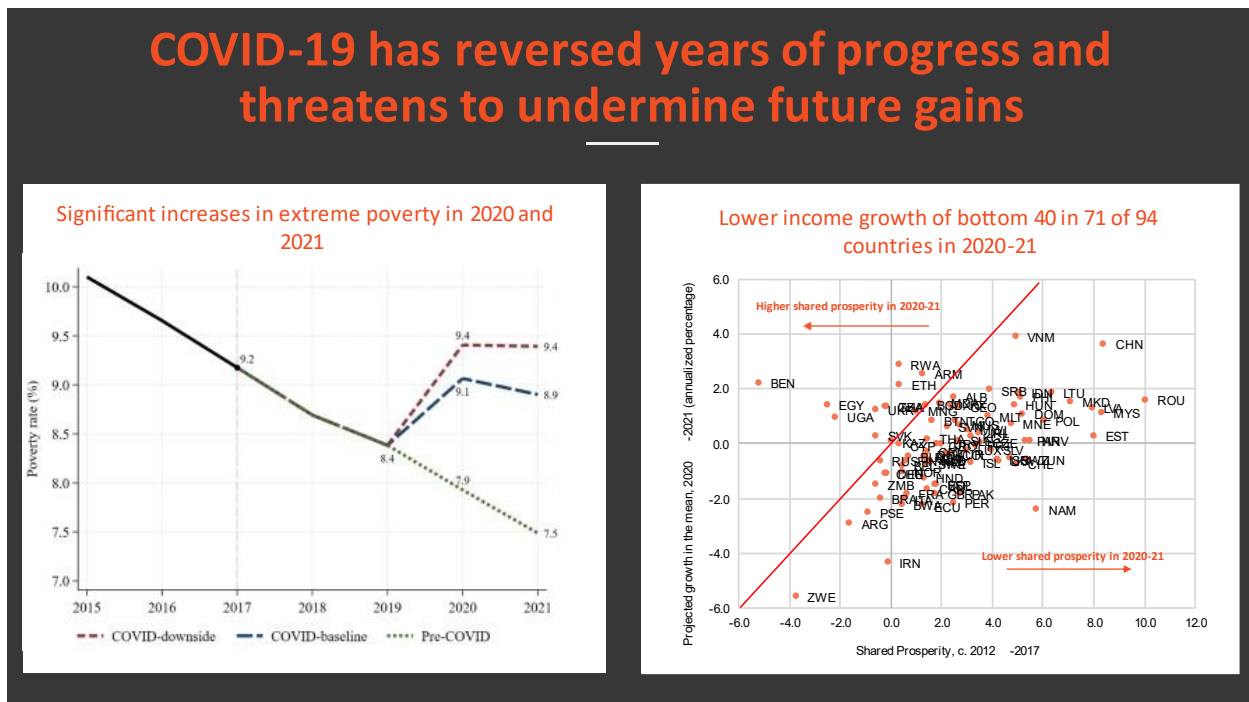
**RH:** The report argues that there are three main culprits of the reversals; COVID-19, Violent Conflict, and Climate Change. Are they equal partners? Is COVID the more serious? Is there synergy among all three?

**MW:** We wrestled at lot with these questions. The methodological challenge is that you have what we came to call the three Cs –COVID, Climate, and Conflict – all unfolding along very different trajectories. COVID is here and now; it is this big spike, this huge, global challenge affecting everyone, a real and present danger that has to be dealt with now. Climate change, on the other hand, is like a slow-moving escalator; it is inexorable, but its trajectory of impact on poverty, at least for the next

decade or so, is still likely to be relatively small. My colleagues who are experts on climate change say that the effects are real now, but they are going to be vastly more consequential in 2040 and 2050 when all of the big effects start to really kick in. In the estimates for this report, we show that at least over the next decade, up until 2030, there will be an extra 100 million people put back into extreme poverty as a result of climate change, and there is a roughly similar number with violent conflict.

Conflict is another really difficult phenomenon to disentangle from or aggregate into other processes and factors of change, because it happens in very particular places, it comes and it goes at varying levels of intensity, but its impacts can endure long after a war has ended. We commissioned a new paper for this report which showed that even long after a war has ended, such as in a country like Nepal, the effects of the war they had 15-20 years ago still linger. The effects of war are just so insidious – on people's mental health, the enduring risk of hidden landmines and bombs that are left unexploded, permanent physical injury. We had to write this report trying to help people distinguish between outcomes whose effects are relatively clear in the present (as the data in Slide #2 show, which is this rise in extreme poverty back up to between 9.1% to 9.4% this year), but whose multiple causes -

Slide #2





COVID, climate change and conflict - are compounding one another, but doing so in different ways in different places at different rates for different groups. That makes it far from obvious what constitutes the 'best' way to respond, especially when many of the policy solutions themselves are contested and fluid.

The report also drew on earlier work to show that although only 10% of the world's population lives in fragile and conflict countries, roughly 40% of the world's extreme poverty is located in such countries. In the report we overlay these places with where the risks of floods are high, which in turn enables us to identify the world's "hot spots" - areas that have to deal simultaneously with all of the three Cs, even as they unfold on very different trajectories, in countries with varying levels of resources and capability to deal with them. Most of these hot spots are in Sub Saharan Africa.

What does one do about any of this? Obviously, there are no easy answers, but it fell to me to write the concluding chapter for this report on how the world deals simultaneously with conflict, climate change, and COVID - the three Cs - when nobody really knows how to deal with any of them. I had to write something knowing full well that tens of thousands of people were going to be reading it in search of guidance of how to deal with a once-in-a-century set of compounding problems! The pressure was intense. We have talked about methodological issues, but there were also serious political issues to contend with. India, for example, did not release its poverty data to us, because they were very skittish about what the data showed. A huge percentage of the world's poor people live in India, so the fact that India did not make data available to us meant that we had to do some pretty creative accounting to get around that, while providing due acknowledgment of what those limitations are. Whether it is in the politics, the nerdy methodological issues, or the structural characteristics of these different kinds of problems, the challenges of writing this report all unfolded and reinforced one another in very different ways and different places. Once the report is done, the task for national policymakers, sector specialists and follow-up research in places like Cameroon and Peru is to ask "How did these three Cs play out in this country? What kinds of policies and forms of assistance would be the most useful for it? And having decided on the optimal policy response, how do government and citizens ensure that they actually get implemented?" Those are the key questions currently facing governments, multilateral agencies and NGOs everywhere...

**RH:** I was struck by the following quote from the report: "the pandemic's impoverishing effects will be vast (6)." Can you explain why (or how) COVID-19 has been so harmful to the poor? Are these short-term or long-term effects? It seems the global economy is poised to bounce back as the pandemic winds down. Will the poor bounce back too?

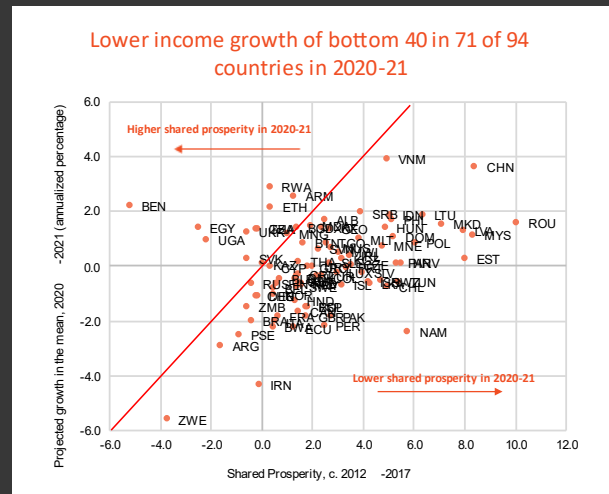
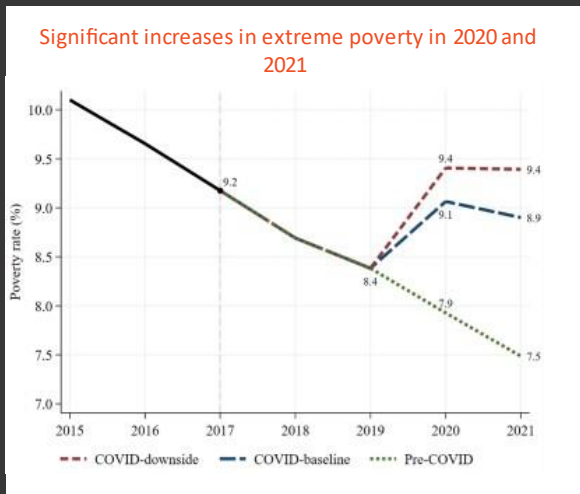
**MW:** There is a lot in that question. Let's start by looking at another slide (next page).

The spider diagram in slide #3 speaks to what we know to be the broad characteristics of poor people in general. The outside line says that most people who are poor live in rural areas, have little or no education, work in agriculture, and are either self-employed or working in a small family business. The consequences of COVID on what we are calling the "new poor," or those newly rendered extremely poor as a result of COVID, are not just an extension of the characteristics of the chronically poor, but instead tend to fall hardest on those who are more urban, have some form of education, are based disproportionately in lower middle-income countries, and working not in agriculture but rather in manufacturing and services, and therefore working for somebody else rather than for themselves. What everyone hopes for is V-shaped recovery - a relatively rapid rebound after a sharp fall. The grounds for optimism that this could happen rest on the assumption that if those big impacts have occurred disproportionately in urban areas and to people with higher levels of education, then that might mean the rebound could be faster and less severe for those rendered poor as a result of COVID. But there is enormous heterogeneity around that. These trends were emerging when we were finishing up the report in September, but in the months since then the picture has become clearer as a result of data collected from real-time telephone surveys.

Developing countries, at least from a public health standpoint, thus far seem to have been less affected by all this than originally anticipated. The absence of testing no doubt make the picture rosier than it probably is, but a bigger looming challenge is how this is going to affect countries like Kenya and Bolivia where it was decided that school would be cancelled for a whole year. Once you do that, it means a whole cohort of students will have lost an entire year's worth of education that probably can never be regained. The human capital consequences of that are going to be cascade down through the coming years, for the rest of their lives... That said, some countries have figured out how to turn a crisis into an opportunity. Niger has done a really amazing job of helping their kids gain access to online education, using the crisis as a moment to push forward and modernize an education system that was previously not in a position to do that. But perhaps the

Slide #3

## COVID-19 has reversed years of progress and threatens to undermine future gains



biggest problem now – and all of this has happened since the report was released – is with the rollout of the vaccine and the political economy of who receives what, when. We see that poor countries, very predictably, will struggle to compete with the rich countries in the quest for a finite pool of vaccines, and that granting access to vaccines has become “a new tool of diplomacy”, as a recent headline put it. Huge amounts of uncertainty remain. To the extent that the initial impacts seem to have been less catastrophic than they might have been, which is good, the bigger question for all of us – especially those of us on this call, who probably have not been as affected by this as much as a lot of other people – is discerning what constitutes a just response. How does one forge a social movement and a set of institutional and financial mechanisms that enable a more just global response to a global problem? That is a big question for all of us. Precedents set in the current moment will linger for a long time...

**RH: What is your answer to that big question? Who are the main players, and what are they doing? The report goes into this in a general way, but maybe there are some other ideas you would like to share.**

**MW:** In Africa there has been a move to pool countries together, as a single continent-wide market, so that they can then compete against other regions for access to this finite pool of resources. But if it is just African money versus North

American money versus European money, that is still going to be vastly inadequate. I am a proud multilateralist. I believe that, on a good day, multilateral institutions can play a much more balancing and countervailing role in trying to ensure that their client governments and their counterparts in this whole drama get a much fairer shot. There is a lot of money at stake here, which could mean countries taking on debt levels that might otherwise make analysts nervous, so multilateral agencies can help to ensure that debt levels needed to obtain vaccines are manageable. We can also do some symbolic things, like World Bank staff putting themselves at the bottom of the priority lists for receiving COVID vaccinations, because we are not that important, and we all have health insurance systems that enable us to weather this.

Whether it is symbolic steps like this or more hard-nosed negotiation around trying to ensure that those who are most vulnerable get first access to the vaccines, whether this can be institutionalized, and whether the new US administration will be a stronger force for all of that, all remains to be seen. We are witnessing a modern manifestation of an ancient problem. It is about how we all get along, and how our differences, especially our wealth differences, coalesce into a more just outcome. No one has the answers to that, but every generation struggles with it. This is our generational moment, and I hope global solutions can be found for a global problem. Globalization has produced this problem,

and it is exacerbated by people of privilege – a bad virus is spread by the same means as all the good things we enjoy, like trade and travel. As a matter of theology and moral principle, we should be the ones who bear the greatest costs for how we deal with it. The harsh reality is that this is not how power works, yet part of what being a person of faith means is that we become advocates for those who cannot advocate effectively for themselves.

**RH: In terms of policy advice, what do you suggest for both the new US government and for NGOs, especially Christian NGOs?**

**MW:** Let me take the second question first. When we were writing the report, we did not want to say how great the World Bank has been in responding to all this. Instead, we wanted to highlight examples in particular countries of ways in which different stakeholders, for example NGOs – not in isolation but working in partnership with the private sector and with governments – were together able to figure out how to deal with wrenchingly difficult circumstances. We provide a nice example from Mumbai, India of how in the slum settlements, where thousands of poor people were cramped together with minimal sanitation which could have resulted in a massive spread of COVID, the response was not just a single effort of an all-powerful state or a nimble private sector or heroic NGOs. It was a partnership among all three that stopped a major public health crisis from happening.

That is the kind of response and solution we wanted to highlight— interesting partnerships in which experts, leaders, and everyday citizens had found ways to harness the comparative advantage of different sectors to address these kinds of complex challenges together. NGOs have a particular comparative advantage, but so too do governments, companies, and multilateral agencies. They all have different mandates, resourcing levels, skills, and local legitimacy that they can call upon to address these challenges. The magic is figuring out how to put these together. Great leadership can enable that to happen, and divisive leadership means it will not happen – and then all these differences just compound themselves, leading to confusion, duplication, and waste. The report was very much trying to say that no matter who you work for, there is a place for you; the magic is to bring what you do and to work in partnership with what other people do so that you do together what you could never do alone.

**RH: So, collaboration, global collaboration and local collaboration are big watchwords?**

**MW:** Yes, and across disciplines as well. Collaboration generally... that was one of the principles we invoked in the conclusion, precisely because no one knows what to do in this situation. It has never happened before at this scale or this speed. No one has lived through anything like this, but to make sense of it everyone wants to make it a version of something they already understand. Is this a version of HIV? Is it another version of Ebola? A natural instinct is to frame both the problem and thus the solution as variants on something we are already familiar with. But what we face today is unique, a global problem that requires a global solution. That is a cliché at one level, but what it means is that we have to respond to this ancient challenge of how different people with different abilities and different resourcing levels figure out how to harness their respective abilities and resources with each other to have a positive impact. That makes it a quintessential collective action problem that is well understood in social science. How we learn to actually overcome it, however, and how we enact it in the face of the kinds of challenges that a pandemic places on us, is always unclear because the ‘right’ answer inherently turns on the contingencies of context. There are always lots of devils lurking in lots of details.

To return to your first question on policy advice and the new US government... At the moment you can only go on the decisions of appointees and the symbolic nature of what has already been said, but I think it is pretty clear that the incoming administration is going to adopt a more traditional American understanding of its place among many in the global community of nations. Appointing Samantha Powers as the incoming administrator of USAID and giving that appointee a very high stature in the cabinet is one important step. She has won a Pulitzer prize for her literary and moral contributions to the thinking about ending wars and being able to provide effective leadership. All of that, at least to me, signals very powerfully that the new administration will adopt a much more vigorous view of development and a much richer appreciation that effective development, engagement with refugees, and defense of human rights and democracy is both a moral and strategic imperative. Even so, we need to remember that anything done in the aid space is still only a small fraction of what the new stimulus bill might look like. The current USAID budget of 40 billion dollars is just a drop in the ocean compared to how big one round of stimulus can be in the US. But

though small, it is still important. It can make a difference, and good people working with those resources under the right circumstances can themselves make a difference. To the extent that the alignment of levels of resourcing and adequate political support map onto an effective implementation system, we can be guardedly optimistic that things will be, at least in the short run, restored to where they once were, and maybe even more, given the nature of the challenges that we now all face.

**RH: You said you were guardedly optimistic. At this point in your life do you have hope?**

**MW:** I think everyone in development is congenitally optimistic. We are familiar with the concept of selection bias - “development people” are probably not representative of the population more generally! But everybody who signs up for a career in development, if their eyes are even vaguely open, has to be aware of how painfully difficult it is for most poor people in the world to live their lives. There is no romanticizing any of that, and there is just so much awfulness going on, so much injustice in terms of how people experience the world and how inadequate their opportunities for redress actually are. Part of being called into this business is constantly being a person of hope. You have to be; otherwise, you just get too depressed. But if you put on a different set of glasses, you see that there are a lot of reasons for optimism. It is extraordinary how people can work together. As I think I said when I spoke at Calvin University many years ago, I had extraordinarily positive experiences in my upbringing, in my church, in my early development work, and they have to be to inure you against the harsher realities that inevitably come up, like COVID for example, and the rise of authoritarianism around the world.

Still, there will be ways in which we are continually disappointed, because, very predictably, like with the vaccine situation, the rich countries are dominating this process. But at least there are mechanisms in place to deal with that. If you were living at a different time in history, there would be no way of alerting people to this type of reality; there would be no legal or geopolitical mechanisms in place for trying to do anything different, no tools or procedures for being able to share innovations and experiences from around the world in real time. Once those are happening as they are, then you have to keep believing that both the letter and the spirit of what these organizations exist to do - whether big ones like the World Bank, or smaller ones like your favorite NGO - have a place, an

important role to play. Being people of faith, as I said at the beginning, means to keep offering up what we have, which we do in a spirit of sharing and optimism, because that is what we are called to do. It will always feel inadequate; we will always feel swamped by these bigger forces in the world. And that is not just from a Christian perspective. But there are so many people in development who come to it from a faith perspective, because they have these inner resources and the connections to something bigger than themselves that enable them to believe that offering up what they have, and standing up for those who cannot stand for themselves, is what we “to whom much has been given” are called to do. And when we do that, beautiful things happen, in ways we cannot always understand, and in ways that we cannot even see sometimes. When we act on that principle, that is how we sustain careers and lives in trying to do our bit to make things a little better.

**RH:** Thank you again for being with us today, Michael. We pray God’s blessing on you, your family, and on all the work you are doing at the World Bank.

## References

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