

Poverty-to-Prosperty Transitions

Second World Summit for Social Development, Doha

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Executive Summary

The development landscape has changed dramatically since the First World Social Summit on Development was held in Copenhagen in 1995. Hundreds of millions of people escaped poverty and lifespans increased by 6.2 years across the globe. Poverty-to-prosperty transitions are ongoing and have changed societies but have also transformed our way of thinking about policymaking –shifting from sectoral interventions that targeted poverty to systemic architectures that promote broad-based prosperity, well-being and inclusion- covering jobs, incomes and livelihoods, asset markets, basic services and social protection, across economic sectors and multiple geographies.

This paper reviews five policy challenges related to the multidimensional and systemic challenges of poverty-to-prosperty transitions. UNDP's new simulations show that distribution-led growth could lift a further 411 million people in developing countries above their context-specific prosperity floors, while adaptive labour protection can offset up to two-thirds of poverty relapses triggered by external shocks—such as automation and climate transitions. These findings point to a next generation of policies that link productivity, inclusion, and resilience—the

bridge from poverty reduction to lasting prosperity.

Adaptive social protection works: Under moderate climate or macro shocks, adaptive social protection can halve poverty volatility and significantly lower time-in-poverty by 0.5to-0.9 percentage points per decade. Active labour market policies also work. When shocks hit labour markets, active labour-market policies can offset 32–64 percent of poverty and vulnerability losses in regions with large *middle classes*, preserving inclusion in the face of automation and green transitions.

If Copenhagen was about *recognizing* social rights, Doha is about *operationalizing* them under fiscal, institutional and governance constraints. The center of gravity has shifted from poverty-line management to shaping jobs and asset markets, strengthening social protection and basic services, and working as a system under conditions of high volatility. A binding wage floor, worker power in wage-setting, *pre-distribution* in education and health opportunities, and care infrastructure expand incomes at the bottom; adaptive social protection and *post-distribution* keep households from falling back when shocks hit.

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1. Introduction

The development landscape has changed dramatically since the First World Social Summit on Development was held in Copenhagen in 1995. Hundreds of millions of people escaped poverty and lifespans increased by 6.2 years. Much of this was achieved by a combination of markets, and deliberate government and multilateral action.

There were no silver bullets, but many policy experiments that continue to provide empirical lessons from across the globe. These poverty-to-prosperity transitions are ongoing and will continue to transform development trajectories in the 21st century.

Substantively, policymakers have moved from sectoral interventions that targeted poverty to systemic architectures that promote broad-based prosperity, well-being and inclusion -covering jobs, incomes and livelihoods, asset markets, basic services, social protection, pre-distribution and post-distribution, economic sectors and multiple geographies.

In this paper we review what has been achieved since the foundational Copenhagen conference three decades ago, and chart five policy challenges and opportunities that we believe will shape the 21st century. Ultimately, transitions are driven by the capabilities of people who choose the lives they value. In the following pages we set out a roadmap for a more inclusive future.

1.a. Thirty years since Copenhagen

Thirty years ago, Copenhagen put the social agenda on the map. It was a foundational conference that evolved into multiple agendas across the following decades, including the MDGs, the Jubilee

Campaign on Debt Relief, the SDGs and much more.¹

The Doha Political Declaration restates three core pillars of that foundational moment: poverty eradication, full and productive employment and decent work for all, and social integration—this time, in a context of low growth, geopolitical tensions, and fractured multilateralism.

A lot has changed over the decades. Approximately 1.5 billion people exited extreme poverty since 1990; the geography of overlapping poverty deprivations has shifted from East Asia and Southeast Asia to Sub-Saharan Africa—with deep pockets of inequality across the globe.²

Conditional cash transfers, first rolled out in Brazil and Mexico in the 1990s, have matured and have left many lessons on how and where they are most effective.³ Randomized controlled trials (RCTs), which took off in the early 2000s, have delivered micro evidence on what works and what does not.⁴ The expansion of these impact-evaluation methods has since transformed empirical development economics and shaped much of the evidence base on poverty reduction.

Copenhagen also shaped the multilateral response to the social agenda. The MDGs paved the way for evidence-based global targets. The SDGs have expanded this approach and have now also provided lessons for future global goals.

Poverty-to-prosperity transitions are the result of strategic and deliberate policy choices that connect the dots between human needs, capabilities and opportunities

¹ The UN's Pact for the Future built on the lessons from that historic summit. See

<https://social.desa.un.org/world-summit-for-social-development-1995> and <https://www.un.org/en/summitof-the-future/pact-for-the-future>

² The new poverty thresholds allow an updated view of poverty across the globe. See

<https://unstats.un.org/sdgs/report/2025/The-Sustainable-Development-Goals-Report-2025.pdf> and <https://www.worldbank.org/en/news/factsheet/2025/06/05/june-2025-update-to-global-poverty-lines>

³ See Simone Cecchini and Aldo Madariaga, 2012, Conditional Cash Transfer Programmes: The Recent

Experience in Latin America and the Caribbean, Santiago, ECLAC, and Soares et al, 2007, "Conditional Cash Transfers in Brazil, Chile and Mexico: Implications for Inequality", Washington DC: Carnegie Endowment for Peace. <https://gsdrc.org/document-library/conditional-cash-transfers-in-brazil-chile-and-mexicoimplications-for-inequality/>

⁴ See Abhijit Banerjee & Esther Duflo, 2012, Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty, New York: Public Affairs, and Florent Bedecarrats and Isabelle Guérin, 2020, Randomized Control Trials in the Field of Development: A Critical Perspective, Oxford: OUP.

In the following pages, we set out a way of understanding these shifts in five challenges and opportunities that are at the core of the Doha implementation agenda in the future. They revolve around how to connect the dots between poverty, full employment and social integration. Poverty-to-prosperity transitions suggest a systemic rethink of how to achieve this.

The Doha Political Declaration challenges us to move beyond poverty-line management towards agency, power, and resilience in labour markets and social protection systems. If there is a single message it is that this is the decade to get things done.

1.b. Growth footprints: what we've learned since the 1990s

There is broad agreement that growth is a necessary but not sufficient condition for poverty reduction and broad-based prosperity. In the 1990s, the debate gradually shifted from whether “growth was good”, to “how pro-poor” growth was given initial distributive conditions.⁵

The classic Datt-Ravallion decompositions showed that poverty falls when there is growth in mean incomes and redistribution that favours the bottom.⁶ The Human Development Index showed that growth pathways could be equally skewed towards income outcomes or to life expectancy and educational development outcomes.⁷ Countries have different growth footprints. This was just the beginning of a conversation about development trajectories.

On the policy side, a number of lessons followed from three decades of experimentation: growth can be spurious and disrupt slow, cumulative achievements;⁸ growth decelerations are not simply the mirror image of growth accelerations, as they leave enormous scarring effects over labour markets: jobs are mostly created in the private sector –

about 90% worldwide—but not all private sectors are equal.

While informal employment can offer short-term flexibility and income opportunities— particularly for women and low-skilled workers— it also constrains productivity growth and limits sustained poverty reduction; over the long run, both pre-distribution policies (those that influence market incomes through wages, skills, and labour demand) and post-distribution policies (those that redistribute through taxes and transfers) can therefore shape how growth translate into poverty reduction⁹.

Beyond trajectories, there is also a policy template that evolved since Copenhagen: from a focus on *ex-post* correction of market failures, to a forceful *ex-ante* role in shaping income, asset and labour markets. The G20 has captured this evolution in its communiqués since the Global Financial Crisis, promoting growth that is inclusive, sustainable, balanced and sustained.

⁵ Martin Ravallion, 2004, “Pro-Poor Growth: A Primer”, Washington DC: The World Bank, and Stephan Klasen, 2024, “What’s behind pro-poor growth? An investigation of its drivers and dynamics” The Journal of Economic Inequality. Published March 2024.

⁶ Datt, Gaurav and Martin Ravallion. 1992. “Growth and Redistribution Components of Changes in Poverty Measures: A Decomposition with Applications to Brazil and India in the 1980s.” Journal of Development Economics 38: 275-295.

⁷ UNDP’s Human Development Report Office has, since 1990, highlighted how development trajectories can be skewed towards social or economic outcomes <https://hdr.undp.org/>

⁸ Ricardo Hausmann, Lant Pritchett, Dani Rodrik, 2004, Growth Accelerations, Washington DC: NBER.

<https://www.nber.org/papers/w10566> and Ricardo Hausmann, Francisco Rodriguez and Rodrigo Wagner, 2006, Growth Collapses, Cambridge, MA: Harvard CID Papers, https://www.wcfia.harvard.edu/sites/g/files/omnuum8891/files/wcfia/files/hausmann_growth.pdf

⁹ Bozio et al, 2024, “Predistribution versus Redistribution: Evidence from France and the United States”, *American Economic Journal: Applied Economics* 2024, 16(2): 31–65, <http://piketty.pse.ens.fr/files/Bozioetal2024AEJ.pdf>

Box 1: Growth footprint: Distinct footprints require distinct responses

The latest global economic outlook provides a snapshot of projected growth for 2025-2030. While the overall picture shows resilient growth, there is a structural slowdown of the global economy –of about 0.7% with respect to the 1990-2020 growth rate. Beyond the rate of growth, some economies have a strong inclusive growth footprint (achieving more poverty reduction out of every percentage point of growth); others have a weaker footprint.

Asia leads on the rate of inclusiveness. South Asia and East Asia & Pacific together account for the majority of global poverty reduction through 2030, showing that rapid, sustained growth is a strong driver of poverty exits.

Latin America & the Caribbean and MENA achieve only incremental gains despite medium growth, highlighting structural inequality and labour-market informality.¹⁰

Sub-Saharan Africa remains the critical gap: growth near 5% a year yields only a 9% drop-in poverty rates, insufficient to offset demographic pressures—illustrating the region’s persistent decoupling between growth and inclusion.

Advanced and European economies maintain low poverty incidence, but with limited additional improvement—growth there is inclusive by design but already near saturation.

Region	Avg. GDP growth 2025–2030 (%)	Poverty headcount 2019 → 2030 (%)	Change (points)	Change (%)	Insight
Advanced economies	1.9	0.9 → 0.7	-0.1	-13	<i>Persistent inclusion</i> : poverty (by LMIC standards) nearly eradicated; marginal further gains at low growth rates.
East Asia & Pacific	3.1	7.3 → 3.4	-3.9	-54	<i>Rapid and inclusive growth</i> : delivers large poverty reductions even at moderating growth; strong structural transformation effects.
Europe & Central Asia	3.2	6.2 → 4.5	-1.7	-27	<i>Steady inclusion</i> : sustained middle-income growth gradually lowers poverty despite external shocks.
Latin America & Caribbean	3.3	10.4 → 9.0	-1.4	-14	<i>Weakly inclusive growth</i> : social gains resume but slowly; inequality and limited productivity growth constrain poverty reduction.
Middle East & North Africa	3.4	15.0 → 12.9	-2.1	-14	<i>Modest improvement</i> : macro recovery reduces poverty slightly but remains fragile.
South Asia	5.3	41.3 → 14.4	-26.9	-65	<i>Transformational growth</i> : fastest and most inclusive trajectory globally; sustained expansion drives dramatic poverty decline (low-hanging fruit).
Sub-Saharan Africa	4.8	61.4 → 55.7	-5.7	-9	<i>Growth without inclusion</i> : output rises, but population growth and inequality blunt poverty reduction; absolute poor numbers still increasing.

¹⁰While both regions record similar average outcomes, their internal heterogeneity is considerable. Latin America and the Caribbean includes economies with relatively mature welfare systems alongside smaller, low-income countries, while the Middle East and North Africa spans from oil-exporting to low-income, conflict-affected economies. Results therefore reflect regional averages rather than

uniform trajectories within each group. In our dataset of income distributions for which it is possible to project poverty, MENA includes: Algeria, Djibouti, Egypt (Arab Rep.), Iran (Islamic Rep.), Iraq, Jordan, Morocco, Tunisia, United Arab Emirates, and Yemen (Rep.). In the GDP growth database (IMF), the previous countries are included plus Bahrain, Kuwait, Libya, Oman, Qatar, and Saudi Arabia.

1.c. A new understanding of how transitions happen

Poverty-to-prosperity trajectories are churns, not ladders. Households often escape and fall back into vulnerability; moving back and forth across poverty lines. This extends not just to incomes and informal livelihoods, but to formal job and asset markets above the poverty line. While policymakers sometimes think of this challenge as a targeting problem it is mostly about crafting a system of sustained upward mobility with a robust floor –that provides guardrails for flows that keep on churning.

The very statistics reported by statistical agencies tend to disguise the upward and downward mobility process. Poverty figures are usually published as net poverty figures over a period of time --a balance between the number of people overcoming a threshold, and the number of people falling under that threshold in a year. Some economies and social protection systems are very good at creating incomes, others are better at protecting people from falling.

As we look at more granular data, we can see this churning process more clearly – payday loans take advantage of this ebb and flow; statistics on missed meals also reflect this vividly. The average does not matter as much as highlighting what two successive days without a meal or seven days without health attention matters for a person in conditions of vulnerability.

The implications for policymaking are profound: agency and the capabilities to pursue life choices become the critical variable behind policy action. Not a “tick” on jobs held, assets saved or even education level attained. But an assessment about a system, with people at the centre: how long do women and men, of different ages, hold jobs or sustain jobs or livelihoods? How long is labor market scarring when it occurs and how responsive is the social service and protection system? What are the determinants of intergenerational equity?

Agency and the capabilities to pursue life choices become the critical variable behind successful transitions. Not a “tick” on jobs held, assets saved or even education level attained.

Transitions only happen when individuals and households move successfully and resiliently from one set of equilibria to another. What type of policy architecture can be built around these churns? Human development sits at the epicenter of this architecture, individual well-being, education, health and nutrition will have long run effects across a lifetime; labor markets, livelihoods and asset market are in the middle ring; the outer ring includes social protection and service systems that are adaptive to shock, with the fiscal means to withstand a shock.

2. Poverty-to-prosperity transitions

Challenge # 1. Higher thresholds of inclusive well-being require moving beyond targeting

Poverty lines have adjusted upwards over the past 30 years, and the policy challenges faced as societies achieve higher milestones also adjust. The World Bank has just updated the global extreme poverty line to \$3.00-a-day in 2021 PPPs (from \$2.15-a-day in 2017 PPPs), and tracks higher lines (\$4.20, \$8.30 a day) for LMICs and UMICs. Those higher lines involve billions of individuals: about 1.6 billion live under the \$4.20 line; about 4 billion under the \$8:30 a day line.

With higher thresholds come new policy challenges. Poverty targeting was extremely successful, from the mid-1990s onward, at identifying a group of the population that was under the extreme poverty line and targeting transfers, subsidies or exemptions on taxes – as well as services and social protection mechanisms. However, with social progress, targeting mechanisms that worked very well for the extremely poor



were no longer as effective for vast groups of the population.

Rather than refining poverty targeting, the trend in developing and emerging economies has been to build an ecosystem of jobs, livelihoods and income that can sustain upward mobility, while expanding social services and social protection systems, beyond cash transfers, to multiple service lines.

Moving to higher thresholds of multidimensional well-being requires a whole-of-society effort: the system that supports pensioners, also supports child nutrition, skills for new jobs, incentives for private sector investment, infrastructure and urban development.

It requires the planning capabilities to envision an effective policy architecture, fund it through a fiscally sustainable envelope, and implement transformation on the ground in ways that are effective, accountable and responsive to citizens.

Box 2: Simulating a prosperity floor

People need security, resilience, and the capability to participate fully in economic and social life. These attributes define what we refer to as a prosperity floor: an income level that allows people not only to avoid deprivation but also to cope with shocks, invest in their futures, and live with dignity.

Poverty lines capture scarcity; prosperity floors capture capability. The distinction is critical: a household that has escaped \$3-a-day poverty may still be one illness, one climate event, or one job loss away from falling back. The prosperity approach therefore measures not simply who is poor but who is secure.

The prosperity line used for this simulation uses region-specific poverty baselines to capture social realities that differ between low-, lower-middle-, and upper-middle-income economies and scales them elastically with national medians through $\beta = 0.4$.¹¹ The resulting floors rise smoothly with development, remain realistic for the poorest countries, and—crucially—serve as operational targets for policy simulation.

What do we find?

Applying these prosperity lines to the income distributions of 126 developing countries (covering 87 percent of the global population) yields a baseline prosperity headcount of 35.5 percent living below their context-specific floor (Figure B2.1). The incidence ranges from 48.4 percent in low-income countries to 29.9 percent in upper-middle-income countries, and from 18.5 percent in Europe and Central Asia to 52.8 percent in Sub-Saharan Africa—patterns that reflect both structural income gaps and within-country inequality. The prosperity gap index, the average shortfall of incomes below the floor, stands at 0.114, indicating that those below the floor earn about 11 percent less than what is needed for a secure livelihood. Hence, more than one-third of people in developing countries still live below prosperity. Two additional simulations explore how different labour-market and distributional policies could change that picture

More than a third of people in developing countries still live below their context specific prosperity floors



Figure B2.1. Share of population living below their prosperity floors at baseline (2025), by region and income group.

Source: Own calculations based on binned distributions of income and consumption for 126 developing countries.

Note: * includes 14 developing countries classified as high-income.

¹¹ The parameter 0.4 is grounded in cross-country evidence showing that national poverty lines tend to rise between one-third and two thirds as fast as average consumption (for example, Ravallion et al. (2009), Jolliffe and Prydz (2016), and earlier literature). With an elasticity $\beta = 0.4$, a 1 percent increase in the national median income raises the prosperity floor by 0.4 percent; for example, if the median doubles, the floor increases by roughly one-third.

Raising the wage floor. A first experiment captures the pre-distribution power of labour markets—how stronger wages at the bottom can expand prosperity even when growth is modest. It simulates a 10 percent uplift in incomes for deciles 1–3 and a tapering spill-over from 10 to 5 percent for deciles 4–5, mirroring empirical spillovers from binding minimum-wage increases documented in several contexts. The magnitude follows Mexico’s experience since 2018, which has shown the transformative potential of raising wage floors to reduce poverty without compromising employment. In practice, sustained gains from higher wages depend on parallel improvements in labour productivity and skills formation, ensuring that wage growth reflects and reinforces efficiency rather than merely redistributing existing value.

The shock mimics policies such as minimum-wage adjustments, stronger informal-sector earnings, or fair-wage agreements, all of which affect primary incomes. In effect, it simulates a pre-distribution shift that raises the lower tail of the income distribution through labour-market mechanisms rather than fiscal transfers.

After the uplift, the share of developing-country population below the prosperity floor falls from 35.5 to 31.3 percent—288 million people moving above the floor—and the average prosperity gap narrows from 0.114 to 0.094. Gains are strongest in lower-middle-income economies, where the wage floor interacts most favourably with median incomes, while smaller in low-income economies whose medians remain close to subsistence. The results mirror the empirical evidence: labour-market policies that strengthen wage floors can be potent tools of inclusion even when growth is slow.

Increasing the labour share. The second simulation examines a post-distribution channel: a modest 1 percent reallocation of total income from the richest 20 percent to the bottom half of the distribution. The total national income is held constant; the top quintile’s incomes fall proportionally by the transferred amount, which is then distributed among the lower half using a progressive gradient favouring deciles 1–3. Conceptually, this is equivalent to a 1 percentage-point increase in the labour share—a shift that could arise from collective bargaining, progressive taxation and transfers, productivity-sharing mechanisms, or social-protection expansion that improves bargaining power without raising total output.

Following this redistribution, the prosperity headcount for developing countries declines to 33.7 percent—121 million people achieving secure incomes—and the prosperity gap contracts by 1.2 points. The improvement is largest in upper-middle-income economies, where top-end concentration provides more fiscal and wage-bargaining space for reallocation. Because total income is unchanged, this result underscores that equity itself is a growth-independent driver of well-being: small redistributions can meaningfully expand prosperity.

Combining the two shocks: An integrated policy package. To mimic a realistic policy sequence, the simulations were implemented sequentially: first an across-the-board improvement in labour earnings for the bottom half (the wage-floor uplift), followed by a modest redistribution from the top (the labour-share increase). The combined results represent an integrated policy package that strengthens both the wage floor and the social compact—a distribution-first strategy aligning with UNDP’s “prosperity through inclusion” narrative.

Together, the two levers reduce the developing-country prosperity headcount from 35.5 to 29.4 percent—a 6.1-percentage-point drop equivalent to 411 million people moving above the prosperity floor (Figure B2.2). The prosperity gap narrows by 0.029 points, or about 25 percent. The largest absolute gains occur in middle-income economies, while South Asia records the fastest relative decline. Sub-Saharan Africa’s smaller reduction (2.5 percentage points) reflects its low medians and high informality, signaling the need to complement labour-market interventions with productivity and structural policies.

Distribution-led policies could lift millions above a prosperity floor

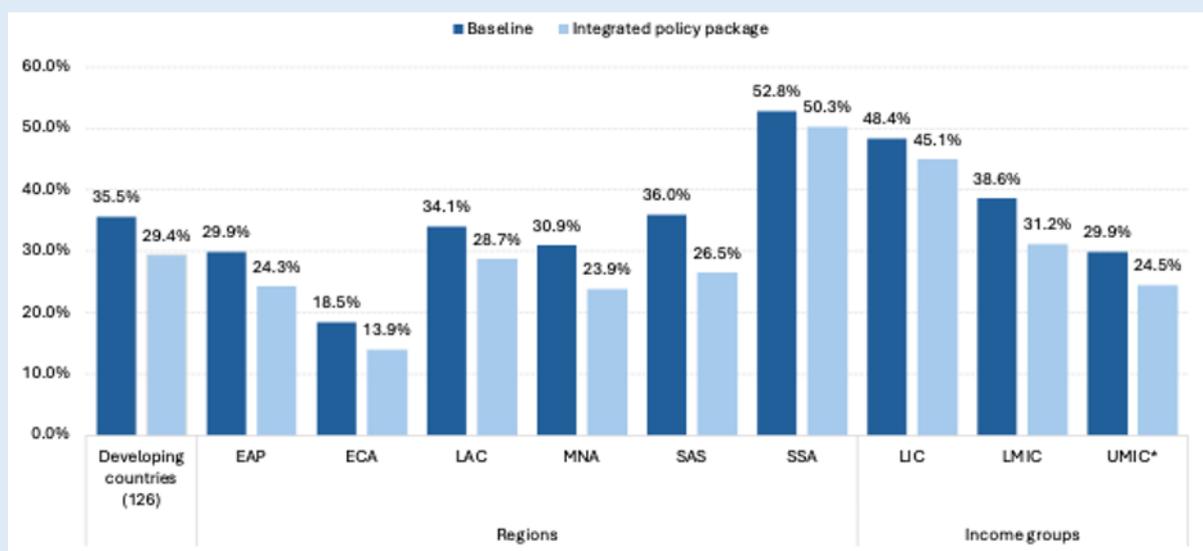


Figure B2.2. Share of population living below the prosperity floor at baseline and under the integrated policy package (10 percent wage-floor increase and 1 percent labour-share shift), by region and income group. Source: Own calculations based on binned distributions of income and consumption for 126 developing countries. Note: * includes 14 developing countries classified as high-income.

Challenge # 2. Bottom of the distribution: Vulnerability and avoiding exit-and-return¹²

A number of challenges emerge at the bottom of the distribution –the poorest deciles of the population. The literature on transitory escapes shows large fractions of households who exit poverty then fall back within a decade, due to shocks in earnings, health or climate. Adaptive Social Protection and automatic stabilizers (indexed top-ups, scalable registries) smooth these cycles; wage floors reduce exposure by lifting the lower tail of the distribution.

Poverty-to-prosperity transitions are rarely a straight climb. Millions of households hover just above the poverty line, pulled back whenever climate, health, or macroeconomic shocks strike. The problem is not only insufficient income but instability—the stop-start pattern of welfare losses that erode hard-won progress. Volatility transforms temporary setbacks into lasting deprivation: one drought, one illness, one job loss can undo years of effort. Building resilience therefore requires not only raising incomes but stabilising livelihoods.

Adaptive social protection (ASP) is designed for precisely this challenge. It equips systems to anticipate, absorb, and adapt to shocks through mechanisms that trigger support automatically when hazards occur, instead of relying on ad-hoc emergency responses after damage is done.¹³ ASP reframes social protection as economic infrastructure for stability—a permanent “automatic stabiliser” for the bottom half of the income distribution. Just as fiscal policy cushions recessions for firms and investors, adaptive protection cushions income shocks for households. In doing so, it can turn safety nets into stabilising circuits that preserve consumption, sustain demand, and protect development gains from the volatility that still defines everyday life in large parts of the world.

¹² While the analysis presented here focuses on household-level income and consumption, the underlying data do not allow for consistent disaggregation by sex or by intra-household distribution. This is a limitation of our global income and consumption dataset based on binned distributions. Nevertheless, gender-based determinants of poverty remain central to understanding vulnerability and exit-and-return dynamics. Factors such as time poverty, unequal care responsibilities, and limited access to paid employment or assets can systematically constrain women’s ability to accumulate savings and recover from shocks. These dimensions are better captured in

multidimensional poverty and time-use surveys, which show how constraints on time, mobility, and care work intersect with monetary deprivation. Incorporating such evidence in future or context-specific analyses would enrich the understanding of vulnerability pathways beyond household averages.

¹³ UNDP has been working on adaptive social protection since the onset of the pandemic. See https://www.undp.org/sites/g/files/zskgke326/files/2024-10/technical-note-thematic-table-1-adaptive-social-protection_en.pdf

Box 3: Shaping adaptive social protection to country realities

To illustrate how an adaptive stabiliser might operate in practice, we simulate an autopilot mechanism using income-distribution data for 124 developing countries, linked to each country's exposure to shocks as measured by the Notre Dame Global Adaptation Initiative (ND-GAIN). The exercise adapts ASP principles to national realities—recognising that countries face different levels of hazard frequency and capacity to respond.

Each country is placed into quintiles of ND-GAIN vulnerability scores. For illustrative purposes, we assume that those in the most vulnerable quintile experience shocks twice as often—roughly every four years—while the least vulnerable face shocks only once every eight years. Over a ten-year horizon, this pattern resembles observed variation in hazard recurrence across developing economies, from the drought cycles of the Sahel to the storm seasons of South and East Asia.

In shock years, we assume that the bottom 60 percent of households lose 8 percent of their income, while the top 40 percent lose about one-third as much. This assumption reflects a plausible, conservative estimate of welfare losses observed in developing countries during moderate climate or macroeconomic shocks—such as droughts, commodity-price collapses, or recessions—where studies consistently find high-single-digit to low-double-digit declines in income or consumption among poorer households.¹⁴ It therefore captures a recurring rather than catastrophic disruption—serious enough to matter, yet frequent enough to require systemic rather than exceptional responses.

When the autopilot is activated, the system automatically compensates the poorest 40 percent of households for half of their shock losses—a reasonable level considering real-world fiscal constraints and the design of scalable safety-net programs. These compensations are capped at the prosperity floor defined in Box A to ensure that recovery support raises households toward basic economic security without exceeding it. The simulation then traces poverty trajectories with and without this adaptive rule, allowing us to measure how automatic stabilisers alter both the magnitude and the volatility of poverty across countries with different levels of vulnerability.

Results: An adaptive system of responses to shocks

To assess how adaptive social protection reshapes vulnerability, we measure poverty relative to region-specific international poverty lines—not the prosperity floor used in Box 2. The objective here is different: rather than tracking progress beyond deprivation, the focus is on the risk of falling below basic subsistence when shocks occur.

For each country, the simulation calculates two complementary indicators over a ten-year horizon. The first is the average share of the population below the poverty line, or time in poverty, which captures how long households remain in deprivation once shocks are accounted for. The second is the standard deviation of annual poverty headcounts, a proxy for poverty volatility that reflects the instability of welfare over time. Together, these indicators reveal not just the extent of poverty, but its persistence and variability—how often and how violently shocks undo household gains.

Figure B3.1 (panel a) shows that adaptive social protection prevents sharper increases in poverty during shocks, reducing the time households spend below their regional poverty lines. Average time in poverty in medium- and high-vulnerability contexts declines by 0.45 to 0.89 percentage points over the decade, with the strongest effects in regions that experience frequent climate—plus commodity and macroeconomic—shocks.

In South Asia, reductions reach 0.89 percentage points for medium-vulnerability countries and 0.45 points for high-vulnerability ones. In East Asia and Pacific, the autopilot offsets an average of 0.82 points of additional poverty among the most vulnerable and 0.73 points

¹⁴See, for instance, Stephane Hallegatte, 2016, *Shock waves: managing the impacts of climate change on poverty*, Washington DC: The World Bank.

among medium-vulnerability economies. In Sub-Saharan Africa, where baseline poverty is generally high, the mitigation is smaller—around 0.40–0.70 points—but still substantial in absolute terms, preventing millions from slipping below the line when shocks hit. In contrast, Latin America and the Caribbean, the Middle East and North Africa, and Europe and Central Asia experience more modest effects (0.11–0.48 points), reflecting both lower hazard exposure and the presence of established safety-net systems that already cushion income volatility. Even in these regions, however, the adaptive rule adds a valuable layer of predictability.

Panel (b) shows that the stabilising effect is even stronger when measured in volatility terms. In high-vulnerability contexts, the standard deviation of annual poverty rates declines by around 1.4 percentage points on average, effectively halving the amplitude of poverty fluctuations during the decade. The effect is strongest in East Asia and Pacific (–1.72 points) and Sub-Saharan Africa (–1.48 points), followed by South Asia (–0.96 points). Medium-vulnerability countries in Latin America and the Caribbean and MENA record declines of roughly one point, while low-vulnerability Europe and Central Asia still achieves smaller but positive stabilisation gains.

In short, the autopilot acts as an income-shock absorber: it limits the surge in poverty that follows shocks in the most vulnerable regions and smooths welfare trajectories in more resilient ones.

Adaptive systems cushion poverty shocks across all regions

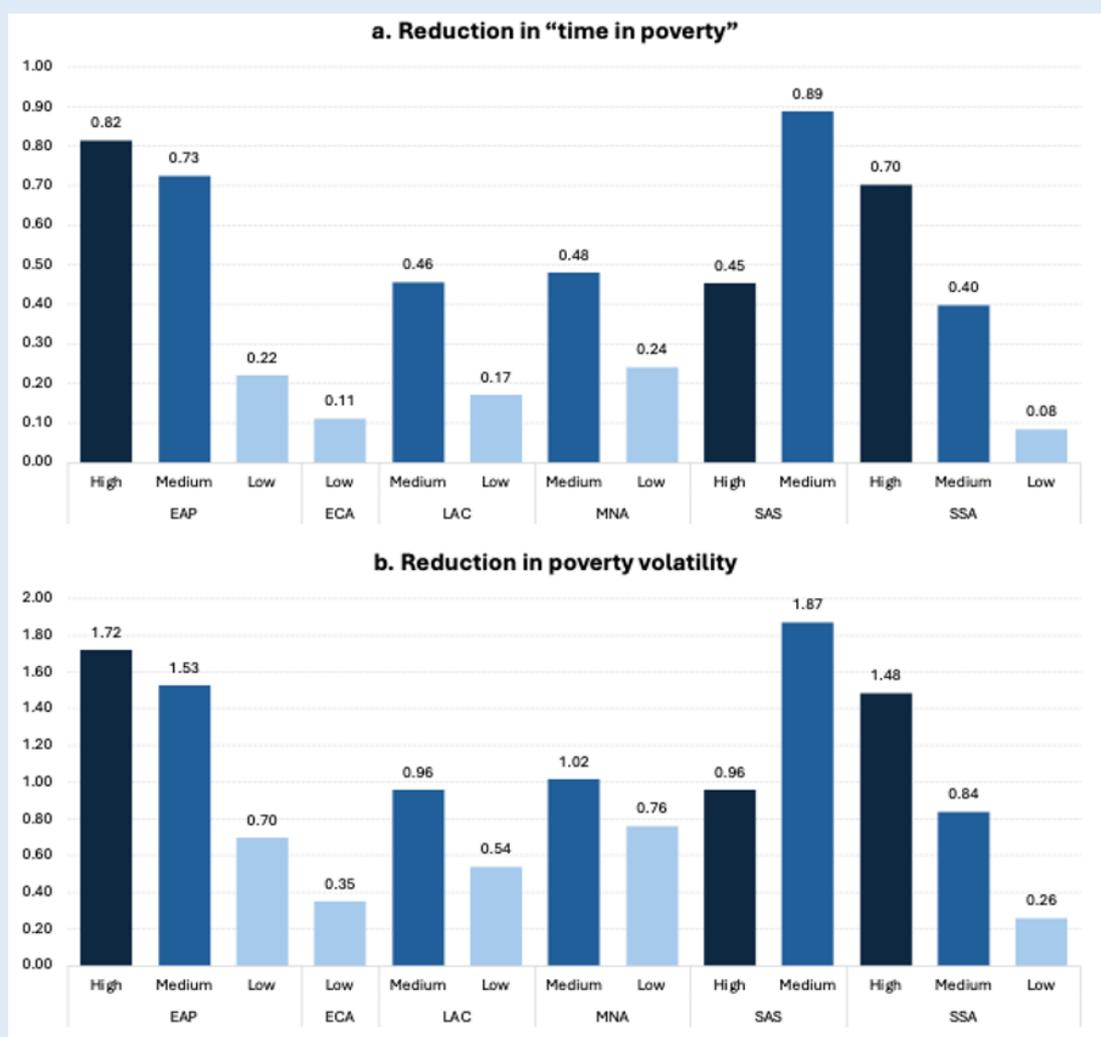


Figure B3.1. Reductions in poverty incidence and volatility under adaptive social protection, by region and vulnerability level. *Source:* Own calculations based on binned distributions of income and consumption for 124 developing countries with information on vulnerability, and on Notre Dame Global Adaptation Initiative (ND-GAIN).

Note: Bars show population-weighted averages for developing regions. Vulnerability levels correspond to quintiles of ND-GAIN vulnerability scores grouped as high (1), medium (2 and 3), and low (4 and 5). Values indicate percentage-point differences between scenarios with and without adaptive top-ups over 2025–2035.

Differences by income group

A similar gradient emerges when results are viewed by income level (Figure B3.2). In low-income countries, where vulnerability and exposure coincide, the adaptive top-ups prevent poverty from rising as sharply during shocks—lowering the decade-average time in poverty by about 0.69 percentage points and volatility by 1.45 points, the largest stabilisation in high-vulnerability contexts among all income groups. In lower-middle-income countries, the mechanism mitigates 0.53–0.73 points of additional poverty in medium- and high-vulnerability economies, while volatility decreases by 1.11–1.53 points, confirming that even partial compensations can substantially cushion households from shocks. In upper-middle-income economies, adaptive systems deliver meaningful improvements in both dimensions: they mitigate 0.88 points of additional poverty in medium-vulnerability settings and reduce volatility by 1.86 points. The stabilising effect is significant, showing that ASP strengthens resilience even where formal safety nets are more developed.

These patterns confirm that ASP acts as both a protective and a stabilising instrument—limiting welfare losses in poorer economies while reducing uncertainty and enhancing predictability in richer developing ones.

Adaptive social protection delivers stability gains across income groups

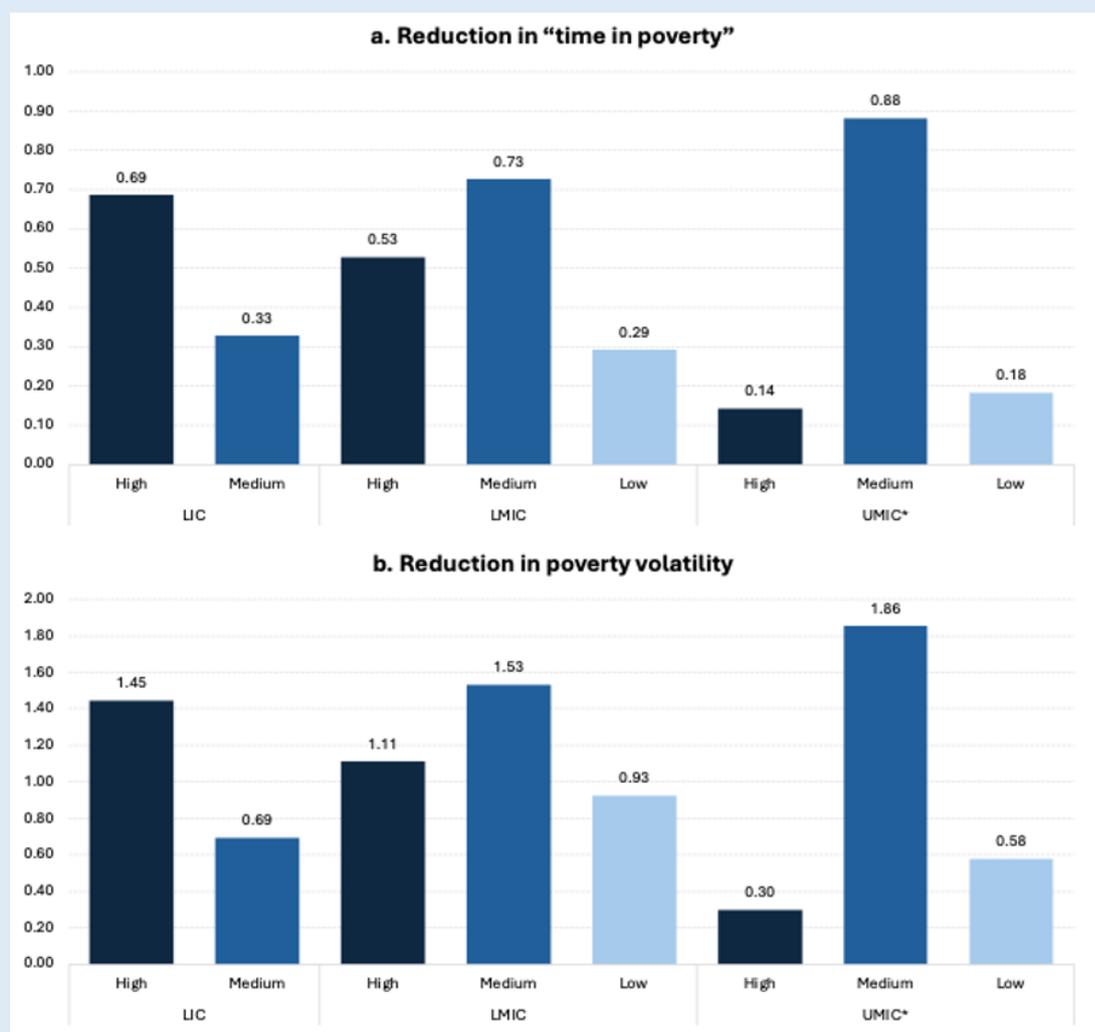


Figure B3.2. Reductions in poverty incidence and volatility under adaptive social protection, by income group and vulnerability level. *Source:* Own calculations based on binned distributions of income and consumption for 124 developing countries with information on vulnerability, and on Notre Dame Global Adaptation Initiative (ND-GAIN). *Note:* Bars show population-weighted averages for low-, lower-, and upper-middle-income economies.



Vulnerability levels correspond to quintiles of ND-GAIN vulnerability scores grouped as high (1), medium (2 and 3), and low (4 and 5). Values indicate percentage-point differences between scenarios with and without adaptive top-ups over 2025–2035.

On average, adaptive social-protection mechanisms reduce the duration and volatility of poverty exposure: time in poverty declines by about half a percentage point, and poverty volatility falls by roughly one point over a decade. The benefits scale with exposure—strongest in high-vulnerability, low- and lower-middle-income contexts—but remain positive across all regions and income groups. Through automatic, rule-based adjustments when shocks occur, these systems operate as macro-micro stabilisers that complement growth and redistribution policies and safeguard hard-won poverty-reduction gains from being undone by volatility.

Challenge # 3. Middle of the distribution: Dynamic labour markets and adaptive Protection

When we zoom in on the middle of the distribution –that combines the vulnerable middle classes and dynamic service and industrial sectors— jobs and livelihoods are critical. Labour markets are a churning machine that create income and prosperity, but also displace firms and people. This creative destruction process is becoming more rapid and volatile (via automation, gig economies, climate transitions).¹⁵ This requires adaptive social protection linked to social assistance, insurance and labour-market policies with trigger-based scaling. It’s about capabilities to adapt, not just compensating losses.

At a global level, the adoption of AI, across skill levels is expected to transform this balance between dynamic labor markets and the need to provide more mobile forms of social protection –no longer a fixed package of pension and benefits associated with full-time formal jobs, but mobile social insurance and assistance benefits available to all types of workers, including part-time and informal sector jobs and livelihoods.¹⁶

The AI debates have only started. There is an equal chance that AI adoption will be “incremental” or “exponential”¹⁷ and an equal chance it will be job “augmenting” or “displacing”¹⁸. In developing and emerging economies this may provide opportunities for productivity leaps in some service

sectors—such as health, training or parts of the care economy—though such potential gains could be constrained by social norms and institutional bottlenecks. At the same time, workers with automatable skill sets—such as clerical staff, cashiers, or line workers—may face displacement risk if these transitions unfold without adaptive labour-market supports.

On the adaptive social protection side, policymakers will face the challenge of funding care economies, propping up temporary basic incomes, providing subsidies for MSME and startups, and promoting multiple types of skilling and re-skilling policies. A combination of contributory and non-contributory (tax-based) funding will require a new fiscal architecture and new pacts between private and public sectors.

The middle of the distribution is where the battle for productivity, innovation and job-creation will connect with more macro challenges linked to industrialization, trade and technology flows. The new pockets of dynamic growth –in digital technologies, AI, green and just transition sectors—will likely revolve around typologies within each country: there will be pockets of early adopters of AI/digital technologies, fossil fuel transitions, frontier markets and gig economies will all be part of a new landscape for labour markets.

Just from listing this set of challenges, we can foresee the need for deliberate and strategic development planning across sectors and more granular place-based planning –more on that in the next subsection.

¹⁵ Ramazan Uctu et al, 2024, Creative destruction and artificial intelligence: The transformation of industries during the sixth wave, Journal of Economy and Technology, Volume 2, November 2024, Pages 296-309 <https://www.sciencedirect.com/science/article/pii/S294994882400043X>

¹⁶ The European Union has been leading on discussions of flexi-security and its effects over social protection reform. See https://employment-social-affairs.ec.europa.eu/policies-and-activities/eu-employmentpolicies/flexicurity_en

¹⁷ The World Economic Forum has been documenting the impact of AI on the future of work. <https://www.weforum.org/publications/the-future-of-jobs-report-2025/digest/>

¹⁸ UNDP’s 2025 Human Development Report focused on the policy choices behind AI adoption in developing and emerging economies. <https://hdr.undp.org/content/human-development-report-2025>

Box 4. From jobs at risk to jobs of the future: Simulating adaptive labour protection for the middle of the distribution

Labour-market disruptions are increasingly shaping the pathways from poverty to prosperity. As economies digitalise and decarbonise, the risk of automation-induced displacement and transition-related income loss extends beyond the poor, affecting millions of workers in the middle of the income distribution—those in deciles 4 to 8 who are not poor but might remain vulnerable to shocks that can erode their livelihoods. Managing these risks is central to achieving inclusive prosperity: growth alone cannot guarantee resilience if employment structures remain fragile.

To examine how ongoing and future disruptions could affect this “missing middle”, we simulate an automation–climate transition shock using the same global income-distribution data applied in Boxes 2 and 3, with a focus on 126 developing countries. The exercise assumes that 15 percent of all workers—concentrated in deciles 4 to 8—experience a 10 percent reduction in income. This parameterization is consistent with evidence that non-trivial shares of jobs are exposed to automation, that wage compression in exposed segments is observed in practice, and that middle-income countries may face particular vulnerability if skill systems do not adapt.¹⁹ This represents a moderate, recurring labour-market shock rather than a crisis event—large enough to illustrate vulnerability but typical of the adjustments already underway in manufacturing, services, and energy sectors.

A second scenario introduces an active labour-market policy (ALMP) response for half of the affected workers. This mimics that they participate in programmes such as reskilling, wage subsidies, or temporary employment support that restore five percent of their income in the short- and medium-terms—an empirically plausible recovery rate given fiscal and administrative constraints. The other half remain unassisted, reflecting partial coverage and uneven policy capacity.

Results: adaptive labour-market protection cushions the middle

Poverty effects. Across developing regions, the simulated 10 percent income shock increases the share of people living below their group-specific poverty lines (i.e., LIC, LMIC, and UMIC). The effect is most pronounced in Sub-Saharan Africa (2.2 percentage points) and Latin America & the Caribbean (LAC) and South Asia (0.94-0.98 points), where large populations cluster near or below their context-specific subsistence thresholds. In the Middle East & North Africa (MENA), Eastern & Central Europe (ECA), and East Asia, the rise is smaller—from 0.11 to 0.36 points—reflecting either higher median incomes or narrower exposure among middle-income workers. In MENA, however, this regional average conceals sharp contrasts: in lower-income and middle-income economies—where informal employment accounts for more than four-fifths of the labour force—workers are considerably more exposed to automation and transition risks than the aggregate suggests.

When adaptive labour-market measures are introduced, poverty increases are partially contained in regions with sizeable middle classes. The ALMP scenario reduces the poverty increase by roughly 28–29 percent in LAC and MENA, about 16 percent in Sub-Saharan Africa, and as much as 96 percent in East Asia where the affected group lies just above the poverty line. In contrast, mitigation is negligible in South Asia—where most of the “middle” is still poor—and in ECA, where middle-income workers remain well above the poverty threshold even after the shock.

Prosperity-floor effects. Measured against the broader prosperity floors defined in Box 2, the same labour-income shock reveals the vulnerability of near-secure households.

Prosperity-floor poverty. People with incomes below a minimally secure standard—rises across all regions, by 0.2 to 2.4 points. The largest increase occurs in South Asia (2.4 points) and Sub-Saharan Africa (2.1 points), followed by MENA (1.4 points) and LAC (0.98 points). Smaller changes in East Asia (0.38 points) and ECA (0.23 points) reflect higher overall security levels.

¹⁹ See, for instance, [ILO \(2016\)](#), [Filippi et al. \(2023\)](#), and [Molina et al. \(2016\)](#).

Active labour policies again dampen these losses, this time more visibly: the ALMP scenario cuts the rise in prosperity-floor poverty by 64 percent in East Asia, 45 percent in MENA, and around 32 percent in LAC, while effects remain limited in poorer regions (13 percent in Sub-Saharan Africa) and negligible in South Asia. These results suggest that adaptive labour protection chiefly prevents erosion of economic security rather than eliminating extreme poverty—a critical distinction for policy design.

Adaptive labour protection cushions income losses for the vulnerable middle

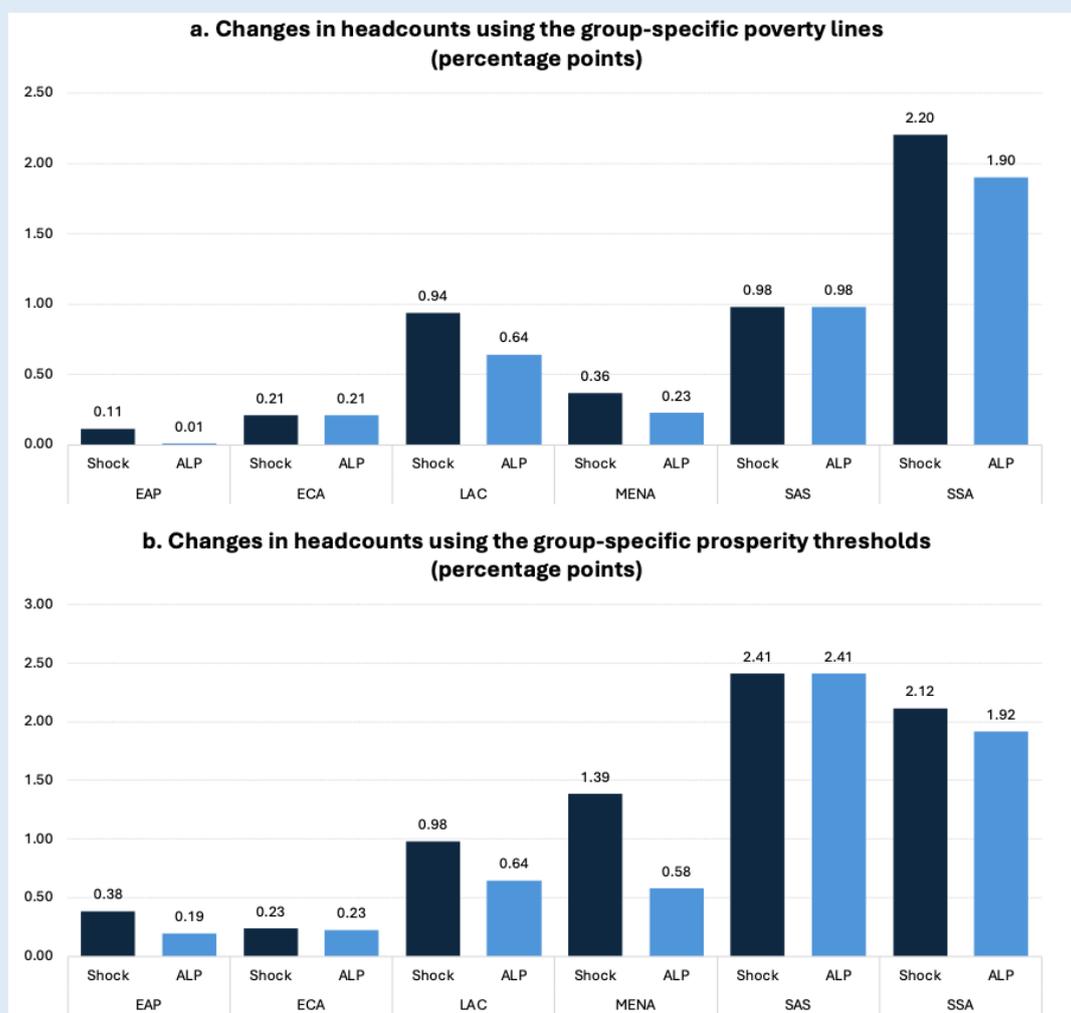


Figure B4.1. Regional poverty and prosperity-floor headcount changes under shocks and labour protection (percentage-point changes), 2025. *Source:* Own calculations based on binned distributions of income and consumption for 126 developing countries. *Note:* Bars show population-weighted averages by region. “Shock” represents a 10 percent income loss for approximately 15 percent of the population (within deciles 4–8). “ALP” shows outcomes when half of those affected recover 5 percent of income through, say, active labour-market programmes. “Mitigation” denotes the share of the shock absorbed by the policy (percentage).

The simulations underscore that adaptive labour protection complements—not replaces—social protection. In middle-income economies, where automation and green transitions are advancing relatively faster, targeted ALMPs can absorb one-quarter to one-half of potential poverty increases, preserving inclusion and stabilizing consumption. In poorer economies, where the “middle” remains below basic-needs lines, stronger wage floors and social protection remain prerequisites for ALMPs to take effect.

As automation, climate action, and structural change reshape employment, well-designed active labour-market policies—linked to reskilling, digital-skills upgrading, and unemployment insurance—can turn disruption into opportunity. They connect productivity growth with social resilience, ensuring that the gains from technological and green transitions are more evenly shared across the income spectrum.

Challenge # 4. Micro, macro and global levers: What is the right policy mix?

What is the right policy mix for poverty-to-prosperity transitions? The macro-micro debates of the early 2000s have yielded to an emerging consensus that adopts a multi-level strategy: macro levers like economic growth, industrial or trade policies continue to frame the way that developing economies engage with the global economy –and provide the envelope for social progress; micro levers, focused on health and basic services, social protection, social insurance, job skills, financial inclusion, MSMEs and supply chains continue to provide an acupuncture for policy interventions.

Multidimensional poverty work has provided a wealth of lessons on how to move forward with systemic interventions that combine micro, macro and global policy levers.²⁰

- *Using MPIs to track poverty across geographies:* One of the powerful rationales for multidimensional poverty work is that it is resilient to economic growth dips and decelerations; basket of social services spread across geographies has allowed poverty tracking of a different kind: not as a data point, but as a geographic and territorial milestone. Digital registries and service apps that have accelerated since the pandemic are providing an alternative tracking dashboard for policymakers involved in month-to-month follow-ups.²¹ These

don't substitute high quality household surveys for assessments but allow poverty tracking with a greater degree of granularity. Recent innovations also show how MPIs can reveal gender gaps in deprivation—such as UNDP's MPI with a focus on women for Latin America and the Caribbean²², and the new gender-sensitive MPI under development in Angola.

- *Using MPIs for budget allocation:* The link between baskets of social services –for nutrition, health, education, housing improvements, basic sanitation and water, as well as electrification and other services—and fiscal commitment is critical for policy impact.²³ Urban development planning has incorporated MPI budgeting to maximize the impact of service delivery and understand the trade-offs in costing per household and across geographies.
- *Monitoring services and citizen participation:* Multidimensional poverty services are visible and on the ground. Citizens, patients and students provide continuous feedback on baskets of services and can guide local providers to better outcomes. The literature has documented local and national consultations, citizen boards, and multiple forms of popular participation around the world.²⁴ Agency is augmented by participation and active feedback on how services are experienced on the ground.

²⁰ See UNDP's work on policy tools and MPI policy implementation.

<https://www.undp.org/sites/g/files/zskgke326/files/2025-02/undp-how-to-use-national-mpis-as-a-policy-tool-from-metrics-to-policy-v2.pdf>

²¹ See SIDA's work on this. <https://www.sida.se/en/about-sida/publications/digitalisation-and-multidimensional-poverty>

²² See UNDP (2023). [Multidimensional Poverty Index with a Focus on Women for Latin America and the Caribbean. Status of 10 countries in the region.](#)

²³ See Santos et al, 2023, Counting and Accounting: Measuring the Effectiveness of Fiscal Policy on Multidimensional Poverty Reduction, <https://commitmenttoequity.org/wpcontent/uploads/2023/06/ceq127.pdf>

²⁴ UNICEF has promoted MPI advocacy and citizen participation. See <https://www.unicef.org/media/105966/file/A%20review%20of%20the%20use%20of%20multidimensional%20poverty%20measures.pdf>

Box 5: Multidimensional Poverty Index 2025

The 2025 Global MPI report covers 109 countries and 6.3 billion people. Of these people, 18.3 percent (1.1 billion) live in acute multidimensional poverty. Among the poor, 43.6 percent (501 million) are in severe poverty, based on deprivations captured by half or more weighted MPI indicators.²⁵

Countries with low or medium HDI values have over 1 billion poor people, about 90.5 percent of the total. In countries with low human development, 56 percent of the population (490 million people) lives in poverty. In medium-human development countries, about 22.4 percent (548 million people) are multidimensionally poor.

Middle income-countries: the new epicentre of multidimensional poverty

Poverty afflicts hundreds of millions of lives in middle- and low-income countries (Figure 1). Around 740 million poor people reside in middle-income countries (nearly two-thirds, or 64.5 percent of the 1.1 billion). Low-income countries are home to 408 million poor people (35.5 percent). Although country levels vary greatly, on average, the incidence of multidimensional poverty is far lower in middle-income countries (13.1 percent) than in low-income countries (62.5 percent).

Almost all multidimensionally poor people in Europe and Central Asia, Latin America and the Caribbean, and East Asia and the Pacific, as well as most of these people in South Asia, live in middle-income countries. In sub-Saharan Africa, over a third of poor people (224 million or 39.8 percent of the region's total) dwell in middle-income countries. Only in the Arab States do low-income countries account for a significant majority of the region's poor (75.5 percent). These patterns highlight two distinct challenges: in many middle-income countries, persistent deprivations point to issues of quality and inclusiveness of growth, while in several Arab States the main constraint remains insufficient and uneven growth itself.

Resolving acute multidimensional poverty requires making strong progress in middle-income countries across all indicators. Poor people in these countries endure over half of all deprivations captured by each of the 10 indicators of the MPI, except for electricity and drinking water.

For example, of the 970 million poor people globally who still cook with solid fuels, which endanger health and the environment, 61.7 percent are in middle-income countries. Around 830 million poor people lack improved sanitation facilities or share them with others; 57.7 percent of them are in middle-income countries. Child mortality and malnutrition show even starker patterns. Of 140 million poor people in households where a child has died in the past five years, 69.4 percent are in middle-income countries. Of 635 million people who share their household with at least one undernourished person, 67.5 percent live in middle-income countries.

Differences persist between lower-middle-income and upper-middle-income countries. More than half the world's multidimensionally poor people, around 637 million people (55.5 percent), live in lower-middle-income countries. These countries account for 48.7 percent of the population covered by the global MPI. Poverty there tends to be widespread and deeply entrenched, with 38.9 percent of poor people (248 million) experiencing severe poverty. Around 16.8 percent of the total population is vulnerable to falling into multidimensional poverty.

Upper-middle-income countries have 103 million poor people (9 percent of all poor people). These countries comprise 40.8 percent of the population covered by the global MPI. While poverty is less prevalent, it remains serious. Around 13.1 percent of poor people (14 million) experience severe poverty; 12.1 percent of people overall are vulnerable to becoming multidimensionally poor.

²⁵ UNDP, 2025, Global Multidimensional Poverty Index 2025: Overlapping Hardships: Poverty and Climate Hazards, Human Development Report Office (HDRO), New York: UNDP.

Almost half of all multidimensionally poor people globally, some 518 million, live in just six middle-income countries: Bangladesh, China, India, Nigeria, Pakistan and the United Republic of Tanzania.²⁶

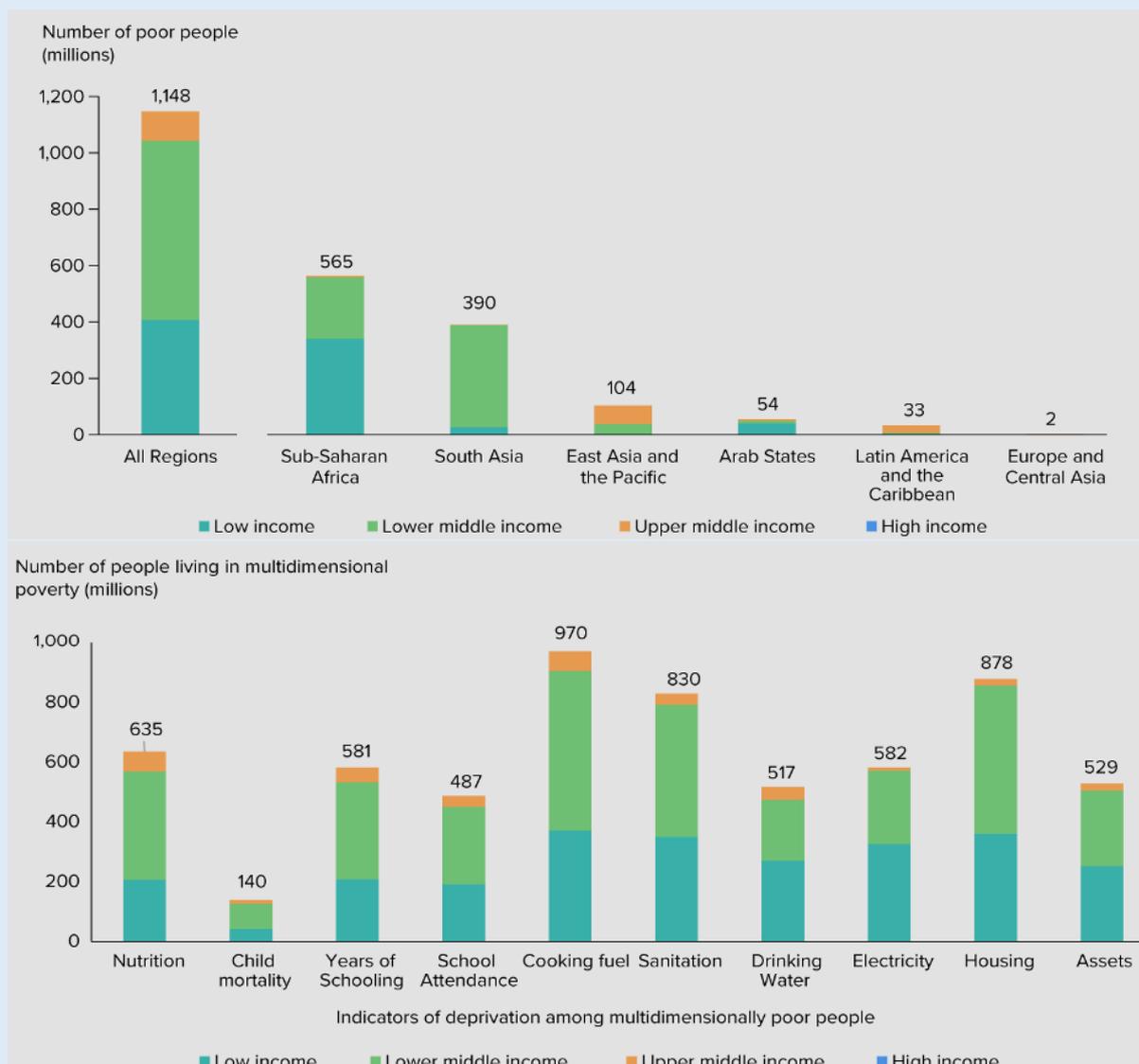


Figure B5.1. Middle-income countries have high shares of people in poverty across regions and types of deprivation. *Source:* UNDP, 2025, Global Multidimensional Poverty Index 2025: Overlapping Hardships: Poverty and Climate Hazards, Human Development Report Office (HDRO), New York: UNDP.

²⁶ Based on the most recent data for each country.

Challenge # 5. Deep integration: Capabilities to get things done on the ground

What differentiates countries is not only policy design but execution: registries that track individuals and households to the remotest geographies, payment systems that reach people without banking accounts, fiscal budgets that are replenished and available for rollout across local, subnational and national levels. And most important: systems that work together, creating synergies across interventions, not cancelling each other out.

State capabilities to implement national priorities have been growing in recent years. Behind the progress is growing evidence that adaptative capabilities in development are the true “deep determinants” of development.²⁷ There are no silver bullets; and no grand design behind effective national development systems. What *does work* are successive and iterative interventions that improve services in specific localities, for specific periods of time.

The move from sectoral silos to systemic and portfolio approaches is yielding results across countries²⁸: In Burundi, rather than “aiming to create employment opportunities for the poor” policymakers set out to expand communities’ choices and opportunities. Women are informed about rights and rules of border crossing to enhance their ability to move safely and confidently in daily activities; cross-border and community-based energy solutions help people in using local and liminal resources; better mobile services bridge public-service gaps and encourage entrepreneurship amongst youth.²⁹

State fiscal capacity is also growing and will be more relevant in the immediate future. While overall tax pressure averages 15-20% in developing economies (and lags behind OECD countries at about 30-35%), it has grown since 1990. Domestic

resource mobilization in developing economies continues to be overly dependent on VAT, excise taxes and trade duties.

Despite the challenges, the evolution of tax reform is adding new tools, and also yielding results across countries: Rwanda, for example, is implementing comprehensive tax administration reforms, affecting VAT, excise taxes, tourism taxes as well as oil levies. These efforts significantly improved compliance and revenue collection.³⁰ In the bigger picture, episodes of large tax revenue increases in developing countries have been driven by reforms of indirect tax exemptions together with anti-corruption initiatives and governance improvements, such as judicial reforms and incentive structures for tax officials, to effectively reinforce tax administration processes and broaden the tax base.³¹

Finally, the capacity to build strategic foresight, envision futures and expand planning horizons is also growing. The linear planning systems of the 1990s are being replaced by strategic foresight systems that evolve in real time –with AI tools, digital public infrastructure and high-frequency data collection systems that reflect moving targets.³²

The evolution of foresight is yielding results across developing and emerging economies: Singapore’s leadership in the early 200s has been emulated elsewhere.³³ The Singapore model thrives by building capacity and providing strategic foresight- and risk management training to public servants; by doing strategic foresight work, gathering insights on emerging trends and identifying signals of change; and communicating and disseminating insights to decision- and policy makers across all of government.

Deep integration means pulling together planning targets, financial and fiscal flows, administrative and digital capabilities and creating self-improving systems of

²⁷ Yuen Yuen Ang, 2025, “Adaptative Political Economy: Towards a New Paradigm”, Baltimore: Johns Hopkins, <https://snfagora.jhu.edu/resources/adaptive-political-economy-toward-a-new-paradigm/>

²⁸ UNDP’s work on portfolio approaches and deep demonstrations comprises work across cities, sectors and countries. See <https://unstuck.systems/>

²⁹ UNDPs work on innovation in Burundi has focused on expanding opportunities. See <https://medium.com/@undp.innovation/changing-our-lens-from-deprivation-to-opportunity-a-narrative-forworking-with-border-8b4c38a34c1d>

³⁰ <https://africataxreview.com/2025/06/23/rwanda-introduces-sweeping-tax-reforms-for-2025-26/>

³¹ Astri Anjarwi, 2025, “Corruption, governance, and tax revenue: pathways to fiscal independence in EAGLE countries”, Policy Studies, August 5, 2025 <https://www.tandfonline.com/doi/full/10.1080/01442872.2025.2542326?src=recsys>

³² UNDP has embedded strategic foresight tools into country – level planning. See <https://www.undp.org/future-development/foresight-cpd-toolkit>

³³ Singapore’s Center for Strategic Futures has been at the forefront of this work. See <https://www.csf.gov.sg/our-work/our-approach/>

development strategy and planning. It involves synchronizing Integrated National Financing Frameworks (INFF), Paris agreement Nationally Determined Contributions 3.0 (NDCs), nature-positive National Biodiversity Strategies and Action Plans (NBASPs) –but most critically, providing policy coherence to National Development Plans.

3. The Way Forward

If Copenhagen was about recognizing social rights, Doha is about operationalizing them under fiscal, institutional and governance constraints. The center of gravity has shifted from poverty-line management to shaping jobs and asset markets, strengthening social protection and basic services, and working as a system under conditions of high volatility. A binding wage floor, worker power in wage-setting, pre-distribution in education and health opportunities, and care infrastructure expand incomes at the bottom; adaptive social protection and post-distribution keep households from falling back when shocks hit. This is how poverty-to-prosperity transitions advance when average economic growth is slow.

Much of this task is already in the hands of governments in developing and emerging economies. We have described these challenges, opportunities and policy innovations in the pages above. However, not everything is in the government's hands. Multilateral action is still needed. The Doha Political Declaration provides a roadmap for next steps.

Achieving the Doha Political Declaration

The history of development is shaped by strategic and deliberate choices under conditions of uncertainty. Progress is not linear, and has required adaptive responses throughout life cycles, across geographies and issues. The social agenda comprising poverty, full employment and social integration has been no different.

This paper described how poverty-to-prosperity has evolved in developing and emerging economies; now we turn to multilateral challenges.

This is a moment of shrinking development space, increasingly constrained and made volatile by entrenchment in geopolitical dynamics:

- *Aid*: Next year will be the third consecutive year in which ODA has contracted. The OECD projects a 9 to 17% drop in official development assistance (ODA) in 2025, with further cuts into 2026. ODA in 2027 is projected to fall back to 2020 levels. This year, least developed countries (LDCs) are projected to see a 13-25% fall in net bilateral ODA from DAC providers.³⁴ Countries in sub-Saharan Africa could face a 16-28% decline. France, Germany, the United Kingdom, and the United States all cut their aid.
- *Trade*: Tariff shocks since April 1 have taken the global trading system back to a protectionist history. Fortunately, many economies have kept their economies open and seen the tariff shock through; the effects are still playing out, but involve rerouting supply chains, re-thinking regional integration opportunities and developing the conditions for long run economic diversification.
- *Debt*: The lingering effects of debt build-up during the Covid response are still affecting developing and emerging economies: interest rate payments on debt are still close to HIPC-level rates, despite dollar weakening and slow realignment of dollar denominated bond yields.

Each of these dimensions of development space is affected by multilateral choices and advanced economy spillovers.

The United Nations has consistently called for a multilateral architecture fit for purpose, which starts with Seville Action Plan commitments, COP30 pledges for more ambitious NDCs, and continued work on MDB reform and access to long run affordable development finance.

However, it does not end with these urgent challenges.

The global public goods dimension of the current development landscape also requires a rethink of the development

³⁴ https://www.oecd.org/en/publications/cuts-in-official-development-assistance_8c530629-en/fullreport.html

architecture, in dimensions that affect the social development agenda through economic growth opportunities, and fiscal and monetary policy space. We see “coalitions of the willing” spanning the Global North and South emerging on each:

First, addressing climate finance and AI/digital governance: There is a paradox unfolding for some of the most dynamic and forward-looking pockets of global growth associated with green and digital transitions: the economic case for these has never looked better, as technological uplift has brought costs down by an order of magnitude, making, putting a tripling of renewable energy within reach by 2030; however, the geopolitics of these has never been more embattled, with political blocks aligning around clean energy technologies, and AI development. The Pact for the Future envisioned this very scenario: a moment in which we need to sit down to reach global agreements on the guardrails of future technological development –allowing an ‘operating space’ for developing and emerging economies. This massive assignment requires more deliberate multilateral action.

Second, addressing macroeconomic spillovers from advanced economies: The resilience of the global economic and financial systems has been highlighted, despite downside risks in financial markets and trade. This is not in dispute. What is more strategic is a better understanding of how spillover effects from advanced economies’ monetary and fiscal policies help or hinder the market-based opportunities faced by developing and emerging economies; the “threshold for action” of the G20 and G7 need recalibration; the post-Covid era did not materialize in global systemic risk, but it did have effects in dozens of developing economies through various channels: leading to heightened debt vulnerabilities, bond market yields beyond reach, pro-cyclical credit ratings adjustments and a rapid contraction of fiscal and monetary buffers. Spillovers since the Global Financial Crisis have been confronted by

deliberate actions from the Federal Reserve System (Fed), the European Central Bank (ECB), and swap lines from key economic powers. Multilateral recalibration is needed to avoid lost decades of development.

Third, supporting South-South and Triangular cooperation: Despite geopolitical tensions, South-South and Triangular cooperation are stepping in to show an alternative pathway for international cooperation. Today, countries of the Global South make up roughly 40 per cent of gross world product and have around 85 per cent of the world’s population. UNCTAD data show that South-South merchandise trade accounts for around 23 per cent of global trade; the North-North share is 39 per cent. The Global South now hosts more than 65 per cent of total inward FDI, up from 16 per cent in 1990. In terms of outward FDI, it accounts for 32 per cent of the total, rising from just 5 per cent in 1990. Between 2007 and 2023, South-South trade more than doubled from \$2.3 trillion to \$5.6 trillion, signaling new opportunities for developing economies.³⁵

An urgent message is not to give up on multilateralism.

We are hopeful about the future. Systemic and integrated policy choices can help move the social development agenda’s needle. The Doha Political Declaration provides an architecture for the multilateral system to move forward. UNDP doubles down on implementation –we see this is the decade to operationalize the lessons learnt since Copenhagen provided a multilateral breakthrough 30 years ago.

Poverty-to-prosperity transitions are ongoing in every region of the planet; we stand ready to work with partners to achieve more policy coherence, deeper programmatic integration and development impact at scale.

If Copenhagen was about recognizing social rights, DOHA is about operationalizing them under fiscal, institutional and governance constraints.

³⁵ See the work of the United Nations Office for South-South Cooperation,

<https://unsouthsouth.org/2025/05/26/south-south-cooperation-an-engine-for-transformational-change-in-achieving-the-2030-agenda/>

Appendix. Methodological notes on the simulations

This appendix summarizes the data sources, assumptions, and computational steps underlying the simulation exercises presented in Boxes 1–4. All monetary values are expressed in constant purchasing power parity (PPP) terms. The latest data vintages available at the time of writing were used for consistency across simulations.

A.1. Box 1. Growth footprint: Modelling poverty and growth trajectories

The analysis uses binned distributions of household per-capita income or consumption in international dollars (2017 PPP), drawn from the World Bank’s Poverty and Inequality Platform (PIP) and covering about 95 percent of the global population across 157 advanced and developing countries.

Each national distribution was reconstructed using the PIP Stata module (v 0.9.5). The cumulative share of the population below each monetary threshold was computed at increments of \$0.10 per person per day, from \$0.10 up to the value covering 99.9 percent of the population. Individuals within each \$0.10 bin were then assigned the mid-point of the bin as their daily per-capita income or consumption (y_i), and the population in each bin was used as the analytical weight (w_i).

Baseline distributions were projected forward to 2030 by applying the expected annual growth of real GDP per capita from the IMF World Economic Outlook (WEO) (April 2025) for each country, adjusted for population changes. Following Lakner et al. (2022)³⁶, only 85 percent of aggregate growth is assumed to pass through to household incomes—an empirical average capturing leakage through savings, profits, and non-household sectors. This yields a distribution-neutral pass-through projection:

$$y_{i,c,t} = y_{i,c,2019} [1 + 0.85 \times g_{i,c,t}]$$

where $y_{i,c,t}$ is the projected mean income of bin i in country c and year t , and $g_{i,c,t}$ is the forecasted real GDP per-capita growth rate for that country and year.

Because household distributions were assumed distribution-neutral, each bin shifts proportionally with average income; no changes in inequality within countries were imposed.

International poverty standards were applied to each projected distribution, expressed in 2017 PPP dollars per day: \$2.15, extreme poverty line, \$3.65, equivalent to the median line for lower-middle-income countries (LMICs), and \$6.85, equivalent to the median line for upper-middle-income countries (UMICs).

For country c and year t , the poverty headcount rate is computed as:

$$H_{c,t}(z) = \frac{\sum_i w_{i,c,t} I(y_{i,c,t} < z)}{\sum_i w_{i,c,t}}$$

where $I(\cdot)$ is the indicator function equal to 1 if the midpoint income of bin i is below the poverty line z .

In Box 1, poverty headcounts and changes are reported using the \$3.65 line, corresponding to the LMIC international poverty standard in 2017 PPP.

This approach allows poverty headcounts to be traced consistently across all countries and projected under common assumptions about growth and demographic trends. However, two caveats apply. First, without specific information on likely changes in the distribution of income in each country over the projected period, inequality within countries is held constant; the projections therefore reflect only growth and population dynamics. Second, the 85 percent pass through rate used follows cross-country empirical estimates but may differ across contexts.

A.2. Box 2. Simulating a prosperity floor

³⁶ Lakner, C., Mahler, D. G., Negre, M., and Beer Prydz, E. (2022), ‘How Much Does Reducing Inequality Matter for Global Poverty?’ *The Journal of Economic Inequality*, 20: 559–585.

Box 2 operationalises the idea that sustainable development requires moving beyond subsistence to secure prosperity. Instead of relying solely on fixed poverty thresholds, we construct for each country a prosperity floor—an income level high enough to allow households not only to avoid deprivation but also to withstand shocks and invest in future wellbeing.

The prosperity floor rises endogenously with national living standards according to the following elasticity rule:

$$P_c = \max \left[z_g, z_g \left(\frac{m_c}{z_g} \right)^\beta \right]$$

where P_c is the prosperity line for country c , z_g is the international poverty line corresponding to its income group, m_c is the median per-capita income or consumption, and $\beta = 0.4$ is the elasticity between national medians and national poverty thresholds, empirically derived from cross-country regressions³⁷.

This formulation anchors the floor in subsistence, allows it to grow with medians, and preserves cross-country comparability.

The prosperity-floor analysis uses the same reconstructed income distributions described in Appendix A.1. For each country:

- The reference poverty line z_g is set to \$2.15 for low-income countries (LICs), \$3.65 for lower-middle-income countries (LMICs), and \$6.85 for upper-middle income countries (UMICs).
- The national median m_c is calculated from the weighted distribution of per-capita incomes using population weights w_i .
- The line P_c is computed using the elasticity rule above with $\beta = 0.4$. If $P_c < z_g$, the line is set equal to z_g to maintain a non-declining floor.
- The proportion of people below P_c is:

$$H_c(P_c) = \frac{\sum_i w_{i,c} I(y_{i,c} < P_c)}{\sum_i w_{i,c}}$$

Aggregation across regions uses population weights.

Three scenarios were simulated to assess distribution-led transitions beyond subsistence.

1. *Wage-floor uplift.* A binding wage-floor reform is modelled by increasing household incomes for the lower deciles: 10 percent for deciles 1–3, linear taper from 10 to 5 percent for deciles 4–5, and no change for deciles 6–10. This reflects empirically observed minimum-wage and informal-sector spillovers. New incomes y'_i are recalculated, and prosperity-floor headcounts are re-estimated as $H'_c(P_c)$.
2. *Labour-share reallocation.* A distribution-neutral transfer redistributes 1 percent of total national income from the richest 20 percent (*donors*) to the bottom 50 percent (*recipients*). For each country, total income is given by $Y_c = \sum_i y_{i,c} w_{i,c}$, and the transfer amount is $T_c = 0.01Y_c$. Donor incomes are reduced proportionally by $\rho_c = \frac{T_c}{\text{income of donors}}$ while recipients receive additive increments weighted by a bottom-heavy gradient g_i (full weight for deciles 1–3, tapering for deciles 4–5). New incomes are $y''_i = y_i(1 - \rho_c) + \Delta y_i$, keeping total income constant.

³⁷ See, for instance, Ravallion, M., Chen, S., Sangraula, P. (2009). 'Dollar a Day Revisited', *The World Bank Economic Review*, 23(2): 163–184; Jolliffe, D., Prydz, E.B. (2016). 'Estimating international poverty lines from comparable national thresholds'. *Journal of Economic Inequality*, 14, 185–198; and earlier literature.

3. *Combined scenario.* The two mechanisms above are applied sequentially: first the wage-floor uplift, then the 1 percent redistribution, capturing a policy package that strengthens both pre-distribution (earnings) and post-distribution (transfers).

For each country and region, we compute a baseline prosperity-floor headcount $H_c(P_c)$; post-shock headcounts for scenarios 1–3; and percentage-point changes and population equivalents. Global and regional aggregates are weighted by population to yield headline results.

Some caveats are worth noting. First, the 10 percent wage-floor and 1 percent redistribution magnitudes were selected for realism and clarity: they represent feasible policy shifts within historical experience. Second, the simulations are static— behavioural responses, general-equilibrium feedback, and fiscal costs are not modelled. Finally, because household income distributions come from 2025 baselines projected under distribution-neutral growth (Appendix A.1), results represent potential outcomes under equal-pass-through growth rather than forecasts.

A.3. Box 3. Shaping Adaptive Social Protection

Box 3 models how Adaptive Social Protection (ASP) systems can function as automatic stabilisers for the bottom half of the income distribution. Rather than responding to shocks ex post, ASP mechanisms trigger support automatically when pre-defined thresholds of hazard or income loss are reached.

The simulation quantifies how such an “autopilot” design could reduce both the average incidence and the volatility of poverty over a ten-year period, under realistic assumptions about shock frequency and magnitude. The exercise uses the 2025 income distributions described in A.1 and links each country to its climate- and hazard-exposure profile through the Notre Dame Global Adaptation Initiative ([ND-GAIN](#)) dataset.

For the 124 developing countries for which both datasets are available, we created vulnerability quintiles (1 = most vulnerable; 5 = least) and assigned each country a notional shock-recurrence interval (q) as follows: every 4 years for quintile 1 (high vulnerability), every 5 years for quintile 2 (medium-high), every 6 years for quintile 3 (medium), every 7 years for quintile 4 (medium-low), and every 8 years for quintile 5 (low). Over a ten-year horizon, this means the most-vulnerable countries experience roughly two shocks and the least-vulnerable only one.

In each shock year, household incomes are reduced according to the stylised evidence on welfare losses from moderate climate or macroeconomic shocks³⁸: an 8 percent income contraction for the bottom 60 percent of households, and a loss equal to one-third of that amount for the top 40 percent. These magnitudes capture recurring but non-catastrophic events—large enough to affect consumption and savings yet typical of droughts, floods, price collapses, or mild recessions.

When ASP is activated, the system automatically compensates the poorest 40 percent of households for half of their shock losses, subject to a cap at the prosperity floor (defined in A.2). Formally, for households i in the bottom 40 percent:

$$y_{i,t}^{ASP} = \min[y_{i,t}^{shock} + \tau \cdot s \cdot y_{i,2025}, P_c]$$

where $y_{i,t}^{shock}$ represents the post-shock income without ASP, $s = 0.08$ is the shock size for the poor, $\tau = 0.5$ is the autopilot compensation rate, and P_c is the country-specific prosperity floor. This ensures that recovery support lifts incomes toward security but does not exceed it.

The simulation involves computing a baseline poverty headcount $H_{t,c}^{noASP}$ using the region-specific poverty lines, and then an ASP scenario by applying the rule above and recomputing

³⁸ See, for instance, Hallegatte, S., Bangalore, M., Bonzanigo, L., Fay, M., Kane, T., Narloch, U., Rozenberg, J., Treguer, D., and Vogt-Schilb, A. (2016). Shock Waves: Managing the Impacts of Climate Change on Poverty. Climate Change and Development Series. Washington, DC: World Bank.

$H_{t,c}^{ASP}$. This is repeated annually over a ten-year horizon by introducing income shocks whose frequency reflects each country's ND-GAIN vulnerability level. At the end of the process, the following outcome indicators are computed:

- Average poverty (*time in poverty*) over the decade: $\bar{H}_c^{noASP} = \frac{1}{T} \sum_t H_{t,c}^{noASP}$, and $\bar{H}_c^{ASP} = \frac{1}{T} \sum_t H_{t,c}^{ASP}$.
- Volatility of poverty (standard deviation of annual headcounts): σ_c^{noASP} , σ_c^{ASP} .
- Gains from ASP: *Time gain* = $100(\bar{H}_c^{noASP} - \bar{H}_c^{ASP})$, and *Volatility gain* = $100(\sigma_c^{noASP} - \sigma_c^{ASP})$.

Aggregates are population-weighted at the regional and income-group levels.

Some caveats are worth noting. First, the simulation is illustrative rather than predictive. Second, it assumes that ASP operates automatically and fully within its defined coverage, without modelling fiscal costs or behavioural feedback. Nevertheless, it demonstrates the stabilising potential of rule-based social protection: even partial compensations ($\tau = 0.5$) markedly reduce poverty volatility, confirming that predictable, data-triggered systems can act as macro-micro stabilisers for vulnerable households.

A.4. Box 4. From jobs at risk to jobs of the future

Box 4 models how shocks such as automation, decarbonisation, and structural change could affect the middle of the income distribution—workers neither poor nor secure— across 126 developing economies. The objective is to capture how moderate, recurring labour-market disruptions might alter household welfare and how active labour-market policies (ALMPs) could mitigate these effects. The simulation represents a stylised but evidence-based scenario of income risk and adaptive response in the face of technological and green transitions.

The analysis uses the 2025 household income distributions described in A.1, focusing on developing countries with consistent population and income data. Each distribution is divided into ten income deciles. The simulation targets deciles 4–8, representing the likely “missing middle” of labour markets—households that are above subsistence but still vulnerable to income shocks.

The exercise assumes that 15 percent of all workers—concentrated within deciles 4–8— experience a 10 percent loss of income, while the remaining population remains unaffected. This calibration reflects empirical estimates of exposure to automation and transition risks in developing economies: roughly one in six jobs is considered highly automatable or vulnerable to task substitution, and wage losses in affected sectors typically range between 7 and 15 percent³⁹.

Formally, for an affected share $a = 0.15$ of the population, concentrated in middle deciles, post-shock income is defined as:

$$y_i^{shock} = y_i \times (1 - s)$$

where $s = 0.10$ denotes the proportional income loss.

Affected individuals are selected randomly within deciles 4–8 in each country so that the affected share represents approximately 15 percent of the national population.

A second scenario introduces an adaptive response through ALMPs. Half of the affected workers (approximately 7.5 percent of the total population) are assumed to participate in, say, reskilling or temporary wage-subsidy programmes that restore five percent of their pre-shock income in the short term. This yields $y_i^{ALMP} = y_i \times (1 - 0.05)$ if affected and participating, and

³⁹ See, for instance: Chang, J.-H. and Huynh, P. (2016). ‘ASEAN in Transformation: The Future of Jobs at Risk of Automation’, Bureau for Employers’ Activities, Working Paper No 9, International Labour Office; Filippi, E., Bannò, M., and Trento, S. (2023). ‘Automation Technologies and their Impact on Employment: A Review, Synthesis and Future Research Agenda’, *Technological Forecasting and Social Change* 191: 122448; and Molina, C. and Maloney, W. F. (2016). ‘Are Automation and Trade Polarizing Developing Country Labor Markets, Too?’ Policy Research Working Paper No. 7922. World Bank.

$y_i^{ALMP} = y_i^{shock}$ otherwise. Random assignment ensures that ALMP participation is independent of income level within the affected group, mimicking partial programme coverage in real-world labour markets.

The simulation involves computing, for each country, the baseline poverty headcount H_{base} and prosperity-floor headcount $H_{pr,base}$ using the international poverty lines (z) and the prosperity thresholds defined in A.1 and A.2. Then, in the shock scenario, it applies the 10 percent income reduction to the selected 15 percent of the population (concentrated in deciles 4–8) and recomputes the poverty and prosperity-floor headcounts (H_{shock} and $H_{pr,shock}$). Finally, in the ALMP scenario, it restores five percent of baseline income for half of the affected individuals and recomputes the post-policy headcounts (H_{almp} and $H_{pr,almp}$). Regional results are obtained as population-weighted averages of country outcomes.

For each region, the following changes are reported: $d_{shock} = 100(H_{shock} - H_{base})$, $d_{almp} = 100(H_{almp} - H_{base})$, $Mitigation(\%) = 100 \frac{d_{shock} - d_{almp}}{d_{shock}}$, and equivalently for prosperity-floor measures. These quantify the increase in poverty or vulnerability from the shock and the share of that increase offset by ALMPs.

There are some limitations worth highlighting: the simulation is static and partial equilibrium. It does not model fiscal costs, behavioural responses, or employment creation. Rather, it provides a stylized quantification of how active labour-market instruments can stabilize welfare among the middle of the distribution during structural transformation.



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