2

Shared Prosperity: Mixed Progress

This chapter reports on the progress achieved in promoting shared prosperity, defined as the growth in the average income or consumption of the poorest 40 percent of the distribution in the population (the bottom 40). Introduced as one of two twin goals by the World Bank in 2013, along with ending extreme poverty, fostering shared prosperity embodies notions of economic growth and equity.

Shared prosperity is examined by country rather than globally. The latest available data, on 91 economies, paint a mixed albeit moderately positive picture. The bottom 40 were doing well in most economies for which data are available in about 2010–15. Overall, the incomes of the bottom 40 grew in 70 of the 91 economies monitored, and, in more than half the bottom 40 obtained a larger share of the total income. Good performance in shared prosperity is primarily but not exclusively found in South Asia, East Asia and Pacific, Latin America and the Caribbean, and the Baltic countries in Northern Europe. However, slow economic progress is hindering shared prosperity in some regions, particularly in Europe and Central Asia, and other high-income countries, which experienced negative or low levels of shared prosperity. More worrying, among the countries with high rates of poverty (most of which are located in Sub-Saharan Africa), income growth at the bottom has on average been lower than in the rest of the world. In addition, the picture of shared prosperity among the poorest economies as well as those in fragile and conflict-affected situations is only partial because data on the shared prosperity indicator remain limited.

Beyond extreme poverty: A focus on the bottom 40

Promoting shared prosperity involves ensuring that the relatively poor in every country are able to participate in and benefit from economic success. Progress toward this goal is monitored through an indicator that measures the annualized growth rates in average income or consumption among the poorest 40 percent of the population in each country (the bottom 40).[1] Irrespective of the prevalence of extreme poverty, this measure is meaningful as a gauge of how well prosperity is shared within each country. Thus, even in higher-income economies where extreme poverty rates are low, the shared prosperity goal is still highly relevant.

To estimate shared prosperity, two comparable surveys are needed. In this report, the selected surveys were for circa 2010 and circa 2015 (box 2.1). The survey data are used to calculate changes in income or consumption. This presents a greater data challenge than the calculation of a global poverty rate (chapter 1). Therefore, the set of countries included in the sample is smaller. The shared prosperity measure is reported for 91 econ-

BOX 2.1 The Global Database of Shared Prosperity

Shared prosperity estimates are calculated using household surveys and are presented in the Global Database of Shared Prosperity (GDSP). The present report is grounded on the sixth edition of the GDSP (the fall 2018 release), which features data on 91 economies circa 2010–15. For details, please refer to appendix A.

omies in which the combined population is 4.6 billion, representing 62 percent of the world's population in 2015. Compared to the previous report with data for circa 2008–13, the number of economies included in the present report is higher (91 rather than 83 economies). However, given that a few large countries, such as India, are excluded in this round because of lack of data, the global population coverage is lower than in the earlier report, when it represented 75 percent of the global population.

Continued progress in most economies though some are falling short

In this sample of 91 economies, the bottom 40 are mostly doing well. The incomes of the poorest 40 percent were growing in 70 of the 91 economies circa 2010–15. The simple average of the annualized income or consumption growth rate among the bottom 40 was 1.9 percent (table 2.1).

The performance in shared prosperity across the world ranges from an annualized 8.4 percent decline in income among the bottom 40 in Greece to an annualized growth of 9.1 percent in China (see figure 2.1 and map 2.1).[2] There are clear regularities in performance across regions and income groups, though with some exceptions. Three groups of economies can be identified on the basis of their performance in shared prosperity.

TABLE 2.1 Shared Prosperity and Shared Prosperity Premium, 91 Economies, Summary Table, circa 2010–15

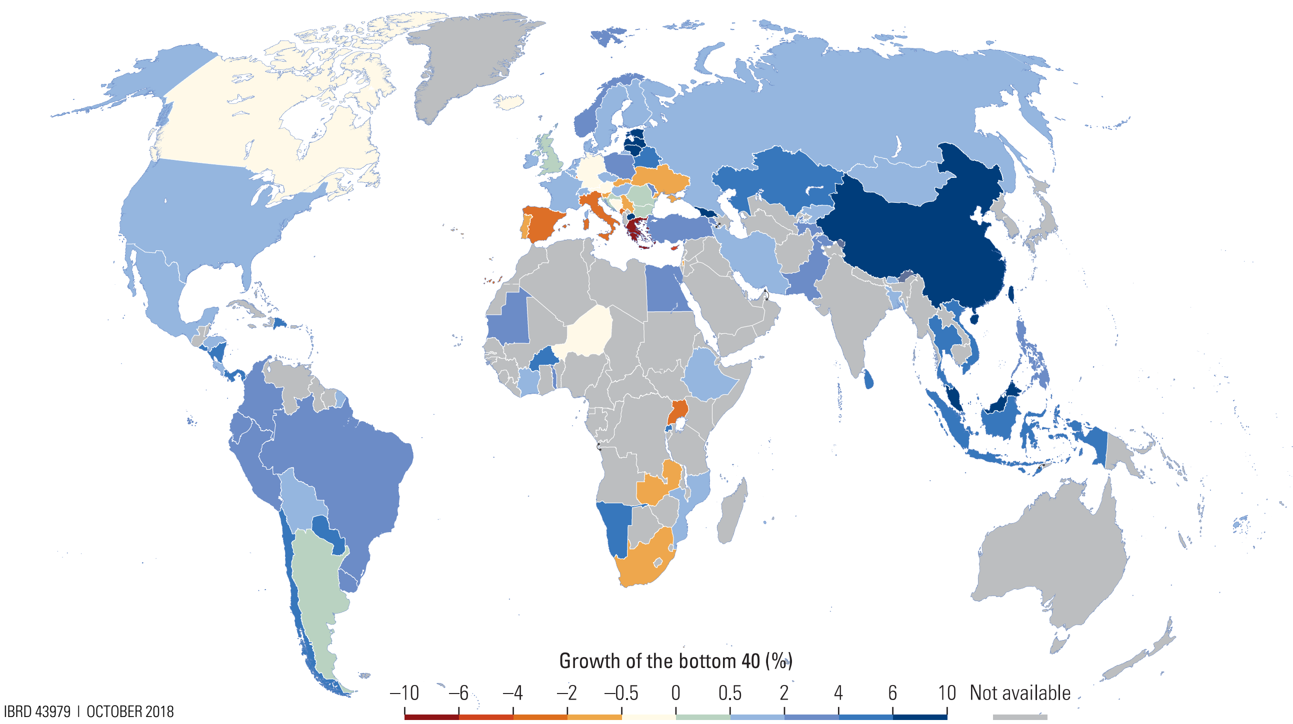
		SP indicator available		Economies, number				
Region	**Population, millions**	**Number of economies**	**% of total population**	**Growth in mean > 0**	**SP > 0**	**SP Premium > 0**	**Average SP (%)**	**Average SP Premium (p.p)**
East Asia and Pacific	2,036.6	8	94.6	7	8	7	4.73	1.33
Europe and Central Asia	487.0	26	89.9	18	20	13	2.22	0.15
Latin America and the Caribbean	626.5	16	87.8	15	16	14	3.19	0.98
Middle East and North Africa	371.6	3	47.8	1	2	2	0.98	1.33
South Asia	1,744.2	4	21.3	4	4	0	2.62	–0.56
Sub-Saharan Africa	1,005.6	12	32.4	9	8	5	1.84	–0.55
Rest of the world	1,083.6	22	71.7	14	12	10	-0.27	–0.33
Fragile and conflict-affected	485.1	4	7.6	2	3	3	2.03	0.80
IDA and Blend	1,539.3	20	42.7	16	17	10	2.16	–0.11
Low income	641.9	7	35.1	6	5	3	2.06	–0.67
Lower-middle income	2,970.0	24	36.1	19	21	13	2.56	0.30
Upper-middle income	2,560.4	28	93.7	21	24	20	2.61	0.77
High income	1,182.9	32	73.6	22	20	15	0.85	–0.20
Total	**7,355.2**	**91**	**62.1**	**68**	**70**	**51**	**1.94**	**0.20**

Sources: GDSP (Global Database of Shared Prosperity) fall 2018 edition, World Bank, Washington, DC, http://www.worldbank.org/en/topic/poverty/brief/global-database-of-shared-prosperity; PovcalNet (online analysis tool), World Bank, Washington, DC, http://iresearch.worldbank.org/PovcalNet/.
Note: IDA = International Development Association; Blend = IDA-eligible countries but also creditworthy for some borrowing from the International Bank for Reconstruction and Development; SP = shared prosperity; the indicator measures growth in the average household per capita income or consumption of the bottom 40. Shared prosperity premium = the difference in growth in the average income or consumption of the bottom 40 and the mean, in percentage points (p.p.). Population coverage refers to 2015. The list of economies in fragility and conflict-affected situations is based on data for 2015. The shared prosperity indicator is close to zero (between –0.15 and 0.15 percent) in three countries: Iceland, Niger, and Romania.

FIGURE 2.1 Shared Prosperity, 91 Economies, circa 2010–15

Source: GDSP fall 2018 edition, World Bank, Washington, DC, http://www.worldbank.org/en/topic/poverty/brief/global-database-of-shared-prosperity.
Note: The figure shows annualized growth in mean household per capita income or consumption (see annex 2B).

MAP 2.1 Shared Prosperity across the World, circa 2010–15



Source: GDSP (Global Database of Shared Prosperity) fall 2018 edition, World Bank, Washington, DC.
Note: The map shows annualized growth in mean household per capita income or consumption (see appendix A).

The first group consists of, by and large, a large part of the developing world in which the incomes of those in the bottom 40 are growing, in some cases strongly. This is primarily, though not exclusively, the case of economies in East Asia and Pacific, South Asia, and Latin America and the Caribbean. On average, the incomes of the bottom 40 in these regions grew by 4.7 percent, 2.6 percent, and 3.2 percent per year, respectively (table 2.1). In some cases, such as in various countries in East Asia and Pacific, current high levels of shared prosperity represent a continuation of over a quarter century of strong and broadly shared economic growth driven by labor-intensive development combined with investment in human capital, which particularly benefitted the lower part of the distribution (Birdsall et al. 1993; Commission on Growth and Development 2008) (see box 2.2). This success means that more than a billion people have risen out of extreme poverty, and the region now consists of mainly middle-income countries (World Bank 2018a). The success in South Asia, as mentioned in the previous chapter, was more recent than in East Asia and Pacific but is still persistent.

In many Latin American and Caribbean countries, the progress in lifting incomes of those at the bottom has been widespread since the early 2000s and is still strong despite the more recent slowdown. After a decade of strong economic growth and shared prosperity, largely driven by favorable commodity prices and expanded social protection systems (Ferreira et al. 2013), regional growth has slowed since 2012 as international conditions deteriorated. The economic slowdown translated into slower poverty reduction and more sluggish income growth among the middle class, particularly in South American countries (Calvo-González et al. 2017; World Bank 2018b). The income of the bottom 40

BOX 2.2 Country Stories

With contributions from Kenneth Simler, Samuel Freije-Rodriguez, Rakesh Gupta N. Ramasubbaiah, and Carolina Mejia-Mantilla.

Rising East Asia: China and Malaysia

As described in chapter 1, the success of economies in East Asia and Pacific in drastically reducing poverty in the last few decades is unparalleled. Solid educational foundations and strong export-oriented growth from manufacturing have been some of the fundamental growth drivers in the region. The high rates of income growth among the bottom 40 continue to be observed in the last five years.

The fast growth of consumption per capita among the bottom 40 in China is supported by faster growth in rural than in urban household disposable income. The higher income dynamism in rural areas is, in part, driven by household operations (for example, family business or farm incomes), which accrue 2.8 percentage points of disposable income growth in rural households but only 0.8 percentage points in urban households. This indicates that traditional economic activities in rural areas continue to have a larger penetration in the economy. Higher disposable income entailed a higher increase in consumption expenditure in almost all consumption items for rural residents.

In Malaysia, the rapid income growth among the bottom 40 (see figure 2.4) from 2011 to 2015 is fundamentally driven by extraordinary performance between 2011 and 2013—when wages rose sharply and overall income of the bottom 40 grew at an annual rate of 12 percent. The timing of the increase in labor earnings coincides with minimum wage legislation passed in 2012, which introduced minimum wages for the first time, relevant to all workers except domestic employees. In part, the minimum wage was put in place to address the dysfunctional wage-setting practices for low-paid workers (Del Carpio and Pabon 2014). The increase of minimum wages has also been linked to strong reductions in inequality in other countries such as Brazil (World Bank 2016a). In contrast, household income growth was lower in 2013–15, about 6 percent per year, and almost distribution-neutral.

Stagnated incomes at the bottom in high-income countries

Inequality in the developed world has recently been the focus of intensified public debate. Rich evidence using different and new estimation methods and sources of data on welfare distributions for Western Europe and the United States emerging from the last decade suggest that the top 1 percent are getting a larger share of national income since the 1980s and that the incomes of those at the bottom 50 percent have remained stagnant or even declined (Alvaredo et al. 2018). In the United States, for example, estimates suggest that the average pre-tax income for this latter group has stagnated at about $16,000 (in constant 2014 dollars) since 1980 (Piketty et al. 2018). The question of lack of income growth for the median worker (a comprehensive description can be found in Shambaugh and Nunn 2018) is complex but has been addressed by several studies in the recent literature. Some explanatory factors focus on the emergence of superstar firms that led to increasing monopolistic rents and a declining labor share, which did not benefit lower-skilled workers during this period (Autor et al. 2017; Barth et al. 2016). Others stress the fact that technological change, combined with the educational landscape, has dampened median wage income growth (and increased polarization of the wage distribution) and skill premiums in several high-income European and non-European economies (Katz and Autor 1999; Goldin and Katz 2007; Katz and Margo 2014; Ganong and Shoag 2017; Ridao-Cano and Bodewig 2018; Bussolo et al. 2018).

Droughts and pests affecting Uganda

Between 2012 and 2016, Uganda experienced a setback in terms of reducing poverty and boosting shared prosperity, trends that had been observed throughout the decade leading up to 2012. The poverty headcount ratio (under the international poverty line) increased from 35.9 to 41.6 percent, and consumption for the bottom 40 shrank by 2.15 percent per year, more than the 0.96 percent per year decline for the average consumption. Behind the reversal of fortune were the drought and pests that affected the agricultural sector for the better part of 2016 and the beginning of 2017. Given that households engaged in agriculture remain highly vulnerable to weather and price shocks, these problems affected the livelihood of rural households in particular. Estimates using panel data show that the lack of rainfall and low prices contribute substantially to lower income for Ugandan agricultural households. A 10 percent decline in water sufficiency (rainfall) decreases crop income by 9.9 percent, while a 10 percent decline in the price of maize or beans lowers crop income by 4.5 or 9.2 percent, respectively (Hill and Mejia-Mantilla 2017). The effects are higher for poorer households because they are even more dependent on climate and prices. For these households, a 10 percent decline in rainfall and a 10 percent decline in maize and bean prices result in a 13.4 percent and 13.0 percent decline in crop income, respectively.

grew 1.4 percentage points more slowly per year in circa 2010–15 than in circa 2008–13 (reported in the previous edition of this report) with average annualized rates of 3.2 percent compared to 4.6 percent in the previous period (annex 2B, table 2B.2.). Still, shared prosperity continued to be high in many countries in the region. In Chile, incomes of the bottom 40 grew at a rate of 6.0 percent per year in 2010–15, driven by soaring hourly wages and a strong public transfer system protecting the most vulnerable.

Within this first group of good performers in shared prosperity, the Baltic states—Estonia, Latvia, and Lithuania—were able to recover vigorously after the 2008 and 2013 crises. Between 2010 and 2015, incomes of the bottom 40 in these countries grew at rates above 6 percent per year. These countries were among those that experienced the largest gross domestic product declines and fiscal deficits during the years of the crisis (OECD 2012), and implemented large fiscal consolidations programs (Sutherland, Hoeller, and Merola 2012). Starting in 2011, they experienced some of the strongest economic growth recovery relative to other European countries (De Agostini et al. 2015; World Bank 2018c).

A second group includes relatively rich economies, with low prevalence of extreme poverty (one digit), in which incomes of the bottom 40 are growing slowly, stagnating, or even losing ground. This is the case of several Eastern and Western European countries, such as Greece and Spain, as well as of other high-income economies, such as the United States. On average, the incomes of the bottom 40 in the so-called rest of the world contracted 0.3 percent per year in circa 2010–15. In some countries such as Greece, Portugal, and Spain, the negative performance reflects, to a greater extent, the slow recovery from the European debt crisis (IMF 2017; World Bank 2018c). In richer economies such as the United Kingdom and the United States, more structural processes that led to the stagnation of incomes at the bottom since the 1980s, or more recently in continental European countries such as Germany and Poland, which are sometimes linked to polarization of wages and regulations (Alvaredo et al. 2018; Piketty et al. 2017; Ridao-Cano and Bodewig 2018; Bussolo et al. 2018). (See also box 2.2).

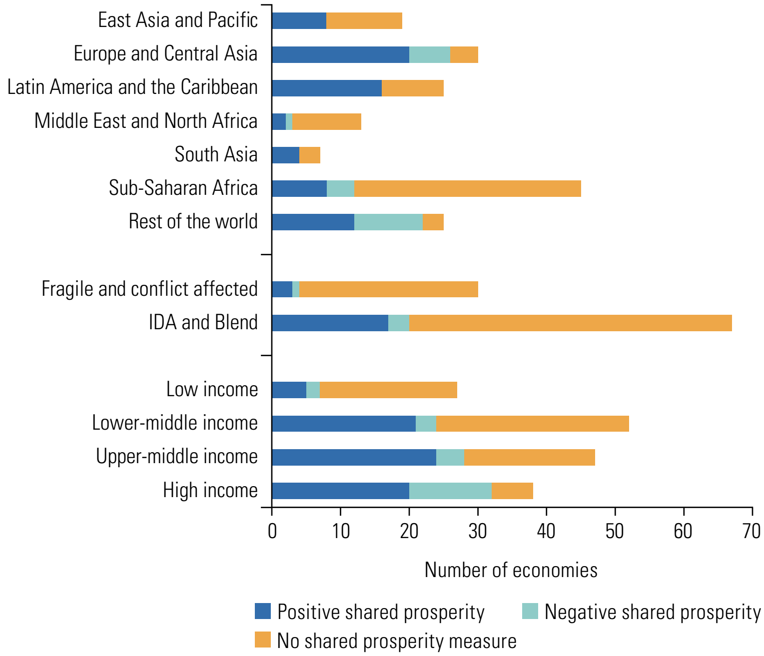
Finally, there is also cause for concern among some of the poorest economies and those in fragile and conflict-affected situations. On average, the incomes of the bottom 40 in Sub-Saharan Africa grew at 1.8 percent per year, a pace slightly lower than in the total sample. But this number is the average among economies where incomes of the bottom 40 declined or grew below 1 percentage point (over a third of African economies) and other economies in which income growth was strong, such as Burkina Faso and Rwanda. The negative performance in countries with high poverty rates like Uganda and Zambia is likely related to the poor performance of the agriculture sector, in part due to adverse climate shocks and pests (see box 2.2). Among four conflict-affected economies with available data, two had low or negative income growth for the bottom 40. Although Côte d'Ivoire's shared prosperity of 0.7 is still low, it represents a recovery from a decade of political and economic crisis. In the Middle East and North Africa, the poor performance in West Bank and Gaza reflects to a large extent the economic despair in Gaza, despite progress in West Bank, which was largely restricted to urban areas. A second important source of concern among these poor or conflict-affected economies is that their coverage of the shared prosperity indicator is low, an issue highlighted in the next section.

The poorest countries have limited information about shared prosperity

Of the 164 countries with an available international poverty rate, only a quarter of low-income economies and 4 of the 35 recognized as being in fragile and conflict-affected situations also have a shared prosperity indicator.[3] As a consequence, the coverage of shared prosperity in Sub-Saharan Africa is limited: only 12 of the 45 economies for which poverty estimates are available in the region are included (figure 2.2). In contrast, 84 percent of the high-income economies are represented in the shared prosperity analysis. Of the 57 countries with extreme poverty rates above 10 percent, only 13 have a shared prosperity indicator. Two countries that concentrate a high proportion of the world's poor, India and Nigeria, are excluded because they lack comparable data across time. Population coverage is also limited among economies grouped by other World Bank country categories, such as small island nations for which there is no shared prosperity indicator available.

Because this round excludes many poorer countries as well as those in fragile and conflict-affected situations, the picture on shared prosperity for these economies is only partial. The computation of the shared prosperity measure relies on frequent and comparable data collection (appendix A). This is often associated with a country's level of development because data collection depends on the capacity of a national statistics office. Stronger commitments to narrowing the data gap are needed if the shared prosperity goal is to be monitored globally in a timely fashion (Independent Evaluation Group 2017).[4]

FIGURE 2.2 Shared Prosperity Estimates, 91 Economies, by Region, Group, and Income



Sources: GDSP (Global Database of Shared Prosperity) fall 2018 edition, World Bank, Washington, DC, http://www.worldbank.org/en/topic/poverty/brief/global-database-of-shared-prosperity; PovcalNet (online analysis tool), World Bank, Washington, DC, http://iresearch.worldbank.org/PovcalNet/.
Note: The count is based on the 164 economies on which direct estimates of the poverty rate are available through PovcalNet. IDA = International Development Association; Blend = IDA-eligible countries but also creditworthy for some borrowing from the International Bank for Reconstruction and Development; No shared prosperity measure = economies with poverty rates reported in PovcalNet, but insufficient data to compute a shared prosperity indicator.

Growth at the bottom and the top is not always even

The incomes or consumption of the bottom 40 depend directly on both the average growth within the economy and the share of national income that accrues to the bottom 40 (Rosenblatt and McGavock 2013; World Bank 2016b) (annex 2A). Improvements at the bottom may thus derive from the fact that society in general is doing better—that is, the tide lifts all boats. Improvements may also arise from progressive shifts in the distribution of economic gains (Lakner, Negre, and Prydz 2014, 2015). The *shared prosperity premium* represents an effort to capture such progressive shifts. It is defined as the difference between the annual income growth rate among the bottom 40 and the annual growth rate of the mean in the economy. A positive premium indicates that the incomes or consumption of the bottom 40 are increasing at an above average rate and that the bottom 40 are obtaining a larger share of overall income or consumption (see box 2.3 for a comparison with other concepts of inequality based on income shares).

Achieving progress is more elusive in the shared prosperity premium than in shared prosperity. The number of economies exhibiting a positive premium is less (51) than the number showing a positive shared prosperity indicator (70) (table 2.1.). The implication is that, in almost half the economies monitored, the income or consumption share of the bottom 40 is growing more slowly than the average, suggesting that the distribution in these countries is worsening because the bottom 40 are getting a smaller share of total income. Globally, the average shared prosperity premium is small. The simple average across all economies in the sample is 0.2 percentage points.

The regions with higher average premiums are East Asia and Pacific, the Middle East and North Africa, and Latin America and the Caribbean. In these regions, the incomes of the bottom 40 grew by 1.3, 1.3, and 1.0 percentage points above the mean, respectively. These regions also include a larger share of

BOX 2.3 The Shared Prosperity Premium and Other Concepts of Inequality

The shared prosperity premium calculated on the basis of the 2010–15 sample shows that, in 51 of the 91 economies, the bottom 40 are obtaining a larger share of total income in their countries. This suggests that, in a little more than half of the economies, inequality has been declining. However, the perceptions of the public and the *World Inequality Report 2018* (WIR) do not seem to agree that within-country inequality is narrowing in a majority of countries.[a] According to the global picture displayed in the WIR, inequality has been widening over the past few decades, and the richest people in each country are increasing their share of national incomes at an alarming pace.

This mismatch in interpretations of inequality trends stems partly from differences in the definition of inequality, as well as from differences in the supporting data.

- *Inequality at the top versus inequality at the bottom.* The shared prosperity premium focuses on the bottom of the national income distribution as a gauge of inequality. It reflects an assessment of whether the poor are catching up or falling farther behind. Meanwhile, the WIR focuses on the top of the income distribution to determine whether the rich are becoming richer.
- *The absence of the top income earners in household surveys.* Often, household surveys tend to suffer from nonresponse or underreporting at the top of the distribution. Therefore, to obtain reliable data on the top earners, studies focusing on the rich, such as the WIR, tend to be based on tax records, complementing household surveys. Yet, for a large part of the developing world, tax records are not readily available, and thus the present chapter is not able to account for underreporting at the top. The implication is that the analysis from the chapter differs from the WIR both because income or consumption at the top is not properly accounted for and because the subset of countries for which the analysis is performed differs from WIR. Although the WIR uses data on top earners from administrative tax records only for 10 countries,[b] this type of data is currently available for 58 countries in the World Inequality Database for at least one year. In the dataset, high-income and upper-middle-income countries are more represented than low- and lower-middle-income countries. Of the 58 with some information on top incomes, 32 are also included in the present chapter. The large majority of the economies in both datasets (almost 80 percent) are upper-middle- and high-income economies, in which it was shown that the progress in terms of the shared prosperity premium was more limited than in the rest of the world. Table B2.3.1 compares both samples.

TABLE B2.3.1 Number of Economies with Top Incomes Estimated in the World Inequality Database and in the Poverty and Shared Prosperity Report

Income group	Both WID and PSPR	Only WID	Only PSPR
High income	18	13	14
Upper-middle income	9	3	19
Lower-middle income	4	6	20
Low income	1	4	6

Note: PSPR = Poverty and Shared Prosperity (this report); WID = World Inequality Database.

a. Several perception-based surveys in East Asia and Pacific indicate that respondents feel income disparities are too large (World Bank 2018a). For *World Inequality Report 2018,* see Alvaredo et al. (2018).
b. The WIR uses fiscal and national accounts data to scale up the income distributions to match national income estimates for a large number of countries. But the distributional information used comes from only 10 countries (Brazil, China, Côte d'Ivoire, France, Germany, India, Lebanon, Russian Federation, United Kingdom, and United States). These are used to predict income dynamics in their neighboring countries to obtain regional and global income inequality estimates.

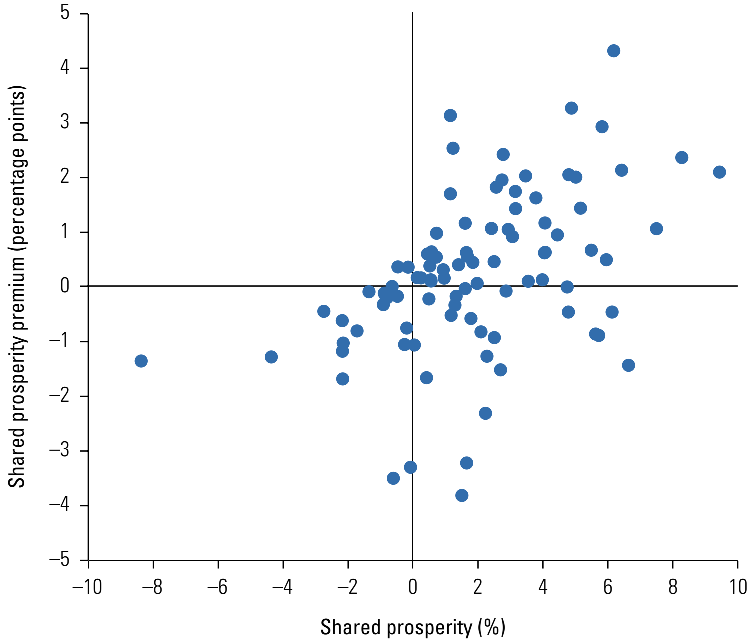
economies with positive shared prosperity premiums, with all but one or two in each region for which the incomes of the bottom 40 grew at a faster rate than the rest of the economy (figure 2B.1).

In contrast, higher concentrations of shared prosperity premiums close to zero or negative are found in the other four regions. In the four South Asian economies included in the sample, incomes among the bottom 40 are growing, but at a slower pace than the mean. In addition, half the countries in Europe and Central Asia and more than half in Sub-Saharan Africa have negative shared prosperity premiums. These two regions are unique in that they house the lowest and most negative shared prosperity premiums (Armenia, Mozambique, and Zambia), as well as some of the highest premiums (Burkina Faso and the Former Yugoslav Republic of Macedonia). This dichotomous trend in inequality in Sub-Saharan African has already been highlighted by Beegle et al. (2016), who find increasing and decreasing inequality without a clear pattern across economies (that is, no clear association with resource status, income levels, or initial levels of inequality).

Relative to the previous report, the average shared prosperity premium across all countries was slightly lower in 2010–15 than in 2008–13 (table 2B.3). Because of the limited sample coverage in some of the regions, comparisons focus on the three subgroups of countries for which data coverage is more stable and extensive across the two periods (see appendix A on comparability across rounds): Europe and Central Asia, Latin America and the Caribbean, and the rest of the world. The decline in the premium was more pronounced in Latin America and the Caribbean, suggesting not only that the economic slowdown in this region dampened the performance in income or consumption growth among the bottom 40, but also that overall income or consumption growth was not as equalizing as it had been in the past. This is the case, for example, among several South American countries, such as Peru and Uruguay, in which the rates of income growth among the bottom 40 were about 3 percentage points above the respective mean in 2008–13, whereas the corresponding gap in 2010–15 was closer to 1 percentage point.

There is a positive correlation between shared prosperity and the shared prosperity premium (figure 2.3). Of the 91 economies, 49 achieved both a positive shared prosperity indicator (absolute growth among the bottom 40) and a positive shared prosperity premium (relative growth among the bottom 40). This is the case of most countries in Latin America and the Caribbean and in East Asia and Pacific, but also in 12 of the economies of Europe and Central Asia. As examples, figure 2.4, panel a, shows three cases, Latvia, Peru, and the Malaysia, in which incomes grew across the entire distribution, whereas the incomes of the bottom 40 grew at a more rapid rate relative to the average.

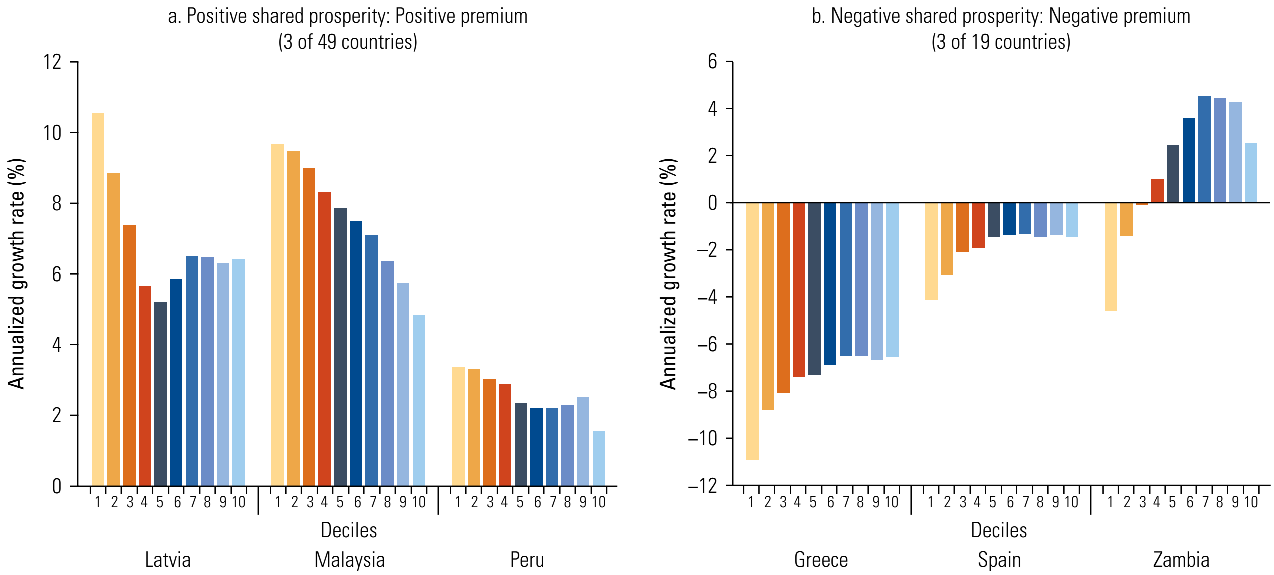
FIGURE 2.3 Correlation between Shared Prosperity and the Shared Prosperity Premium, 91 Economies



Sources: GDSP (Global Database of Shared Prosperity), fall 2018, World Bank, Washington, DC, http://www.worldbank.org/en/topic/poverty/brief/global-database-of-shared-prosperity; PovcalNet (online analysis tool), World Bank, Washington, DC, http://iresearch.worldbank.org/PovcalNet/.

If the shared prosperity indicator is negative, the shared prosperity premium is almost always negative as well (see figure 2.3). Of the 21 economies with negative shared prosperity indicators, 19 also present negative premiums.[5] This occurs in Europe and Central Asia, Sub-Saharan Africa, and the rest of the industrialized countries (rest of the world). Greece, Spain, and Zambia are examples shown in figure 2.4, panel b. This means not only that incomes among the bottom 40 are shrinking rather than growing, but also that the decline is more profound among the bottom 40 than across the rest of the distribution. This result is consistent with the evidence showing that the poor are more highly exposed to downturns and shocks and that policies that safeguard them against such risks—safety nets and insurance—can help guarantee that prosperity is shared. Poorer households are also much more likely to reduce consumption in response to shocks

FIGURE 2.4 Growth across Deciles of the Income Distribution, Selected Countries



Sources: GDSP (Global Database of Shared Prosperity), World Bank, Washington, DC, http://www.world bank.org/en/topic/poverty/brief/global-database-of-shared-prosperity; PovcalNet (online analysis tool), World Bank, Washington, DC, http://iresearch.worldbank.org/PovcalNet/.
Note: The bars illustrate the growth in the mean, by decile. The bottom 40 are in the left bars, in orange and red.

because they are also less likely to maintain savings (World Bank 2013).

Who are the bottom 40?

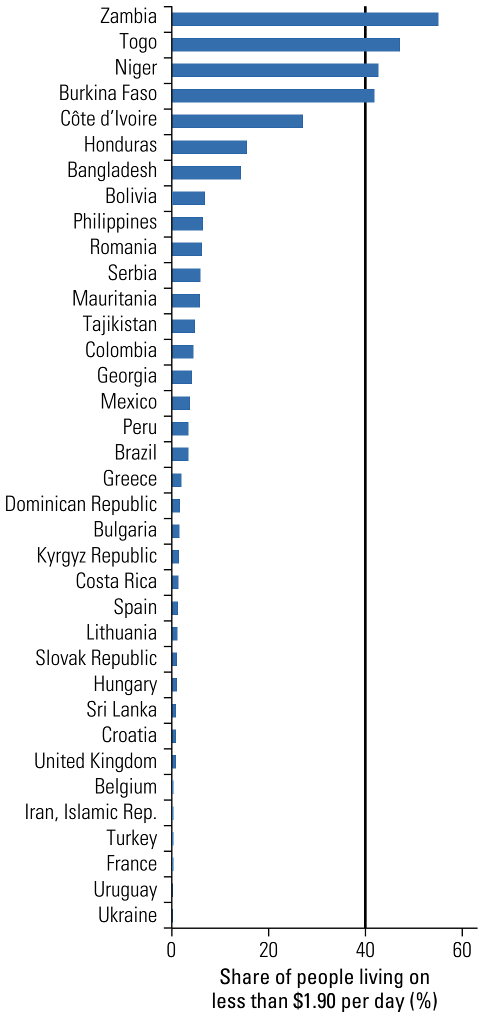
People in the bottom 40 differ from those living in the top 60, in terms not only of their income but also of their characteristics. A closer look at who makes up the bottom 40 in a country may offer insights into the groups that are relatively more deprived. It can also guide national policy makers in identifying problem areas.

Compared with the top 60, people in the bottom 40 live disproportionally in rural areas and attain less education than the rest of society. In addition, children are more likely to be among the bottom 40 than among the top 60. In Côte d'Ivoire, for example, children under 15 years of age constitute about half the bottom 40, whereas they make up only a third of the top 60. Similarly, in the Philippines, children under 15 represent more than 40 percent of the bottom 40 but less than 25 percent of the top 60. This pattern is repeated across all countries and regions in the current sample. Chapter 1 concludes that children are more likely than adults to live in extreme poverty. The present chapter finds that, even in more highly developed countries with almost no extreme poverty, children are more likely to live in relatively more deprived households.

In addition, people in the bottom 40 differ significantly across countries. In terms of income or consumption, in most low-income economies, such as Togo and Zambia, everyone in the bottom 40 lives on less than US$1.90 a day (figure 2.5). In contrast, in more well-developed countries, only a small share of the bottom 40 are living in extreme poverty.

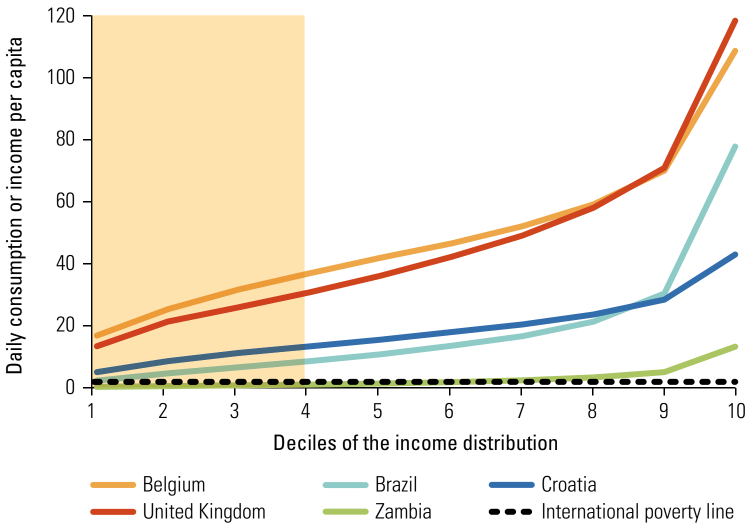
Differences in income levels among the bottom 40 across countries reflect not only the wealth of these economies as a whole but also how the bottom 40 fare relative to the rest of the population. Although the bottom 40 in Croatia are consistently doing better than the bottom 40 in Brazil, the rich in Brazil are much richer than the top earners in Croatia (figure 2.6). This reflects the fact that Brazil is much more unequal than Croatia. The average daily income of the richest decile in Brazilian society is more than 30 times higher than the average daily income of the poorest decile, whereas the equivalent ratio in Croatia is 8. Findings are similar among high-income economies with negligible poverty rates: for example, the bottom 40

FIGURE 2.5 **Extreme Poverty and the Bottom 40, Selected Countries, circa 2015**



Source: GDSP (Global Database of Shared Prosperity), fall 2018, World Bank, Washington, DC, http://www.worldbank.org/en/topic/poverty/brief/global-database-of-shared-prosperity and PovcalNet (online analysis tool), World Bank, Washington, DC, http://iresearch.worldbank.org/PovcalNet/.

FIGURE 2.6 **Mean Income, by Distribution Decile, Selected Countries, 2015**



Source: PovcalNet (online analysis tool), World Bank, Washington, DC, http://iresearch.worldbank.org/PovcalNet/.
Note: The shaded area indicates the bottom 40. The lines represent the average daily consumption or income per capita by decile, expressed in 2011 purchasing power parity (PPP) U.S. dollars.

in Belgium have higher average incomes than the United Kingdom, even though the richest 10 percent are richer in the United Kingdom than in Belgium.

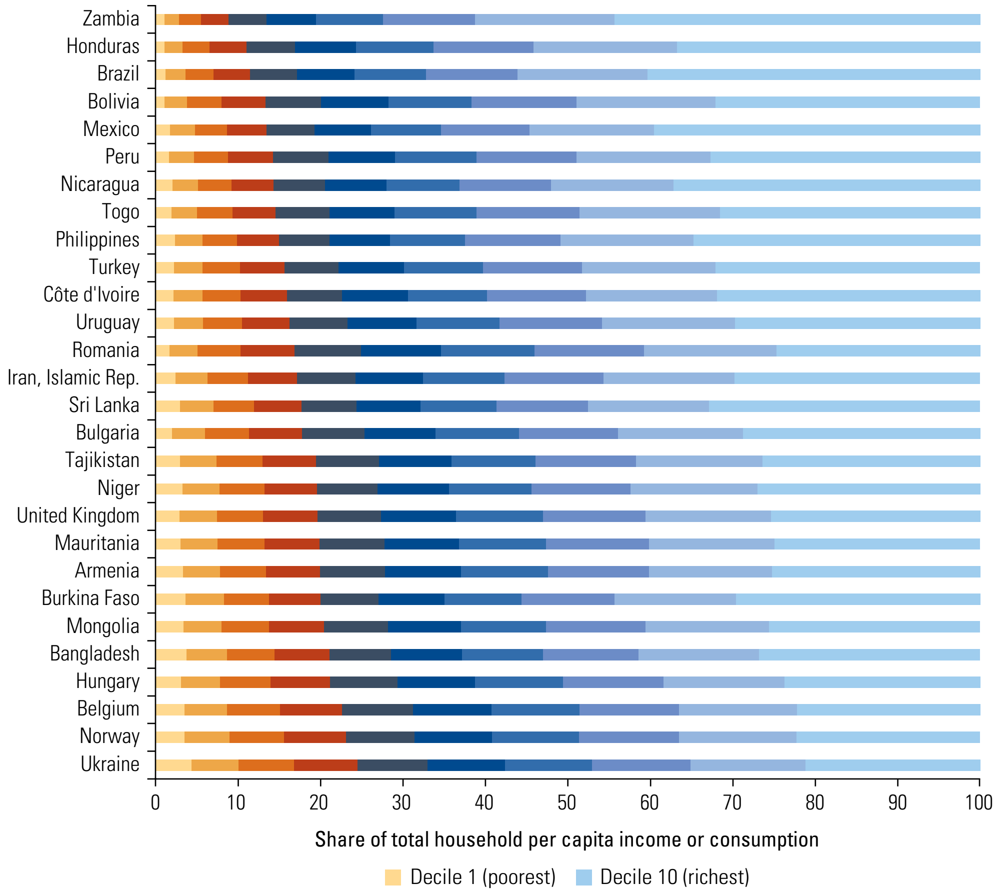
The relative position of the bottom 40—how deprived they are compared with the rest of the population—also varies largely across countries. The shared prosperity premium captures whether the bottom 40 are receiving a larger or smaller share of the overall pie. How large is this piece of the pie accruing to the bottom 40 across countries? In all economies on which data are available, the bottom 40 receive less than 25 percent of the overall income (figure 2.7). In several Eastern European countries, such as Ukraine, the share is almost 25 percent. At the other extreme is Zambia, where the bottom 40 receive less than 10 percent of the pie. Similar, though less extreme, is the situation in several Latin American countries in which inequality tends to be high.

Monitoring the twin goals

The joint monitoring of poverty and shared prosperity shines a spotlight on the extreme poor and the less well-off in each country. In this way, the most vulnerable can be identified no matter the corner of the world in which they live and, at the same time, their progress highlighted. This section addresses this progress on the twin goals across the 91 economies for which the shared prosperity indicator can be calculated among the 164 economies on which the international poverty rate is available.

There is a strong correlation between the twin goals, and most economies are performing well in both poverty reduction and boosting shared prosperity (figure 2.8, top left quadrant). In most of the 91 economies

FIGURE 2.7 Share of Income or Consumption, by Decile, Selected Countries, circa 2015



Source: PovcalNet (online analysis tool), World Bank, Washington, DC, http://iresearch.worldbank.org/PovcalNet/.

monitored, if the shared prosperity indicator is positive, then the poverty rate is falling. Regionally, circa 2010–15, all countries in East Asia and Pacific and in Latin America and the Caribbean enjoyed a reduction in poverty and positive shared prosperity. In terms of making progress on the twin goals, much can be learned from these two regions.

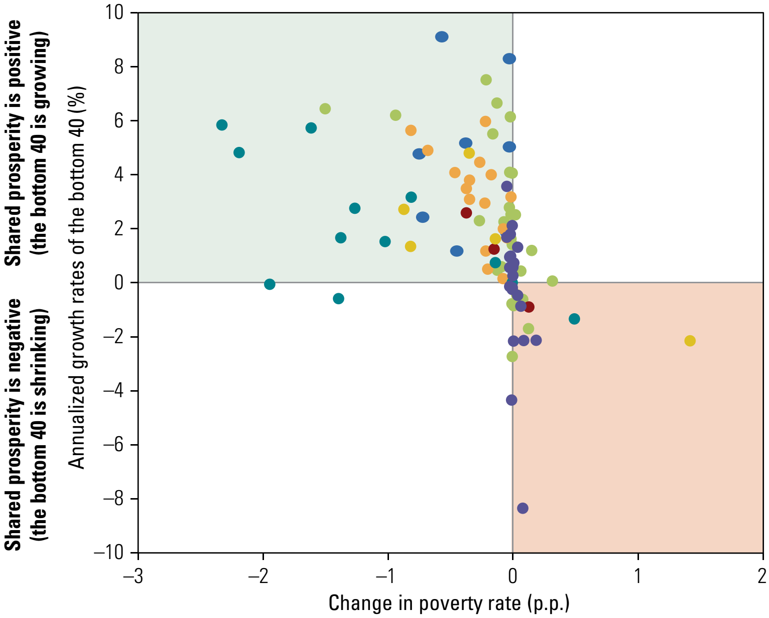
In contrast, some economies have performed poorly in achieving progress on the twin goals. In these economies, poverty rates rose, and the shared prosperity measure was negative in circa 2010–15 (see figure 2.8, bottom right quadrant). Of the 13 economies in this situation, only two also exhibited initially high rates of extreme poverty (South Africa and Uganda). The rest are European countries with extremely low international poverty rates, and the changes in poverty are thus also slight. Achieving equitable growth can be challenging, and economic growth in these economies does not necessarily align with large welfare improvements among the poorest in society (Bussolo and López-Calva 2014).

The risk of failing to reach the goal of reducing poverty below 3 percent by 2030 is greatest among the economies with extreme poverty rates above the global average of about 10 percent (figure 2.9). All but one of these economies are in Sub-Saharan Africa, with the exception being in Central America. Although only a fourth of the extremely poor economies are included in the shared prosperity sample (13 out of 57), an examination of their shared prosperity measure in 2010–15 is not encouraging for many of them.[6] Except for a few countries, such as Burkina Faso, Namibia, and Rwanda, if these economies are to have a chance of reaching the 3 percent goal by 2030, growth rates will have to be high and incomes among the bottom 40 will have to rise at an even higher rate. Instead, in two-thirds of these countries, average incomes among the bottom 40 are increasing at an annual rate below the global average of 1.9 percent, and, in most of these, consumption growth is slower for the bottom 40 than for the mean in the country.

To conclude, although most countries have made progress in shared prosperity, the results are mixed. This is in part due to the fact that in several richer economies incomes of the bottom 40 are growing slowly or not at all. But there is also cause for concern at the very bottom—largely in Sub-Saharan African and in economies in fragile and conflict-affected situations.

This concern takes two forms: First, data scarcity among the poorest and most fragile countries continues to be an issue, so coverage of the shared prosperity measure in these countries is limited. This means that where we need the most light we have the least. Second, where there are data (the 13 countries), progress looks decidedly more mixed than among the middle-income success stories. As mentioned in chapter 1, reaching the global target of reducing extreme poverty to less than 3 percent by 2030 will require greater attention to inclusive growth in the world's poorest countries.

FIGURE 2.8 Shared Prosperity and Changes in Poverty, 91 Economies, circa 2010–15

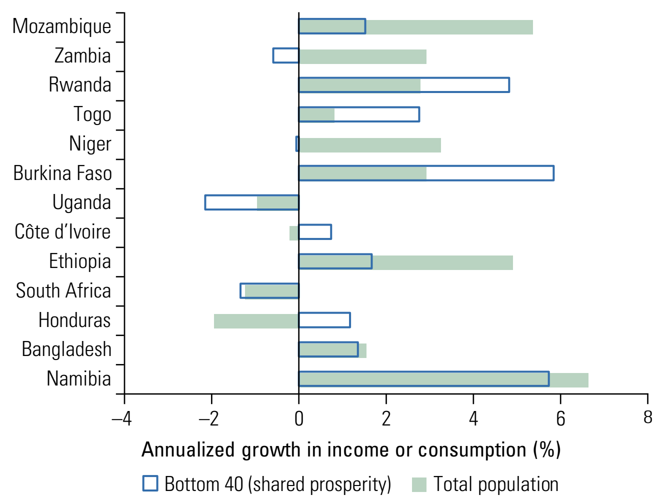


Sources: GDSP (Global Database of Shared Prosperity), fall 2018, World Bank, Washington, DC, http://www.worldbank.org/en/topic/poverty/brief/global-database-of-shared-prosperity; PovcalNet (online analysis tool), World Bank, Washington, DC, http://iresearch.worldbank.org/PovcalNet/.
Note: Changes in poverty are measured as the annual percentage point change in the international poverty rate based on the US$1.90-a-day poverty line. Changes in poverty are measured over the same period as shared prosperity.

FIGURE 2.9 Shared Prosperity among the Poorest Economies, circa 2010–15

Economy	Type	Shared prosperity period	2015 Poverty rate (%)
Mozambique	c	2008–14	62.2
Zambia	c	2010–15	57.5
Rwanda	c	2010–13	51.5
Togo	c	2011–15	49.2
Niger	c	2011–14	44.5
Burkina Faso	c	2009–14	42.8
Uganda	c	2012–16	39.2
Côte d'Ivoire	c	2008–15	28.2
Ethiopia	c	2010–15	27.0
South Africa	c	2010–14	18.9
Honduras	i	2011–16	16.2
Bangladesh	c	2010–16	15.2
Namibia	c	2009–15	13.4

Note: The column "Type" denotes whether the data reported are based on consumption (c) or income (i) data. The 2015 poverty rates have been lined-up to 2015 using interpolation or extrapolation methods. See appendix A for details.



Sources: GDSP (Global Database of Shared Prosperity), fall 2018, World Bank, Washington, DC, http://www.worldbank.org/en/topic/poverty/brief/global-database-of-shared-prosperity; PovcalNet (online analysis tool), World Bank, Washington, DC, http://iresearch.worldbank.org/PovcalNet/.

Annex 2A

Shared prosperity definitions

The definition of shared prosperity

The shared prosperity measure represents the annualized growth rate of the mean household per capita income or consumption of the poorest 40 percent of the population (the bottom 40), where the bottom 40 are determined by their rank in household per capita income or consumption. Unlike global and regional poverty estimates that are population weighted, global and regional means of shared prosperity are simple averages. This is because the shared prosperity indicator is purely national in focus.

The definition of shared prosperity premium

The World Bank's second twin goal, boosting shared prosperity, is sometimes characterized as a growth indicator and sometimes as an indicator of inequality. In fact, it is a bit of both. Growth in the average income (or consumption) of the bottom 40 can stem from the rising mean income (or consumption) of the overall population, changes in the share of overall income that accrues to the bottom 40, or both. This can be analytically expressed as follows:

$$g_{40} = g_{mean} + g_{shareB40}, \qquad (2A.1)$$

where g_{40} is the income growth among the bottom 40; g_{mean} is the growth in the mean; and $g_{shareB40}$ is the growth in the income share of the bottom 40.

Although not an inequality indicator, the second term may be considered as the distributional term that accounts for changes in the proportion of total income growth that accrues to the bottom 40. This is precisely the shared prosperity premium, which is obtained by rearranging equation (2A.1) as follows:

$$g_{shareB40} = g_{40} - g_{mean} \equiv$$
$$= \text{shared prosperity premium} \qquad (2A.2)$$

This change in the share, or premium, does not directly measure the inequality in a society. But it is a (limited) measure of distributional changes. If the incomes of the bottom 40 grow at a rate that is above (or below) average, then inequality—at least between the bottom 40 and the rest of the distribution—will tend to narrow (or widen).

Annex 2B

Shared prosperity estimates by economy

TABLE 2B.1 Shared Prosperity Estimates, 91 Economies, circa 2010–15

Economy	Period[c]	Type[d]	Annualized growth in mean consumption or income per capita[a,b]		Mean consumption or income per capita[a]			
					Initial year		Most recent year	
			Bottom 40%	Total population	Bottom 40%	Total Population	Bottom 40%	Total Population
			%	%	$ a day (PPP)	$ a day (PPP)	$ a day (PPP)	$ a day (PPP)
China[f]	2013–15	C	9.11	7.37	3.91	9.46	4.65	10.90
Fiji	2008–13	c	1.17	–0.51	3.33	7.65	3.52	7.47
Indonesia	2015–17	c	4.77	4.79	2.51	5.68	2.75	6.24
Mongolia	2010–16	c	1.86	1.42	4.01	8.05	4.48	8.77
Malaysia	2011–15	i	8.30	5.95	7.89	21.76	11.14	27.95
Philippines	2009–15	i	2.43	1.38	2.38	6.75	2.74	7.33
Thailand	2010–15	c	5.03	3.04	5.67	13.29	7.24	15.43
Vietnam	2010–16	c	5.17	3.75	3.29	7.61	4.46	9.49
Armenia	2011–16	c	2.25	4.58	3.16	5.66	3.53	7.08
Bulgaria[g]	2009–14	i	0.43	2.11	8.15	16.86	8.32	18.72
Bosnia and Herzegovina	2011–15	c	–0.45	–0.79	9.51	19.26	9.34	18.65
Belarus	2011–16	c	4.06	3.46	9.40	16.34	11.47	19.37
Czech Republic[g]	2010–15	i	1.42	1.03	15.98	26.79	17.15	28.20
Estonia[g]	2010–15	i	6.15	6.62	10.71	21.07	14.44	29.04
Georgia	2011–16	c	6.44	4.32	2.46	5.97	3.36	7.38
Croatia[g]	2010–15	i	0.47	–0.12	9.28	18.82	9.49	18.71
Hungary[g]	2010–15	i	1.19	1.73	10.55	19.57	11.19	21.33
Kazakhstan	2010–15	c	4.09	3.47	5.50	9.58	6.72	11.36
Kyrgyz Republic	2011–16	c	0.59	–0.03	3.07	5.30	3.16	5.29
Kosovo	2012–15	c	3.50	1.57	4.66	8.39	5.17	8.79
Lithuania[g]	2010–15	i	6.65	8.10	7.91	16.79	10.91	24.79
Latvia[g]	2010–15	i	7.52	6.47	7.74	16.93	11.11	23.16
Moldova	2011–16	c	2.79	0.39	4.92	9.19	5.65	9.37
Macedonia, FYR	2009–14	I	6.20	1.90	3.36	9.46	4.55	10.42
Montenegro	2009–14	c	–2.73	–2.27	8.64	16.27	7.52	14.51
Poland[g]	2010–15	i	2.52	2.07	11.00	22.29	12.46	24.70
Romania[g]	2010–15	i	0.06	1.14	4.25	9.71	4.26	10.27
Russian Federation	2010–15	c	1.62	0.48	9.29	21.84	10.07	22.36
Serbia[g]	2012–15	i	–1.70	–0.88	4.69	12.04	4.45	11.72
Slovak Republic[g]	2010–15	i	–0.62	–0.61	13.17	22.95	12.77	22.25
Slovenia[g]	2010–15	i	–0.78	–0.56	21.12	34.70	20.31	33.74
Tajikistan	2009–15	c	2.30	3.58	2.69	5.13	3.08	6.34
Turkey	2011–16	c	2.53	3.47	6.45	15.73	7.30	18.66
Ukraine	2011–16	c	–0.85	–0.69	7.34	11.90	7.03	11.50
Argentina[e]	2011–16	i	0.15	0.00	8.44	23.25	8.51	23.26
Bolivia	2011–16	i	1.67	1.06	4.07	12.56	4.42	13.24
Brazil	2011–15	i	3.80	2.19	4.77	17.66	5.54	19.25
Chile	2009–15	i	5.97	5.49	5.21	15.69	7.37	21.63
Colombia	2011–16	i	3.49	1.48	3.57	13.27	4.24	14.28
Costa Rica	2011–16	i	2.00	1.95	6.69	21.42	7.39	23.59
Dominican Republic	2011–16	i	4.46	3.53	4.22	12.54	5.24	14.92
Ecuador	2011–16	i	2.95	1.92	4.10	12.26	4.74	13.49
Honduras	2011–16	i	1.17	–1.95	2.15	9.13	2.28	8.28
Mexico	2010–14	i	0.51	0.74	3.88	11.41	3.96	11.75
Nicaragua	2009–14	i	5.64	6.52	2.94	7.90	3.87	10.83

(continued)

TABLE 2B.1 Shared Prosperity Estimates, 91 Economies, circa 2010–15 *(continued)*

Economy	Period[c]	Type[d]	Annualized growth in mean consumption or income per capita[a,b]		Mean consumption or income per capita[a]			
					Initial year		Most recent year	
			Bottom 40% %	Total population %	Bottom 40% $ a day (PPP)	Total Population $ a day (PPP)	Bottom 40% $ a day (PPP)	Total Population $ a day (PPP)
Panama	2011–16	i	4.00	3.89	5.74	20.40	6.98	24.70
Peru	2011–16	i	3.08	2.18	4.11	12.04	4.79	13.41
Paraguay	2011–16	i	4.90	1.65	4.21	15.02	5.35	16.30
El Salvador	2011–16	i	4.08	2.93	3.46	8.86	4.22	10.23
Uruguay	2011–16	i	3.18	1.76	9.10	23.94	10.64	26.13
Egypt, Arab Rep.	2010–12	c	2.58	0.78	2.84	5.17	2.99	5.25
Iran, Islamic Rep.	2009–14	c	1.25	–1.27	6.60	17.42	7.02	16.34
West Bank and Gaza	2011–16	c	–0.89	–0.55	5.30	10.84	5.03	10.50
Bangladesh	2010–16	c	1.35	1.54	1.88	3.52	2.03	3.86
Bhutan	2012–17	c	1.63	1.67	3.54	8.08	3.83	8.78
Sri Lanka	2012–16	c	4.80	5.28	3.37	7.51	3.98	8.99
Pakistan	2010–15	c	2.72	4.25	2.28	4.01	2.60	4.94
Burkina Faso	2009–14	c	5.84	2.93	1.04	2.39	1.38	2.76
Côte d'Ivoire	2008–15	c	0.74	–0.22	1.46	3.91	1.53	3.84
Ethiopia	2010–15	c	1.67	4.91	1.48	2.88	1.61	3.66
Mozambique	2008–14	c	1.52	5.36	0.72	1.96	0.78	2.65
Mauritania	2008–14	c	3.17	1.44	2.37	5.27	2.86	5.74
Namibia	2009–15	c	5.73	6.64	1.75	7.79	2.41	11.27
Niger	2011–14	c	–0.06	3.26	1.27	2.35	1.27	2.59
Rwanda	2010–13	c	4.82	2.78	0.90	2.43	1.03	2.63
Togo	2011–15	c	2.76	0.82	0.89	2.63	0.99	2.71
Uganda	2012–16	c	–2.15	–0.96	1.39	3.32	1.28	3.19
South Africa	2010–14	c	–1.34	–1.23	2.12	11.80	1.99	11.11
Zambia	2010–15	c	–0.59	2.93	0.68	2.59	0.66	2.99
Austria[g]	2010–15	i	–0.47	–0.28	29.76	56.03	29.07	55.26
Belgium[g]	2010–15	i	0.57	0.48	26.73	47.73	27.50	48.89
Canada	2010–13	I	–0.24	0.83	27.36	55.97	27.16	57.37
Switzerland[g]	2010–15	i	0.98	0.84	31.99	63.63	33.59	66.35
Cyprus[g]	2010–15	i	–4.34	–3.04	27.05	50.63	21.66	43.38
Greece[g]	2010–15	i	–8.35	–6.98	14.56	31.08	9.41	21.65
Germany	2010–15	I	–0.18	0.59	28.13	52.31	27.88	53.88
Denmark[g]	2010–15	i	0.57	0.45	28.97	50.77	29.80	51.93
Spain[g]	2010–15	i	–2.16	–1.53	17.74	39.51	15.90	36.58
Finlandg	2010–15	i	0.53	0.17	28.13	48.95	28.89	49.36
France[g]	2010–15	i	0.74	0.21	26.41	52.68	27.40	53.23
United Kingdom[g]	2010–15	i	0.26	0.11	22.00	46.34	22.29	46.60
Ireland[g]	2010–15	i	1.69	1.14	22.19	43.74	24.13	46.29
Iceland[g]	2009–14	i	–0.13	–0.47	29.23	51.35	29.04	50.15
Italy[g]	2010–15	i	–2.13	–1.08	19.88	42.44	17.85	40.19
Luxembourg[g]	2010–15	i	–2.14	–0.44	36.83	70.80	33.04	69.24
Malta[g]	2010–15	i	3.57	3.48	19.49	35.76	23.22	42.43
Netherlands[g]	2010–15	i	0.95	0.66	27.90	50.25	29.25	51.92
Norway[g]	2010–15	i	2.11	2.95	36.54	61.31	40.57	70.92
Portugal[g]	2010–15	i	–0.87	–0.74	13.11	27.85	12.55	26.84
Sweden[g]	2010–15	i	1.80	2.40	26.97	47.84	29.49	53.85
United States	2010–16	I	1.31	1.67	24.38	62.43	26.36	68.93

Source: GDSP (Global Database of Shared Prosperity), fall 2018, World Bank, Washington, DC, PovcalNet (online analysis tool), World Bank, Washington, DC, http://iresearch.worldbank.org/PovcalNet/.

Note: PPP = purchasing power parity.

a. Based on real mean per capita consumption or income measured at 2011 Purchasing Power Parity (PPP) using PovcalNet (http://iresearch.worldbank.org/PovcalNet).

b. The annualized growth rate is computed as (Mean in year 2/Mean in year 1)^(1/(Reference year 2 – Reference year 1)) – 1.

c. Refers to the year in which the underlying household survey data were collected and, in cases for which the data collection period bridged two calendar years, the first year in which data were collected is reported. See appendix A for criteria in selecting shared prosperity periods.

d. Denotes whether the data reported are based on consumption (c) or income (i) data. Capital letters indicate that grouped data were used.

e. Covers urban areas only.

f. See Chen et al. (2018) for details on how the shared prosperity estimate for China is calculated.

g. Source from World Bank (forthcoming). "Living and Leaving. Housing, Mobility and Welfare in the European Union," World Bank Regional Report.

TABLE 2B.2 Changes in Shared Prosperity, 67 Economies, circa 2008–13 to circa 2010–15

Region	Economies, number			Average SP		Average change in SP
	Total	Higher SP in circa 2010–15	Lower SP in circa 2010–15	Circa 2008–13	Circa 2010–15	
East Asia and Pacific	6	5	1	5.82	4.73	–1.09
Europe and Central Asia	22	12	10	1.51	2.41	0.90
Latin America and the Caribbean	14	4	10	4.56	3.21	–1.35
Middle East and North Africa	1	0	1	3.07	1.25	–1.82
South Asia	3	1	2	3.86	3.05	–0.81
Sub-Saharan Africa	1	0	1	4.09	–2.15	–6.24
Rest of the world	20	13	7	–1.10	–0.46	0.64
Total	67	35	32	1.92	1.87	–0.05

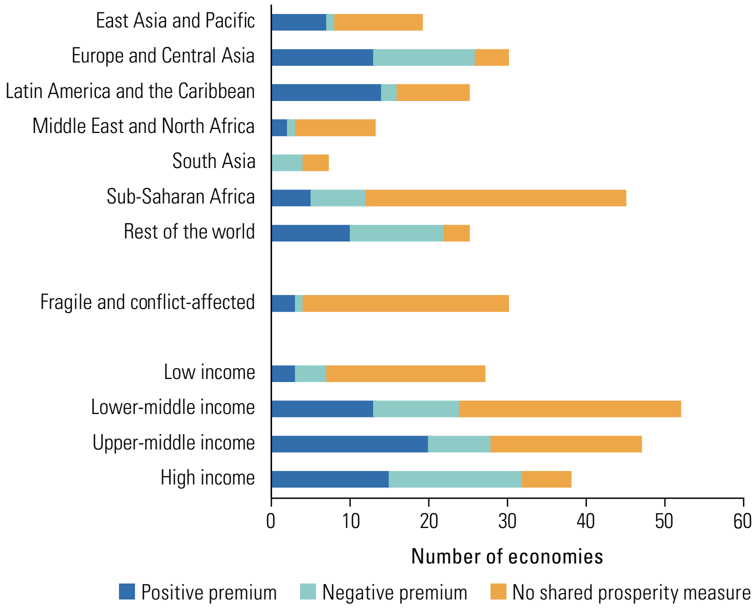
Source: GDSP (Global Database of Shared Prosperity), World Bank, Washington, DC, http://www.worldbank.org/en/topic/poverty/brief/global-database-of-shared-prosperity.
Note: SP = shared prosperity; the indicator measures growth in the average income or consumption of the bottom 40. The 2008–13 release refers to the version included in *Poverty and Shared Prosperity* 2016 (World Bank 2016b). The 2010–15 release refers to the version used in the present report. Regional and global averages of shared prosperity refer to simple averages across country means.

TABLE 2B.3 Changes in the Shared Prosperity Premium, 67 Economies, circa 2008–13 to circa 2010–15

Region	Economies, number			Average SPP		Average change in SPP
	Total	Higher SPP in circa 2010–15	Lower SPP in circa 2010–15	Circa 2008–13	Circa 2010–15	
East Asia and Pacific	6	4	2	0.91	1.10	0.19
Europe and Central Asia[a]	22	11	10	0.30	0.21	–0.09
Latin America and the Caribbean	14	4	10	1.51	1.20	–0.31
Middle East and North Africa	1	0	1	4.27	2.52	–1.75
South Asia	3	0	3	0.27	–0.69	–0.96
Sub-Saharan Africa	1	0	1	2.24	–1.19	–3.43
Rest of the world	20	7	13	–0.09	–0.32	–0.23
Total	67	26	40	0.58	0.31	–0.27

Source: GDSP (Global Database of Shared Prosperity), World Bank, Washington, DC, http://www.worldbank.org/en/topic/poverty/brief/global-database-of-shared-prosperity.
Note: SPP = shared prosperity premium, which refers to the difference in the income or consumption growth of the bottom 40 and the mean of the country. The 2008–13 release refers to the version included in *Poverty and Shared Prosperity* 2016 (World Bank 2016b). The 2010–15 release refers to the version covered in the present report. Regional and global averages of shared prosperity refer to simple averages across country means.
a. The SPP for FYR Macedonia is the same for both circa 2010–15 and circa 2008–13.

FIGURE 2B.1 The Shared Prosperity Premium, 91 Economies, by Region or Income Classification



Sources: GDSP (Global Database of Shared Prosperity), fall 2018, World Bank, Washington, DC, http://www.worldbank.org/en/topic/poverty/brief/global-database-of-shared-prosperity; PovcalNet (online analysis tool), World Bank, Washington, DC, http://iresearch.worldbank.org/PovcalNet/.
Note: The count is based on the 164 economies on which PovcalNet includes direct estimates of poverty. Premium refers to the shared prosperity premium. "Positive premium" indicates that the income of the bottom 40 grew at a faster rate than the average. "Negative premium" indicates that the incomes of the bottom 40 grew at a slower rate than the average in the country. "No shared prosperity measure" indicates that a poverty rate is reported in PovcalNet for the economy, but that the data are inadequate for computing shared prosperity.

Notes

1. Survey income and consumption are used herein as equivalent aggregates. The assumption that they can be used interchangeably is a requirement of the global poverty and shared prosperity exercise given that country data are often available on only one or the other. For more on the implications of using income or consumption for measuring poverty and changes over time, see the section on chapter 1 in appendix A. See also boxes 1.1 and 4.4 in World Bank (2016b).
2. Estimates for China are based on PovcalNet (see appendix A for further details).
3. The economies in fragile and conflict-affected situations included are Côte d'Ivoire, Kosovo, Togo, and West Bank and Gaza.
4. As of August 8, 2018, the World Bank considered that 83 economies exhibited moderate or extreme data deprivation. Data deprivation occurs if a country conducts fewer than two household surveys in a 10-year period (Serajuddin et al. 2015). Recognizing that the poorest countries are more data challenged, the World Bank pledged in 2015 to help the poorest countries improve the frequency of data collection to one household survey every three years.
5. A positive premium occurs in association with a negative shared prosperity indicator in only two cases, namely, Bosnia and Herzegovina and Iceland. In these countries, the entire growth distribution is negative, shared prosperity is also negative though close to zero, and incomes among the top 60 are declining even more rapidly than the incomes of the bottom 40.
6. The sample of economies in which shared prosperity can be measured in circa 2010–15 (13 of the 57 countries with poverty rates above 10 percent) is small, but similar conclusions would be reached if older time spells for shared prosperity are considered—thus increasing the coverage among economies with poverty rates above 10 percent. Taking this expanded sample, in the five countries with the highest level of poverty at the US$1.90 a day poverty line, none of which is included in the present round on shared prosperity, four have a negative shared prosperity and all have a negative premium.