
Overview

One year ago, the World Bank Group (WBG) proposed two goals to measure success in promoting sustainable economic development, and to monitor its own effectiveness in delivering results. The first goal is to essentially end extreme poverty, by reducing the share of people living on less than \$1.25 a day to less than 3 percent of the global population by 2030. The second goal is to promote shared prosperity by improving the living standards of the bottom 40 percent of the population in every country. Critically, the goals need to be pursued in ways that sustainably secure the future of the planet and its resources, promote social inclusion, and limit the economic burdens that future generations inherit.

This Global Monitoring Report (GMR)—written jointly by the World Bank and the International Monetary Fund (IMF) with substantive inputs from the Organisation for Economic Co-operation and Development (OECD)—has three novel features:

- It introduces the WBG's twin goals and presents the first account of the challenge of ending extreme poverty and promoting globally shared prosperity. The Report monitors the policies and institutions important to achieving them, while

continuing to report on the status of the Millennium Development Goals (MDGs).

- While the MDGs are focused on the developing world, the WBG's goal of shared prosperity is universal and signals a shift toward the post-2015 development goals. Shared prosperity is as much a concern in high-income countries as in developing economies. This Report extends the coverage of the GMR to include performance of the bottom 40 percent in all countries, including high-income ones.
- While economic growth requires macro-economic stability, efficient investments in human and physical capital including infrastructure, and evenhanded regulation of enterprise and well-functioning financial institutions, GMR 2014 focuses attention on three key elements of economic policy that make economic growth inclusive and sustainable, within and across generations: greater investments in human capital with a focus on the poor, prudent use of safety nets, and policies to make growth greener.

The WBG's twin goals of ending poverty and boosting shared prosperity retain an emphasis on growth and economic dynamism, while underscoring two important

principles: the world should pay special attention to the living standards of the poorer segments of the population, and it should secure the future of the planet and its resources so that current prosperity does not come at the cost of future generations.

The scope of this report

Growth has many drivers. There is broad consensus that macroeconomic stability, investments in financial, human, and physical capital including infrastructure, good governance and evenhanded regulation of enterprises and financial institutions are at the core of any strategy for enhancing growth. However, more is needed to make economic growth inclusive and sustainable.

This Report focuses on three of the elements needed to make growth inclusive and sustainable: investments in human capital that favor the poor, the best use of safety nets, and steps to ensure the environmental sustainability of development. These three elements are both at the core of any country's development strategy and fundamental to the achievement of the WBG's twin goals, the MDGs, or any reasonable set of development indicators chosen to succeed them. In a nutshell, the main message of this Report is that to achieve the development objectives set as targets for the next 15 years,¹ growth will have to be accompanied by considerably greater investments in human capital, in particular that of the poor; be supported by improved social safety nets; and be environmentally sustainable.

Progress toward development goals

Ending extreme poverty

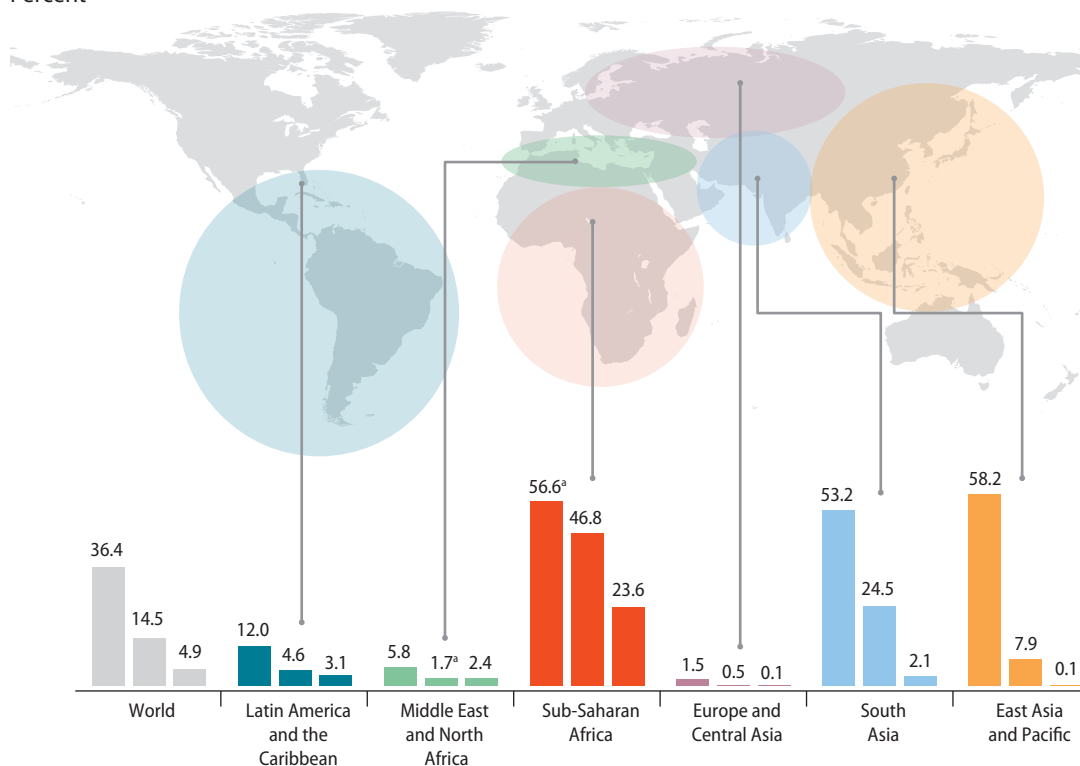
The WBG's twin goals are motivated by the experience of the past two decades in making progress toward the MDGs, as well as emerging development challenges. The success in reaching MDG 1.a—halving extreme poverty—in 2010, five years ahead of schedule, has emboldened the WBG to set a more

ambitious goal.² In 2011, just over a billion people remained in extreme poverty, around 14.5 percent of the world's population.³ The first goal aims to virtually eliminate extreme poverty during the next fifteen years, that is, get to 3 percent by 2030 (figure O.1). Global poverty reduction has been mostly due to progress in the rapidly growing economies of East Asia and to a lesser extent South Asia; regional patterns signal that there may be problems in ending poverty by 2030.

In 1990 the magnitude of extreme poverty was greatest in East Asia; today Sub-Saharan Africa and South Asia account for about 80 percent of the global poor. According to the 2011 estimates, extreme poverty in Sub-Saharan Africa was around 47 percent. Almost three-fifths of the world's extreme poor are concentrated in just five countries: Bangladesh, China, the Democratic Republic of Congo, India, and Nigeria. Adding another five countries (Ethiopia, Indonesia, Madagascar, Pakistan, and Tanzania) would comprise just over 70 percent of the extreme poor.

Growth is the major driver of poverty reduction, and was instrumental in halving extreme poverty between 1990 and 2010. Unless economic growth patterns change, however, ending poverty by 2030 is unlikely to become a reality. How long would it take to lift 1 billion people out of extreme poverty? Annual per capita consumption growth of 4 percent in every country around the world, combined with no change in income distribution in each country, would result in a reduction of global poverty to about 3 percent of the world's population by 2030. Even though this scenario underlines the view that ending global poverty is not impossible, it is achievable only with strong effort and commitment from all countries. Even under this scenario, however, poverty in Sub-Saharan Africa would remain just over 19 percent in 2030, accounting for nearly 80 percent of the global poor in that year. Six countries would still have poverty rates above 30 percent in 2030: Burundi, the Democratic Republic of Congo, Haiti, Madagascar, Malawi, and Zambia.

FIGURE O.1 Global and regional poverty rate estimates for 1990, 2011, and 2030
Percent



Source: PovcalNet is the online tool for poverty measurement developed by the Development Research Group of the World Bank. See <http://iresearch.worldbank.org/PovcalNet/index.htm> for additional information and data.

Note: The 1990 and 2011 estimates are based on Household Budget Surveys, and 2030 is a projection based on a reference scenario. See the discussion on scenarios in the Report Card.

a. Refers to the numbers that are provisional because survey coverage is less than 50 percent of population in the region.

The reference scenario shown in figure O.1 uses growth rate projections from the Global Economic Prospects report (World Bank 2014a). Global per capita GDP increases by 1.7 percent a year, with developing countries growing at a rate slightly below 4 percent and developed countries growing at about 0.6 percent. In this scenario, the global poverty rate in 2030 would still be just above 2 percentage points above the 3 percent target.

Sharing prosperity

The world's Report Card on the socioeconomic indicators represented by MDGs 1b–7 is much less satisfactory, and many of those basic needs of poor people remain unmet.⁴ As the Report Card shows, three other MDG targets have been met ahead of the 2015

deadline: gender equality in primary education (MDG 3.a), access to safe drinking water (MDG 7.c), and improving the lives of at least 100 million slum dwellers (MDG 7.d). Except for possibly gender equality in secondary education (MDG 3.b) and combatting malaria (MDG 6.c), the remaining MDGs are lagging and are not expected to be achieved by the deadline. Indicators, proxying the socioeconomic status of the bottom 40 percent of the population, have proven difficult to improve, even though income growth of the bottom 40 percent of the population has not been slower than that of the general population in many countries. This inequality in basic living standards is worrisome. These developments have inspired the WBG's goal of shared prosperity.⁵ This goal puts the spotlight on the unfinished MDG

agenda, but it goes beyond MDGs 1b–7 by making a commitment to more equitable living standards in every country.

During the 2000s, the bottom 40 percent enjoyed more rapid growth in income (or consumption) than the average growth of the population in many countries. Using the period 2006 to 2011 to calculate for each country the latest five-year annual average of income or consumption growth, the bottom 40 percent fared better than the country average in 58 of 86 countries.⁶ But variation across countries is great. In 13 countries⁷ the bottom 40 percent experienced annual growth rates of more than 7 percent, while in another 18 countries, the income or consumption of the bottom 40 percent declined over the period (figure O.2).⁸

While gaps in income have been closing in many countries, the well-being of households in the bottom 40 percent remains much lower than in households in the top 60 percent. For countries with data available for the period 2005–12, young children in the poorest households are 2–3 times more likely to be malnourished than those in the top wealth quintile. Under-five mortality rates are significantly higher for the bottom 40 percent than for the top 60 percent. Access to an improved water source and to improved sanitation remain highly unequal in many low-income countries, although in many middle-income countries, coverage is approaching 100 percent for all income groups.

More progress has been made in achieving full coverage in primary education, although coverage remains short of the target. In many countries the richer quintiles have already achieved close to 100 percent enrollment. Improvements in primary enrollment have generally benefited the poor and girls. However, enrollment beyond primary school in the bottom 40 percent remains low. In a sample of 31 low- and lower middle-income African and South Asian countries, a child in the top income quintile was 25 times more likely to complete secondary school than a child in the bottom quintile.

Immediate global growth prospects

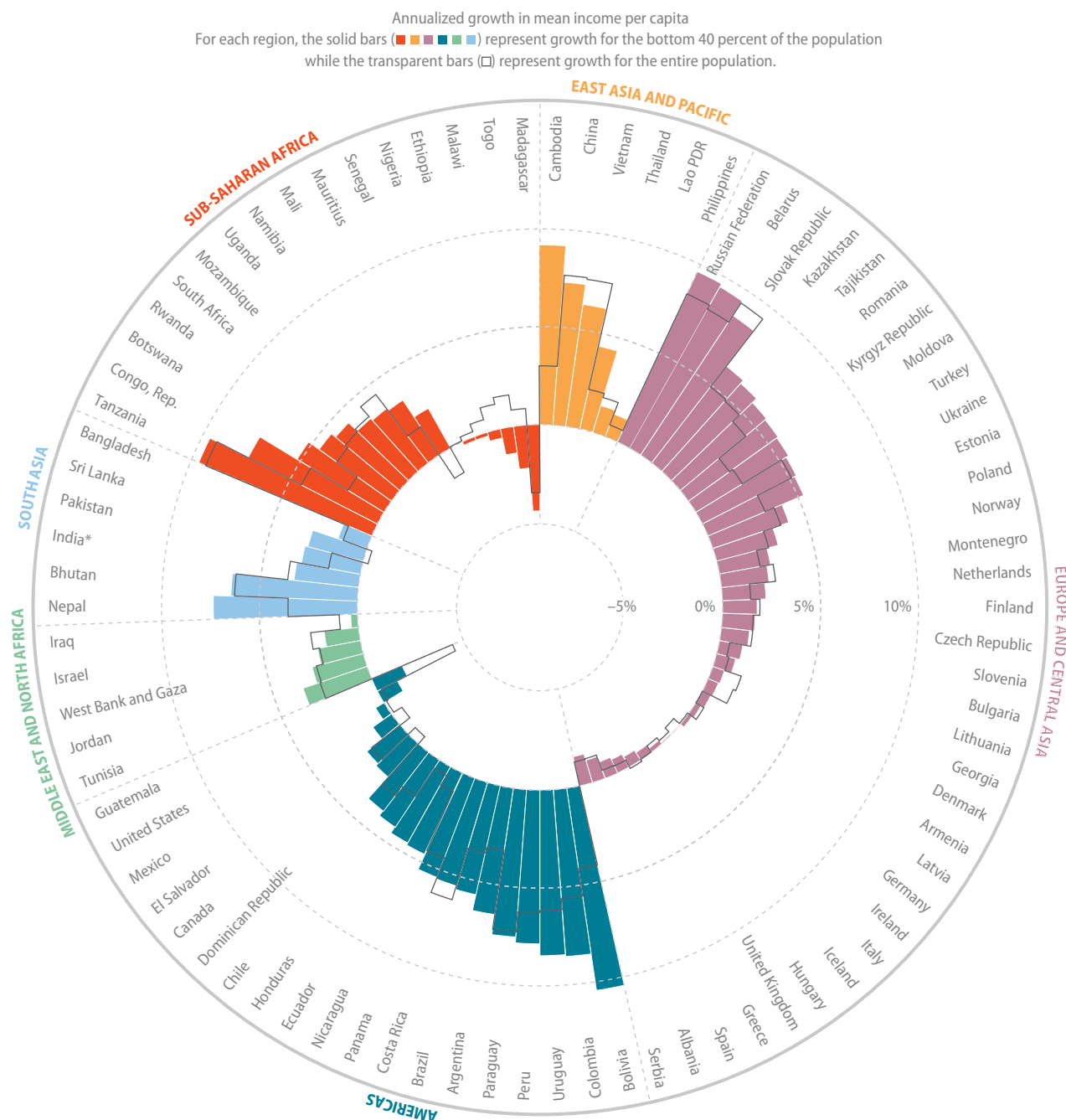
The global economy is expected to strengthen modestly between now and the end of 2015 after a sluggish patch during the first half of this year. In 2015—the last year of MDG-monitoring—overall global growth is expected to be close to 4 percent. Growth in advanced economies should move above 2 percent (for the first time since 2010), while growth in emerging market and developing countries should increase to 5 percent. This expansion will take place against the background of relatively stable prices, supported by generally sound macroeconomic policies in most countries. While the outlook is broadly favorable—boding well for the poor—there are significant downside risks, including from geopolitical developments and the potential for a financial market correction.

Low-income developing countries have continued to record strong economic growth, on the order of 6 percent per annum, in recent years, and this favorable trend is expected to continue in 2014–15. That said, these economies remain vulnerable to adverse shocks, particularly the potential for a protracted slowdown in the growth of emerging market countries. The impact of such a slowdown would vary greatly across countries, depending on specific country characteristics such as the size of available macroeconomic buffers.

The challenges in high-income economies

In high-income countries, the rising concern about shared prosperity is a reaction to income inequality that has reached levels unprecedented in the post-war period. The average income of the richest 10 percent of the population is now about 9.5 times that of the poorest 10 percent, as opposed to 7 times 25 years ago. Most strikingly, income inequality is increasing even in traditionally egalitarian high-income stalwarts like Denmark, Germany, and Sweden. Currently, 11 percent of

FIGURE 0.2 Growth of per capita income/consumption of the bottom 40 percent exceeded the country average in most economies, 2002–12 (2005 PPP)
(% annualized growth for a 5-year period, 2002–12)



Source: Global Database of Shared Prosperity circa 2006–11, calculated from PovcalNet and the Luxembourg Income Study database.

Note: Based on real mean per capita consumption or income measured at 2005 purchasing power parity (ppp) exchange rates. Europe and Central Asia are an exception as their data comes from the WBG's Europe and Central Asia Team for Statistical Development. PovcalNet is the on-line tool for poverty measurement developed by the Development Research Group of the World Bank. See <http://iresearch.worldbank.org/PovcalNet/index.htm> for additional information and data.

* The National Sample Survey (NSS) reports that the growth of per capita income/consumption of the total population of India was 2 percent between 2002 and 2010 (2005 PPP). According to the National Account Statistics (NAS), however, this figure was much higher.

the OECD population lives in relative poverty.⁹ The elderly, children, and youth are the most affected. Evidence indicates that high inequality dampens economic growth over the long run. On average, a one point increase in income inequality as measured by the Gini Index, is estimated to lower annual growth of per capita gross domestic product (GDP) by around 0.2 percentage point in advanced countries; the effect is estimated to be somewhat smaller (in the order of 0.14) in empirical analysis for a larger set of countries.

The specter of inequality

Inequality in high-income OECD countries arises from the impact of technological progress, which has increased wage dispersion in favor of higher-skilled workers, such as information and communications technology (ICT) or financial services professionals, while the impact of globalization is less pronounced than is often thought. Most technology-related jobs require tertiary educational attainment, especially in the areas of science, technology, engineering and mathematics (STEM). Typically, tertiary-educated adults are more likely to find jobs and earn higher salaries, while workers lacking tertiary skills are excluded. Rising shares of non-wage income from capital for richer households has also fueled income inequality.

Early and continuous investments in human capital

Inequality of opportunities due to poor human capital holds back the poor from getting better paying jobs and increasing inter-generational social and economic mobility. On average, people with better education live six years longer than their poorly educated peers in 14 OECD countries. The OECD's Programme for International Student Assessment (PISA) shows that children who have enrolled in pre-school education perform better throughout their life and tend to be better integrated socially. Disadvantaged students tend to have less access to pre-primary education. Even when they attend primary schools,

most of the low skilled and poor workers will have left school before finishing upper-secondary education. Further, the poor quality of education in low-performing schools yields low returns to the learning experience, and thus requires these low-skilled workers to make additional efforts to catch up through supplementary courses.

More inclusive labor markets

The structure of labor markets should be conducive to job creation. Social protection should strike a balance between providing the flexibility employers need to hire and fire workers and the need to protect workers against adverse income shocks, by extending the coverage of unemployment benefits and measures to boost replacement rates as measured by the percentage of a worker's pre-retirement income that is paid out by a pension program upon retirement, and effective activation policies. It is important to design policies that make it easier for vulnerable and less experienced workers to find jobs.

Social protection systems are inclusive and efficient when they operate in tandem with employment policies by focusing on social benefits that are employment related and accompanied by measures to promote the employment of young and older workers. Safety nets can also finance child care or educational reforms, such as the move in Australia and the United Kingdom toward provision of early childhood education, and the provision of subsidies for child care in the Republic of Korea.

More attention to the environment

As in developing countries, the poor, young, and elderly in high-income economies are particularly vulnerable to environmental degradation. People with lower incomes are more likely to live in environmentally distressed areas and thus be subjected to pollution and other environmental hazards. Environmental policies in high-income countries are important for sustaining shared prosperity across generations. However, the

distributional implications of these policies vary across countries, regions, sectors, and groups in society, and can have either beneficial or adverse effects on equity and labor earnings of the poor. For example, irrigation subsidies that boost agricultural production can impair the efficiency of water use and exacerbate off-farm pollution, since water charges for farmers rarely reflect real scarcity or environmental costs. Reducing these subsidies can thus improve the environment and may improve equity, since they typically benefit rich farmers. However, reducing subsidies may also harm poor agricultural workers.

Governments often offset the negative impact of environmental policy actions and reinforce their positive impact through recycling the revenue streams raised by environmental levies, or saved by the removal of harmful subsidies, toward ends that target social equity. Inadequate urban drainage is a major problem in many OECD countries; and it leads to high volumes of polluted runoff that floods streets and contaminates the environment.

The challenges facing developing economies

Investing in human capital has a profound effect through its potential to lift or keep an individual out of poverty and spur robust economic growth, and is thus critical to achieving the twin goals. Because investments in human capital are cumulative and portable, they facilitate social and economic mobility. Inclusive growth requires the generation of jobs, initially in low-skilled, labor-intensive sectors, since labor earnings are the largest source of income for the poor and those in the bottom 40 percent of the income distribution.

Earlier and greater investments in educating the young

Early investments in human capital are the most effective, as poor nutrition and disease at a young age can have life-long implications

for educational attainment and adult earnings. Immunizations can have a benefit-to-cost ratio up to 20:1, and deworming can have a benefit-to-cost ratio as high as 6:1. Unfortunately, in a large number of low- and middle-income countries with high rates of poverty among children and youth, early childhood development programs are scarce.

Investments in human capital through lifelong learning that target the most vulnerable can play a pivotal role in breaking the intergenerational transmission of poverty. Educational policies must ensure that kids can attend, and learn from, primary school. However, a primary education is often not sufficient to achieve high levels of labor productivity and earnings later in life. In low- and middle-income countries, the transition from primary school into secondary school or technical or vocational school is becoming increasingly important for people to stay out of poverty and improve their standard of living.

Investments in education and skills training are needed that better match workers' abilities with the demand for labor. Enterprise surveys show that employer complaints about skills are more often voiced by firms that are newer, faster-growing, more outwardly oriented, and more eager to move up the technology ladder. Investments in education that foster marketable skills can thus attract more dynamic firms and contribute directly to economic growth. In developing countries where a large share of the poor rely on agriculture, the test of marketable skills is reflected in higher yields in farming, increased access to off-farm small enterprises, migration to urban areas or countries with higher incomes, and transition to formal sector employment.

Better social safety nets

As extreme poverty declines, growth on its own lifts fewer and fewer people out of poverty because the remaining poor face significant barriers to raising their income. Members of disadvantaged groups who are excluded from labor or credit markets or

who reside in remote, or fragile and conflict-affected areas, are typically unable to benefit enough from the growth process to escape poverty and deprivation. Thus achieving the twin goals will require devoting more resources to safety nets to reach the remaining extreme poor.

Safety nets in low- and middle-income countries provide rudimentary benefits during economic crises such as spikes in food and fuel prices, droughts, earthquakes, and floods, and can remove barriers to economic opportunity for the poor and, even more importantly, for their children. Well-designed social safety nets can also raise growth through many channels: they protect the productive assets of the poor, for example, by enabling households to avoid selling livestock following a sudden decline in income; they help build human capital by encouraging school attendance and take-up of health services through conditional cash transfer programs; they provide infrastructure and services to poor communities; they may make growth-enhancing reforms politically feasible; and they can increase profitable investment by improving access to credit and inputs, by changing incentives and reducing information asymmetries, and by improving households' ability to manage risk.

Efficient social safety nets in low-income settings redistribute some of the gains from growth while contributing to higher growth. Conditional cash transfer programs like Brazil's Bolsa Familia have increased school attendance by compensating poor households for the direct costs (such as school fees, uniforms) and indirect costs (forgone income because children go to school rather than work) involved. On the other hand, poorly targeted general subsidy programs, such as energy subsidies, decrease economic efficiency and equity. In low- and middle-income countries on average, blanket subsidies for energy, except for kerosene in low-income countries, benefit the richest 20 percent of households six times more than the poorest 20 percent. Annual global energy subsidies (including estimates for the costs of negative externalities) are about \$2 trillion. The

judicious use of these subsidies would allow greater resources to be directed to enhancing growth or assisting the poor, either through improving their ability to participate in economic activities or through income support. For example, in 2005 Indonesia devoted part of the \$4.5 billion saved by reducing fuel subsidies to increasing cash transfers to low-income individuals and improving health services.

Identifying and efficiently reaching the poor is a formidable challenge in many countries. Many of those who remain in extreme poverty are harder to reach, so that the administrative costs of safety net programs tend to rise as poverty declines. However, recent developments in ICT, such as India's new program to provide all of its citizens and residences a unique official identity, have the potential to reduce these administrative costs significantly and improve targeting.

More emphasis on green growth policies

Without action to ensure green growth, the sustainability of ending poverty and boosting shared prosperity is clearly at risk. Green growth aligns economic growth with environmental sustainability by addressing the global or national challenges of natural resource depletion, ecosystem degradation and pollution, and climate change.

Many developing countries face the depletion of natural resources, water stress, natural disasters, and climatic changes as challenges for poverty reduction and economic growth. Natural resource depletion can constrain future economic growth in resource-dependent countries if resource rents are not reinvested in building productive capital. Alarmingly, about half of the developing countries have experienced a decline in per capita wealth (where wealth includes produced, human, and natural capital)—also driven by the depletion of natural resources. Local forms of ecosystem degradation and pollution, such as land degradation, water stress, and air pollution, tend to particularly harm

the poor, because many live in ecologically fragile areas and depend on environmental goods and services for their livelihoods. Climate change is likely to further exacerbate these challenges and undermine economic growth and poverty reduction. The increased exposure to natural disasters and the steady increases in carbon dioxide concentrations highlight the challenge of achieving climate-resilient and low-carbon development.

Urgent action for green growth is needed, and making the wrong decisions today could lock economies onto unsustainable pathways. Those actions that avoid investments in high-emitting or polluting infrastructure with large time horizons (such as transport systems, buildings, urban forms) or the irreversible loss of ecosystems and natural resource (such as deforestation) are most urgent. Although green growth measures can bring enormous national and global benefits in the long run, they can involve trade-offs with immediate, local benefits. Priority should be to implement those options with the greatest urgency and the greatest local, immediate benefits. In many developing countries these could be actions that increase energy efficiency, provide low-carbon energy supply, improve health, increase agricultural productivity, secure access to basic services, and reduce disaster and climate risks. Each and every country's growth strategy should include tailored actions to promote green growth. These strategies can look very different in each country, depending on its needs, priorities, and capacities.

While some green growth measures help the poor, others may require compensatory policies to limit any adverse impact. Green growth policies can directly benefit the poor. For example, poor households can be paid for efforts to protect the environment, as in the Brazilian Bolsa Floresta program that rewards poor families for stopping deforestation on the condition that children are enrolled in school. Environmental protection activities such as land restoration, selective logging for sustainable forest management, and guards in protected areas can generate low-skill employment opportunities for the poor. On the other

hand, green growth policies may also hurt the poor by affecting industries that provide jobs to the poor or prices of consumption goods such as for food and energy. In these cases, green industrial policies can provide temporary support to declining sectors and industries, while safety nets and distributional policies can protect the poor. Strategies for green growth need to carefully consider the impacts on the poor and on shared prosperity

More, better, and timely data needed to inform policy

All these policy actions require better and more timely data. The 2013 report of the High-Level Panel on the Post-2015 Development Agenda, convened by the United Nations Secretary-General, calls for a “data revolution for sustainable development, with a new international initiative to improve the quality of statistics and information available to citizens.” The development community urgently needs to improve the availability of data for analysis of the twin goals, and of the MDGs and their successors beyond 2015. Increasing the timeliness and frequency of data collection will require more resources and improvements in the capacity of statistical agencies. Technology that can improve data collection and well-designed survey-to-survey analysis should be scaled up. Greater frequency should not, however, come at the cost of quality. The guidelines for measuring poverty need to be standardized, and more emphasis placed on maintaining comparable measures of consumption and income.

Main messages

The 2014 GMR reaffirms the centrality of economic growth, and the importance of inclusive and sustainable growth, for achieving the twin goals of ending poverty and improving the living standards of the bottom 40 percent in every country—developed and developing. The policy areas are very similar for both groups of countries, although the policies themselves differ significantly between the two groups in some

areas. Recommended policies also differ within the two groups, and do not depend only on income levels, as can be seen in the particular challenges facing fragile and post-conflict situations, as well as small states. In general, the most useful policy lessons for achieving the twin goals are provided by countries with comparable characteristics, initial conditions, and constraints to growth. The Report has seven main messages:

- Global growth prospects for the immediate future are encouraging, with the world's economy expected to grow between 3 and 4 percent in 2014–15. Although conflicts in Eastern Europe and the Middle East are clouding these prospects, emerging and developing countries are expected to grow 5 percent in 2015. Most encouragingly, the three regions with almost 95 percent of world's poor—East Asia, South Asia, and Sub-Saharan Africa—are expected to grow at an annual average of 5–6 percent over the next two years.
- The medium-term prospects of the world economy provide reason to be optimistic about meeting the World Bank Group's interim target of reducing extreme poverty to single digits by 2020. However, even if extreme poverty continues to fall as projected in East and South Asia, the prospects of reducing global poverty to below 3 percent by 2030 are not good. Ending extreme poverty by 2030 will require sustained high growth globally and accelerated poverty reduction in Sub-Saharan Africa and fragile and conflict-affected states over the next 15 years.

The prospects for boosting shared prosperity are more complex. While gaps in income levels of the bottom 40 percent have been closing in many countries, other aspects of their living standards as measured by the MDGs 1b–7 remain much lower than for the top 60 percent. In low and middle-income countries, shared prosperity is constrained by slow and uneven progress in MDGs 1b through 7, especially in employment, education, health, and sanitation. Shared prosperity in high- and

some middle-income countries is stalling because of unemployment driven by technological change that favors high-skilled workers while economic adjustments attributed to globalization have been less pronounced than is often thought.

- Macroeconomic stability, adequate investments in infrastructure, and evenhanded regulation of enterprise are necessary conditions for economic growth and improved living standards in all countries—developing, newly industrialized, and high income. But to make this growth inclusive, countries at all stages of development require greater investments in human capital—especially in the education and health of the less well-off segments of the population.

While the priorities for investments in education and health differ across countries, developing countries will require more attention to early childhood development of disadvantaged children, especially girls, to break the intergenerational transmission of poverty. In high- and some middle-income economies, the priorities are completion of secondary education that leads to academic or vocational education and training qualification. Educational systems should have adequate financing and good teachers to achieve clear learning standards that deliver job-relevant skills necessary for better-paying jobs in all countries.

- Well-designed safety nets can play a pivotal role in fostering inclusive human development. In some middle- and low-income countries, safety nets assist the poor and vulnerable, redistribute the gains from growth, and contribute to growth by enhancing the ability of the poor and ultimately their children to benefit from economic development. In high- and many middle-income countries, safety nets complement sophisticated social protection systems supported by tax-benefit systems. In developing countries, (conditional) cash transfer programs are efficient instruments for reaching the poor. Replacing energy subsidies, which are estimated globally at \$2.0 trillion

(about 2.9 percent of world GDP) for 2001, with well-targeted safety nets can benefit the poor at a much lower cost to the government.

- Ensuring environmental sustainability is vital to the robustness over time of economic growth. Basically all countries face challenges from natural resource depletion, ecosystem degradation and pollution, and climate change. When carefully designed, green growth strategies can tackle these challenges by improving the management of natural resources, reducing pollution and emissions, increasing resource efficiency, and strengthening resilience. For example, increasing environment-related taxes or removing subsidies can ensure that prices better reflect the full environmental and social costs of resource usage. Because these policies may also hurt the poor, they should be offset with targeted support. While developing countries most likely should focus on energy efficiency, developed countries face the challenge of switching to cleaner sources of energy.
- It is time for a data revolution to improve the availability and quality of statistics. Immediate action is needed to produce more comprehensive, reliable, and timely data to monitor progress in achieving development goals, and to inform the policies required for economic growth to be adequate, inclusive, and sustainable.

A roadmap to the report

GMR 2014 has two parts. The first consists of a Report Card on the status of the MDGs and the WBG twin goals. The Report Card presents a global assessment of progress to date, including data on the WBG twin goals and the MDGs at the global, regional, and country levels. It also assesses the prospects for achieving the poverty target and various indicators that can be valuable in monitoring the world's endeavor to improve the lives of the less well-off in society in the future. In particular, the Report Card records the disappointing performance related to MDGs 1b–7 in most developing countries, as well

as the growing disparities between the upper and lower segments of the income distribution in high-income countries. An MDG-specific appendix (appendix A) supplements the Report Card.

The second part has four chapters that discuss policies and institutions that can help to address the opportunities and challenges related to human capital accumulation and the environment so that they enhance growth, end poverty, and promote shared prosperity.

- Chapter 1 centers on economic growth, together with the inclusiveness and sustainability that are the rudimentary elements of any conceptual framework used to achieve the WBG's twin goals. Noting that growth may not be adequate to achieve the twin goals, the chapter focuses on two ingredients of the inclusiveness of growth: jobs and a social contract that provides for the equality of opportunity and safety nets. Human capital can play a pivotal role in enhancing the equality of opportunity of the less well-off. The implications of environmental sustainability for the twin goals are also introduced in chapter 1.
- The immediate growth prospects in developing and high-income countries are outlined in chapter 2. The chapter provides a reminder that the economic growth prospects of developing countries still hinge on the robustness of economic growth in the high-income economies.
- Chapter 3, with contributions from the staff of the OECD, examines the debates on growth and inequality in the high-income OECD countries. It highlights the challenge posed by structural factors, productivity, and labor utilization as well as the potential of human capital, especially education and skills, and the role of safety nets in addressing these challenges. It also discusses the case for green growth in high-income countries.
- Finally, chapter 4 addresses the policy agenda for increasing the inclusiveness and sustainability of growth in developing countries. Given their large deficits

in health and education, as documented by the unsatisfactory progress in most developing countries toward MDGs 1b through 7, the chapter presents a compelling case for policies and institutions that boost human capital. Early childhood development programs and investments that address the largest gaps between the poor and the rich are priorities. The chapter examines how social safety nets can enhance growth and redistribute some of the gains from growth. It also discusses the challenges and opportunities developing countries face for greening their growth.

The structure and the contents of the Report illustrate how the relationships between enhancing growth, ending extreme poverty, and promoting shared prosperity are even more complicated in developing economies than they are in the high-income countries. Resources are often more constrained and opportunities for mobilizing them can be more limited. Large variations in institutional capacity, along with the possibility of significant governance challenges, can make implementation of policies that ensure the adequacy, inclusiveness, and sustainability of economic growth difficult. But the Report also shows that policies to promote shared prosperity have more than a few common prerequisites—a focus on investments in human capital, the judicious use of social safety nets, and a mindfulness of the environmental consequences of economic growth.

Notes

1. The current consensus is to brand the next generation of MDGs the “Sustainable Development Goals” (SDGs) with another 15-year horizon. See outcome document of the Open Working Group on Sustainable Development Goals (<http://sustainabledevelopment.un.org/owg.html>) and the High-level Panel report (<http://www.post2015hlp.org/>) for a more in-depth discussion on the potential new goals, its targets, and indicators of the post-2015 development agenda.
2. In 1990, about 43.5 percent of the developing world’s population (about 1.9 billion people) lived below the extreme poverty line defined as \$1.25 a day. MDG 1a aimed to halve this number by 2015. It was achieved in 2010. Today, approximately 1 billion people still reside below the extreme poverty line.
3. MDG 1a refers to the developing world’s population, whereas the WBG’s poverty target is related to the entire world’s population.
4. The MDG Annex provides a detailed report on the world’s MDG achievements.
5. The shared prosperity goal is defined by the WBG as income growth of the bottom 40 percent of the population. It is important to be mindful of the fact that while real income is an overarching concept, poverty has multiple dimensions that the world needs to be concerned with. Fortunately, the shared prosperity measure has significant overlap with the non-income dimensions of welfare covered by MDGs 1b–7.
6. The source of the data for the 86 countries is Global Database of Shared Prosperity circa 2006–11 calculated from PovcalNet, except for the following high-income countries: Canada, Denmark, Finland, Germany, Greece, Iceland, Ireland, Italy, Israel, the Netherlands, Norway, Spain, the United Kingdom, and the United States, for which the source is the Luxembourg Income Study database.
7. These countries are: Belarus, Bolivia, Cambodia, China, Colombia, Rep. of Congo, Nepal, Peru, Paraguay, the Russian Federation, Slovak Republic, Tanzania, and Uruguay.
8. These countries are: Albania, Ethiopia, Greece, Guatemala, Hungary, Iceland, Ireland, Italy, Madagascar, Malawi, Mauritius, Nigeria, Senegal, Serbia, Spain, Togo, the United Kingdom, and the United States.
9. Measured by the median household disposable income.