Growth for the Bottom 40 Percent

The World Bank Group's Support for Shared Prosperity

AN INDEPENDENT EVALUATION

IEG Independent Evaluation Group | WORLD BANK GROUP World Bank • IFC • MIGA

WHAT WORKS

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WHAT WORKS

Careful observation and analysis of program data and the many issues impacting program efficacy reveal what works as well as what could work better. The knowledge gleaned is valuable to all who strive to ensure that World Bank goals are met and surpassed.

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abbreviations

ASA	Advisory Services and Analytics
CEM	Country Economic Memorandum
CPF	Country Partnership Framework
CPIA	Country Policy and Institutional Assessment
DEC	Development Economics Vice Presidency (of the World Bank)
DPF	development policy financing
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IPF	investment project financing
MIGA	Multilateral Investment Guarantee Agency
MSMEs	micro, small, and medium enterprises
PER	Public Expenditure Review
PSD	private sector development
SCD	Systematic Country Diagnostic
SDG	Sustainable Development Goal
UN	United Nations
WDR	World Development Report

All dollar amounts are U.S. dollars unless otherwise indicated.

acknowledgments

This report was prepared by an Independent Evaluation Group (IEG) team under the leadership of Željko Bogetić and was conducted under the guidance and supervision of Pablo Fajnzylber and Auguste Tano Kouame and with the overall direction of Caroline Heider, Director-General, Evaluation.

Background papers and analytical notes for the evaluation were led by Shahrokh Fardoust (concepts and measurement of shared prosperity); Yumeka Hirano (data, indicators, and tools); Takatoshi Kamezawa, Izlem Yenice, and Margareth Celse L'Hoste (International Finance Corporation and Multilateral Investment Guarantee Agency); Moritz Piatti (methodology and portfolio analysis); and Lodewijk Smets and Željko Bogetić (staff survey and analyses of geospatial project data and of linkages between the World Bank's development policy operations and policy reforms). Additional sectoral background papers were prepared by Susan Caceres and Izzy Bogild-Jones (human development); Malathi Jayawickrama and Margareth Celse L'Hoste (agriculture); Istvan Dobozi and Maria Shkaratan (electricity); and Aristomene Varoudakis and others (fiscal policy). Twelve country case studies were prepared by Iradj Alikhani (Vietnam); Florence Charlier, Felix Oppong, and Izlem Yenice (Ethiopia); Željko Bogetić, Izzy Bogild-Jones, and Margareth Celse L'Hoste (Serbia and Azerbaijan); Anis Dani and Isabel Sara Boggild-Jones (Bangladesh); Shahrokh Fardoust and Mark Sundberg (Arab Republic of Egypt); Johannes Fedderke and Pamela Lamoreaux (South Africa); Margareth Celse L'Hoste (Haiti); Anjali Kumar, Amitava Benerjee, and Yumeka Hirano (Indonesia); Ulrich Lachler and Eric Cruikshank (Colombia); Lourdes Pagaran and Takatoshi Kamezawa (Cambodia); and Moritz Piatti and Felix Oppong (Ghana). (See appendix B for a detailed list of background papers, country case studies, and authors.)

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overview

IN 2013, THE WORLD BANK GROUP committed to aligning all its diverse activities to two corporate goals. The first goal is to end extreme poverty, with a target of reducing the global extreme poverty rate to 3 percent by 2030. The second is to promote shared prosperity, which entails fostering the income growth of the bottom 40 percent of the population in every country. The establishment of these "twin goals" was motivated by the need to focus the institution's efforts, adapt to an ever-changing development landscape, and build consensus among the rapidly expanding number of local, regional, and global stakeholders. This evaluation, requested by the Board of Executive Directors, assesses the World Bank Group's record on implementation of the shared prosperity goal since 2013. It uses the official definition of the goal of fostering income growth of the bottom 40 percent. It also analyzes institutional requirements for effective implementation of the goal. Finally, it seeks lessons from the past by assessing the extent to which the World Bank Group already incorporated distributional issues in its various activities during 2005–13, before the adoption of the goal.

The scope of the evaluation includes the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency. The evaluation aims to take stock of the extent to which the World Bank Group has incorporated its shared prosperity goal in its knowledge, strategy, and lending work. To that end, it presents evidence on whether staff are aware of the goal and on the degree to which efforts are made to incorporate the goal across the various World Bank Group products and services.

To assess the potential for achieving significant results in the future through the ongoing efforts to mainstream the shared prosperity goal, the evaluation assesses the strength of the results chains linking World Bank Group interventions to shared prosperity outcomes and the availability of data and indicators on the bottom 40 percent. In other words, the evaluation looks at the extent to which World Bank Group products and services contain not only nominal expressions of intent to contribute to the second twin goal but also well-articulated theories of change that allow for understanding how, and under which specific contextual circumstances, they are expected to lead to improvements in the well-being of the bottom 40 percent.

The evaluation uses mixed methods, relying on multiple evaluation components, including evaluation of the portfolios of World Bank Group's Advisory Services and Analytics (ASA), country strategies and projects, 12 case studies that include field visits, a staff survey, semistructured interviews with World Bank experts and thought leaders, statistical analysis of the World Bank development policy financing, and a geospatial analysis of the extent to which investment projects target the bottom 40 percent.

One of the main findings of the evaluation is that the World Bank has made a significant effort to incorporate the shared prosperity goal into its various products and services, across Regions, Global Practices, and World Bank Group institutions. Lessons from the pre-2013 period suggest that an increased focus on distributional issues in the World Bank's lending projects does not automatically lead to improved development outcomes. This implies that continued attention will be needed to ensure success of the new shared prosperity agenda.

To that end, a key factor identified in this evaluation will be the inclusion in World Bank Group strategies and projects of well-defined theories of change that explain how and under what conditions World Bank interventions are expected to lead to improved shared prosperity outcomes. Moreover, it is important to ensure that the associated results frameworks allow for adequately monitoring impacts on the bottom 40 percent and that data are available for measuring World Bank contributions.

Furthermore, strong analytical underpinnings are critical to strengthening the design of shared prosperity–focused interventions. This requires ensuring that core World Bank diagnostics are adequately funded and contain rigorous analysis of distributional effects. Finally, stronger efforts are needed to make sure that World Bank Group staff are not only aware of what the shared prosperity goal entails for the institution and its clients but also have the skills needed to effectively incorporate and monitor distributional objectives in the result chains of World Bank Group strategies and projects.

Operationalizing the Shared Prosperity Goal since 2013

The asset-based framework underlying much of the World Bank's knowledge work on shared prosperity suggests multiple pathways for the World Bank to support client countries in boosting the incomes of the bottom 40 percent: building income-earning assets, facilitating public and private transfers, promoting fair and transparent institutions, supporting equitable and sustainable macroeconomic policies, and promoting well-functioning markets. The importance of these pathways differs across countries and regions depending on their development contexts.

Shared Prosperity in Knowledge Products

Knowledge work has led the path of operationalization of the shared prosperity goal. All 42 Systematic Country Diagnostics (SCDs) produced in October 2013–June 2016 have explicit coverage of the World Bank's second twin goal. Almost all include an explicit analysis of the profile of the bottom 40 percent. However, SCD teams face significant constraints in the scarcity of timely and good-quality data for performing detailed shared prosperity analysis: 60 percent of SCDs were written in an environment of low data quality.

The broadest coverage across all five pathways for boosting shared prosperity was found in SCDs prepared in the Europe and Central Asia Region; the lowest were in the Middle East and North Africa and Latin America and the Caribbean Regions. The most frequent pathway for boosting shared prosperity is related to interventions aimed at increasing the income-earning assets of the bottom 40 percent. They are included in 88 percent of SCDs across the World Bank and absent only in a few SCDs from the Latin America and the Caribbean and the Middle East and North Africa Regions. The next-most frequently covered pathways, included in three-quarters of SCDs, are related to equitable and sustainable fiscal and monetary policies and fair and transparent institutions.

The analysis of shared prosperity–related issues is much less common in the World Bank's other types of knowledge products. Only 20 percent of the 64 non-SCD core diagnostics produced since the introduction of the shared prosperity goal (and until June 2016) contain analysis of the bottom 40 percent. Core diagnostics include growth-focused Country Economic Memorandums (CEMs), Public Expenditure Reviews (PERs), poverty assessments, and gender assessments. Overall, CEMs tend to have more analysis concerning the bottom 40 percent than other non-SCD core diagnostics.

The importance of core diagnostics for shaping the agenda of the World Bank's policy dialogue on distributional issues was confirmed in 12 case studies covering Azerbaijan, Bangladesh, Cambodia, Colombia, the Arab Republic of Egypt, Ethiopia, Ghana, Haiti, Indonesia, Serbia, South Africa, and Vietnam. Knowledge work on distributional issues has played an important role in providing analytical underpinnings for the World Bank's policy dialogue, as well for the design of its strategies and lending products. This has been the case not only where client governments share a common development vision with the World Bank Group, but also, and to some extent most importantly, in those where that has not always been the case.

Though the volume of IFC's knowledge work is much more limited than the World Bank's, two recent studies provide useful insights into how IFC can contribute to the World Bank Group's shared prosperity goal: the 2013 *IFC Jobs Study: Assessing Private Sector Contributions to Job Creation and Poverty Reduction,* and the 2014 *Lines of Sight: Private Sector Development and the "Twin Goals" of Extreme Poverty Eradication and Shared Prosperity.* IFC has also been enhancing its efforts to monitor and evaluate the general development impact of its operations to better assess its contributions to the twin goals at the sector and subsector levels. From FY18, IFC will pilot its new ex ante evaluation framework, Anticipated Impact Measurement and Monitoring, which will provide a new framework for assessing whether a specific project contributes to the twin goals.

Shared Prosperity in World Bank Group Country Strategies

An analysis of the Country Partnership Frameworks (CPFs) approved since the adoption of the twin goals reveals that CPF objectives generally do not include a clearly articulated theory of change pertaining to the bottom 40 percent. For only 16 objectives, or 7 percent of the 252 objectives included in the 29 CPFs approved since October 2013, do CPFs describe the results chain linking World Bank interventions, context variables, and outcomes related to the bottom 40 percent. Moreover, for only 26 percent of the CPF objectives reviewed do results frameworks include indicators on population groups that are identifiable as part of the bottom 40 percent.

Shared Prosperity in World Bank Group Lending and Investments

Three-quarters of World Bank projects mention the shared prosperity goal. However, a much smaller share has a well-defined approach to how they will contribute to the goal. Indeed, only 32 percent have an explicit theory of change linking project interventions to benefits among the bottom 40 percent, and that theory of change is minimally well articulated for just 18 percent. The quality of results chains linking project activities to outcomes for the bottom 40 percent tends to be higher for investment projects than for development policy operations.

The theory of change in World Bank projects with a shared prosperity focus has been strongest in projects that help improve transfers to the bottom 40 percent (about 50 percent were high quality), followed by projects that build the productive assets of this group (33 percent were high quality). Projects addressing shared prosperity through improvements in fiscal and monetary policies, better functioning markets, and more fair and transparent institutions had weaker theories of change.

A review of IFC projects approved between FY14 and FY15 found that a small share (15 percent) mentioned the shared prosperity goal and none included a clear theory of change linking project results to benefits accruing to the bottom 40 percent (or a subset of that group). Most of the projects that at least mentioned the shared prosperity goal focused on financial markets. In most cases, these projects meant to ultimately support micro and small enterprises or low-income or underserved populations by increasing access to microfinance. The rest of the projects that mentioned shared prosperity pertained to the agribusiness, health services, and energy sectors. These projects generally intended to increase access and affordability of services through the private sector. In addition, many IFC projects indicated that the project would create jobs, but the link to groups in the bottom 40 percent was not clear.

Institutional Requirements for the Implementation of the Goal

To successfully implement its shared prosperity goal, the World Bank Group needs its staff to fully understand the goal and adapt activities accordingly. It needs timely, good-quality distributional data, indicators, and tools to measure, monitor, and target bottom 40 percent populations. And it needs to use its convening power and partnerships in ways that contribute to the shared prosperity agenda globally as well as in its member countries.

According to a comprehensive survey performed for this evaluation, less than two-thirds of World Bank Group staff—63 percent—are fully familiar with the official World Bank definition of shared prosperity. Knowledge about the shared prosperity goal is highest in the IBRD, at 71 percent, and lowest in IFC, at 42 percent.

The most common channel through which staff report contributing to the shared prosperity goal is related to improvements in the assets of bottom 40 percent populations: human, physical, financial, social, and natural assets. Other important channels mentioned by staff are work aimed at improving the resilience to shocks of the bottom 40 percent (for example, through safety nets), mentioned by 33 percent of IBRD and 4 percent of IFC staff, and activities aimed at improving infrastructure relevant to the bottom 40 percent, mentioned by 29 percent and 21 percent of IBRD and IFC staff, respectively. Interestingly, relatively few World Bank staff—about 6 percent—mention work focused on improving macro stability or taxation policies as a channel for contributing to the shared prosperity goal.

The World Bank Group is providing an important global public good in distributional data, indicators, and tools for analyzing shared prosperity, but good-quality distributional data, analytical tools, and client interest are factors constraining staff from more effectively implementing the goal in their work.

Use of indicators measuring shared prosperity varies widely across agencies and country programs, and there is little standard coverage and disaggregation, although use of various inequality and access measures is increasing.

The World Bank Group demonstrates considerable convening power at global and country levels in promoting, financing, and advocating for shared prosperity–focused interventions.

Learning from the Past: World Bank Group Support for Equity Before Adoption of the Goal

Even before the adoption of the goal, the World Bank did significant *knowledge work* on equity. One out of six ASA products produced by the World Bank between FY05 and FY13 included content related to distributional issues. Core diagnostic reports were more likely to include such content: that was so in 28 percent of the cases in FY05–13 and in 47 percent in FY14–16. One somewhat worrisome negative trend, however, has been observed in the total budget allocated to non-SCD core diagnostics (PERs, CEMs, poverty assessments, and gender assessments), which decreased steadily from $21.5 million in 2005 to about $10.0 million in 2013, including use of donor-supported trust funds. This decline has been partially compensated by the introduction of the SCDs after FY13; nevertheless, it raises questions about the sustainability of the knowledge work against rising demand and the need to inform strategies and interventions for greater relevance and impact.

There are significant differences across Global Practices in the share of ASA with distributional content. The share is unsurprisingly large in the Poverty Global Practice (47 percent) and in those focused on the social sectors—Education; Health, Nutrition and Population; and Social Protection and Labor (25 percent on average). The other Global Practice with an above-average share of ASA with distributional content is Macroeconomics and Fiscal Management (MFM; 21 percent), which is followed by Agriculture; Social, Urban, Rural, and Resilience; and Water (all with about 14 percent).

With a smaller volume of knowledge work focused on distributional issues than the World Bank's, IFC has been making increasing efforts to better understand and measure the broader development impacts of its operations. Moreover, since 2010 there has been a surge in analytical studies focused on measuring the number of jobs created and other social benefits generated by IFC projects. As suggested by interviews with IFC staff, this positive trend has been the result of increasing internal and external demand for IFC to provide more evidence on the development impact of its investments.

The analysis of the World Bank 's country strategies in 12 country case studies reveals that more than half of country assistance strategy and CPF pillars that were closed and evaluated in FY05–16 had significant distributional content and that these pillars were more likely to achieve satisfactory outcomes than those without distributional focus.

Although shared prosperity is a new concept in the World Bank Group, for many years IFC project documents have been using terms such as *lower-income populations, bottom of the pyramid, inclusive business,* and *underserved groups,* all of which suggest a concern with addressing equity issues. At the level of strategy, before adopting the shared prosperity goal, IFC was already pursuing distributional objectives in its strategies, as laid out in its previous IFC Road Maps, its work in frontier markets and, to a limited extent, through inclusive business models that support low-income, excluded, and underserved populations.

The share of World Bank *projects* with significant distributional content had been trending up even before the adoption of the twin goals and is highest among upper-middle-income country clients. The incidence of such distributionally oriented projects during FY05–13 was 33 percent in upper-middle-income countries, compared with 11 percent and 15 percent in low- and lower-middle-income countries, respectively. Across regions, the highest incidence of such projects is found in Latin America and the Caribbean (33 percent), followed by Middle East and North Africa (20 percent), with the other regions having shares close to 10 percent. Not surprisingly, given these trends, distributionally oriented projects were more common among IBRD than IDA clients—18 percent and 12 percent, respectively.

Almost three-quarters of projects with high distributional content are found in Global Practices focused in the social sectors, as well as in Agriculture and MFM. About 70 percent of Social Protection and Labor projects are considered to have high distributional content, as are 30 percent of Health, Nutrition, and Population projects, about 20 percent of projects in Agriculture and Education, and 15 percent of MFM projects. In other Global Practices, the share of projects with high distributional content is 6 percent on average. In terms of World Bank lending instruments, Program-for-Results projects are most likely to have a high distributional focus, followed by development policy financing and investment project financing—38 percent, 18 percent, and 14 percent of projects, respectively.

World Bank development policy financing projects that support social policy reform were found to lead to improvements in the quality of borrower countries' social policies, especially in the areas of social protection and environmental sustainability.

A new study conducted under this evaluation of the association between subnational geographic distribution of World Bank's investment projects and the territorial distribution of bottom 40 percent groups in 56 countries showed that in more than 70 percent of the sampled countries investment projects tended—even before the goal—to benefit the geographic areas where bottom 40 percent groups live.

These results are broadly consistent with the findings of country case studies conducted for this report. For example, Bangladesh, Ethiopia, and Indonesia, which are among the countries with the highest correlations between the location of investment projects and bottom 40 percent populations, are examples of generally successful World Bank strategies focused on addressing poverty and equity challenges in concert with client governments and over a long time.

Recommendations

Recommendation 1. Where there are knowledge and data gaps on the characteristics of bottom 40 percent populations or on the drivers of bottom 40 percent income growth, the World Bank (IBRD and IDA) and IFC should provide sufficient funding for analytical diagnostic work to close the knowledge gaps within the following CPF cycle, and they should encourage country clients to ensure greater availability, quality, and comparability of distributional data.

Recommendation 2. The management of the World Bank Group institutions should ensure financed strategies and projects that explicitly aim to contribute to the shared prosperity goal also include clear descriptions of the results chains linking the respective interventions to outcomes for bottom 40 percent populations.

Recommendation 3. World Bank Group–financed strategies and projects that explicitly aim to contribute to the shared prosperity goal should have clear results frameworks with indicators that permit measuring the World Bank Group's contributions to shared prosperity outcomes.

Recommendation 4. For projects in which it is possible to identify the geographical location of direct beneficiaries, the World Bank Group should monitor the extent to which the geographical distribution of beneficiaries and that of populations in the bottom 40 percent are congruent.

Recommendation 5. The management of the World Bank Group institutions should ensure that operational staff across all its institutions have a clear understanding of the shared prosperity goal and possess the skills needed for effectively incorporating and tracking shared prosperity–related objectives in World Bank Group–financed strategies and projects, where relevant.

management response

MANAGEMENT OF THE WORLD BANK GROUP institutions welcomes the Independent Evaluation Group (IEG) report *The World Bank Group's Support for Shared Prosperity: An Independent Evaluation.* Management appreciates having had the opportunity to provide comments on the approach paper and early draft of the report. Overall, the report is comprehensive and constructive. It provides an important review of the work of the World Bank Group in supporting its strategic objective of promoting shared prosperity, as measured by income growth of the bottom 40 percent (bottom 40 percent) of the population. The report also recognizes the convening role Bank Group plays in championing the shared prosperity agenda in its global, regional, and country level engagements. The report provides valuable insights on early successes and areas of improvement and offers useful suggestions on how to improve the effectiveness of operations and engagements in boosting shared prosperity.

IEG's report is timely, as the shared prosperity goal remains critical across the broad spectrum of the Bank Group's clients. The IEG report successfully puts a spotlight on the important question of the Bank Group's effectiveness in supporting progress toward the goal of promoting shared prosperity from a broader perspective. Promoting shared prosperity was placed at the heart of the 2013 Bank Group Strategy, not just because it adds concrete, measurable dimensions to the fight against poverty but also because in a broader sense it stands for the aspiration of all developing countries for swift, sustained and inclusive advances on living standards. Therefore, the Bank Group has been operationalizing the shared prosperity goal with a broad perspective, encompassing support to the poorest and vulnerable groups in low and middle income countries, and adopting a concept of poverty and shared prosperity that goes beyond income categories. Following this approach, implementation experience has shown that success in reducing poverty and boosting shared prosperity depends on the ability of the Bank Group to deliver results for a wide range of our clients, including middle income countries, which are the home of most of the poor and face significant shared prosperity challenges.

Management broadly concurs with the findings and conclusions of the report. The report followed a pilot approach: IEG and management drafted separate sets of recommendations based on the IEG report's findings and conclusions. Management thanks IEG for the constructive dialogue and collaboration during this pilot process. Management has benefited from interactions with the IEG team to discuss the analytical findings and recommendations and has broadly agreed with the spirit of IEG recommendations. Management rearticulated some of IEG's recommendations to reflect its commitments to addressing the findings of the report in a more precise and feasible manner. An early draft of management's recommendations was discussed with IEG, and IEG's feedback helped improve the final draft of management recommendations presented in the attached Management Action Record Matrix along with the IEG recommendations.

World Bank Management Comments

Recognition of progress on operationalizing the shared prosperity goal since 2013. Management agrees with the report that it is too early to assess the overall impact of the Bank Group efforts on shared prosperity as measured by increase of income of the bottom 40 percent. The latest year for which comprehensive data are available for this indicator is 2013. A critical question to answer in this respect will be whether there is a continuation of the trend observed from 2011 to 2013 of increases in bottom 40 percent income albeit at a slowing rate, and how this compares to progress on the poverty reduction indicator. Management appreciates the report's recognition of the Bank Group's significant effort to incorporate the shared prosperity goal into its various products and services, across Regions, Global Practices, and Bank Group institutions since the adoption of the corporate goals in 2013. The new country engagement model introduced in 2014 plays a critical role in this. Through the Systematic Country Diagnostic (SCD), a comprehensive analysis is conducted for each client country with the aim of identifying the main constraints to and opportunities for advancing the corporate goals. The design of the Bank Group program in a country, set out in the Country Partnership Framework (CPF), starts from the evidence base produced by the SCD and is organized in a results framework that links CPF objectives to the corporate goals.

Importance of adopting a broad scope of the shared prosperity concept. The IEG report assesses the effectiveness of the Bank Group's support to promoting shared prosperity in accordance with the official, income-based definition of the shared prosperity specified in the 2013 Bank Group Strategy. This definition stipulates that promoting shared prosperity is measured by growth of income of the bottom 40 percent in every developing nation. This measure—together with the one adopted for ending extreme poverty—allows for effective target setting and progress monitoring of the critical income dimension of the corporate goals. Management would like to emphasize that the operationalization of the shared prosperity goal has followed a broader concept, which captures welfare dimensions beyond income, such as education, health, nutrition, and access to essential infrastructure, as well as advancing economic and social inclusion of all segments of society. Thus, although management appreciates the focus of this evaluation on the income dimension of shared prosperity, its findings would need to be complemented with those of other reports that examine other aspects of well-being.

Shared prosperity as an indicator of inclusive growth. Management would like to highlight the importance of considering factors related to growth and income distribution, when examining improvements on shared prosperity. As discussed in the World Bank's 2016 flagship report *Poverty and Shared Prosperity 2016: Taking on Inequality*, analytical evidence shows a strong connection between the rate of increase in shared prosperity in a country and the degree of inclusiveness of its economic growth. This report also shows that certain shifts in income distribution can lead to a shared prosperity premium, which is defined as the difference between the growth in the bottom 40 percent income and the growth in income at the mean in each country. As there can be both complementary and trade-off effects between overall income growth and distributional improvements, the policy mix most effective to advancing shared prosperity is highly country specific.

Academic research has generally found that a focus of policies on both distribution and growth is needed to generate lasting gains on shared prosperity.

Different pathways in boosting the incomes of the bottom 40 percent. The report identifies several pathways for the World Bank to support client countries in boosting the incomes of the bottom 40 percent: building income-earning assets, facilitating public and private transfers, promoting fair and transparent institutions, supporting equitable and sustainable macroeconomic policies, and promoting well-functioning markets. Management appreciates IEG's recognition of the achievements in exploring different pathways in World Bank work across Regions, and the fact that almost all SCDs include an explicit analysis of the profile of the bottom 40 percent. The regional differentiation observed in the report originates in the Bank Group country engagement model, which is based on the country's broader development context and considers the government's own development vision as well as other external conditions. Therefore, the choice of pathways is identified through the CPF, based on the SCD diagnostics, and not through an aggregated view across countries.

Importance of good-quality data on shared prosperity. Management is committed to supporting efforts toward improving the availability of good-quality data. The report recognizes that the analysis in SCDs consistently centers on the corporate goals. However, SCD teams face significant limitations in terms of access to good-quality data and analytical resources. As the IEG report notes, diagnostic work requires the availability of standardized and high-quality data on the characteristics of the bottom 40 percent. The Data Diagnostic template, referenced in the SCD Guidance Note issued in December 2016, is expected to support SCD teams in systematically recording data gaps in a standardized format. On this basis, CPFs will adopt priority actions to address data gaps aligned with client countries' strategic objectives and the World Bank's comparative advantages. The Country Engagement Guidance is being revised to better reflect this approach. Beyond this, management will enhance its efforts to encourage country clients to ensure greater availability, quality, and comparability of distributional data. The Data Diagnostic template can serve as a platform for in-country dialogue on efforts to improve data availability and quality and for coordination among teams working on data issues.

Analysis of bottom 40 percent in non-SCD core diagnostic work. There is room to improve the focus of core diagnostic work besides the SCD to help shed light on the bottom 40 percent. The report states that only 20 percent of the 64 non-SCD core diagnostics (including growth-focused Country Economic Memorandums, Poverty Assessments, Public Expenditure Reviews, and Gender Assessments) reviewed by IEG since the introduction of the shared prosperity goal contain analysis of the bottom 40 percent. Management agrees that there is room to improve the coverage of bottom 40 percent analysis in core diagnostic work and to include in these reports distributional analysis that is directly relevant to the issues they cover. However, the SCD remains the primary document for comprehensive diagnostics on the Bank Group corporate goals. Other core diagnostics, such as Country Economic Memorandums, have a complementary role, through which they can contribute important distributional analysis to the SCD.

Broader analytical work on growth and distribution. IEG's findings on the treatment of shared prosperity in diagnostic work are based on a specific assumption regarding what constitutes "analysis of the bottom 40 percent." The concept of shared prosperity contains both growth and distribution dimensions, and as academic research has shown, even "distributionally neutral" growth contributes to the shared prosperity goal by benefitting the bottom 40 percent. Any analysis of growth that accounts for change in the share of the bottom 40 percent helps our understanding of the determinants of shared prosperity. For example, Poverty and Gender Assessments almost always include analysis that considers distributional changes and impacts, such as trends and drivers of inequality, inclusive growth, economic opportunities for different groups including women, and poverty; and a Public Expenditure Review would include an analysis of the incidence of taxes and expenditures on different parts of the distribution and groups. How far a core diagnostic focuses on the specific metric of bottom 40 percent growth depends on the country context, including the level of poverty (a poverty rate of 40 percent or more makes the distinction with shared prosperity less important), since these diagnostics are intended to inform country policy dialogue.

Attribution of shared prosperity achievements to the Bank Group's work. The evaluation discusses the link between a well-articulated theory of change and the impact on the bottom 40 percent. In practice, however, it is difficult to properly attribute shared prosperity achievements to Bank Group strategies or interventions, especially in larger countries. Bank Group programs typically complement the government's own programs as well as the efforts of other development partners in boosting shared prosperity.

Articulation of a theory of change pertaining to the bottom 40 percent in CPFs. The report notes that although the corporate goals have consistently guided SCDs in analyzing constraints to boosting shared prosperity, this approach might not have been systematically applied to CPFs. Management believes that additional evidence on alignment between SCD and CPF priorities is needed for a rigorous analysis on this point, as the theory of change in country engagement is presented in the nexus between SCD and CPF. Operations Policy and Country Services and the SCD Secretariat have started working on such an analysis, which could only be launched once a critical mass of SCDs and CPFs was completed. Management would also like to stress that all CPFs already present intervention logics for each CPF objective, linking these objectives through country development priorities, which in most cases are linked to the corporate goals and often include aspects of boosting shared prosperity. Efforts can be made to strengthen the articulation of a theory of change pertaining to the shared prosperity goal in CPFs, including specifying in the results framework the appropriate instrument choice and key existing and pipeline interventions. However, this can only be done for those CPF objectives that explicitly relate to this goal. Also, the CPF's role is to define how a combination of interventions rather than individual interventions contribute to the shared prosperity goal.

The articulation of theories of change in country engagement is highly country specific. The report assesses 12 of the 29 CPFs examined as lacking a basic theory of change. Management believes that a closer look at some of these cases is warranted, as they reveal the existence of a relevant theory of change if regarded through the lens of a broader concept of shared prosperity, which captures welfare dimensions beyond income. In Tunisia, for instance, the CPF is built on the premise that progress toward the shared prosperity goal cannot occur in the absence of social and political stability. In a country that had just emerged from a political revolution triggered by social and economic exclusion, the Tunisia CPF highlights a fundamental change in the social contract between the state and its citizens as critical for generating inclusive growth. The theory of change laid out in the CPF puts forward that altering the social contract requires bolstering greater opportunities and citizen trust, which in turn is fueled by inclusive and accountable service delivery and a vibrant private sector that creates jobs and opportunities for excluded segments of society, most of which belonging to the bottom 40 percent. In response to this, the CPF contains objectives aimed at reducing regional disparities in terms of economic opportunities and living standards and targeting social assistance to vulnerable segments of society. CPFs for other countries in the Middle East and North Africa region, such as Lebanon, include similarly articulated theories of change related to strengthening the social contract through enhanced opportunities and citizen trust.

The shared prosperity goal in Bank Group interventions. Management agrees with the report's assertion that strong analytical underpinnings are critical to strengthening the design of World Bank interventions focused on the shared prosperity goal. It is similarly important to have a well-defined approach on how interventions are expected to contribute to the objective and solid results frameworks. The divergence noted in the report, between the number of World Bank-financed projects that mention the shared prosperity goal and those that have an explicit theory of change, comes from the fact that only those interventions that explicitly address the shared prosperity goal articulate the theory of change. Shared Prosperity is a strategic objective, indirectly articulated for majority of interventions or even CPFs. Interventions and strategies usually specify intermediate outcomes that affect livelihood or welfare of bottom 40 percent and indirectly contributing to shared prosperity. It is not practical for all World Bank interventions to have a theory of change or a results framework that links activities with outcomes for the bottom 40 percent, as specific interventions might contribute only indirectly to the strategic objectives of the Bank Group.

The findings that a large share of staff is not familiar with the shared prosperity definition need to be interpreted carefully. Management agrees with the IEG statement that full understanding of the goal is critical to adapting World Bank activities accordingly and to using the World Bank's convening power and partnerships in ways that contribute to the shared prosperity agenda, not only globally but also bilaterally with client countries. Management will look more into the issue of staff familiarity with the shared prosperity definition and ensure that operational staff have a clear understanding of the strategic objectives and possess the skills they need to effectively incorporate and track the shared prosperity goal in their operational and analytical work.

International Finance Corporation Management Comments

The International Finance Corporation (IFC) management is in broad agreement with the findings and conclusions of the report and echoes the importance of the shared prosperity goal and its relevance for IFC. Management commends the thorough process, including consultations with a broad array of stakeholders, and experts, that IEG conducted, resulting in a comprehensive and informative report.

IFC Management agrees broadly on evaluation findings: (i) more work on developing robust, evidence-based theories of change is needed to better illustrate IFC's contributions to shared prosperity, and IFC's ability to better estimate and measure its development impact should be strengthened as we move toward implementing IFC 3.0 and related initiatives, such as Maximizing Finance for Development and the International Development Association Private Sector Window; (ii) systematically extracting data on final beneficiaries from private sector clients is still a challenge while IFC continues various approaches to capture such data when additional resources are available; and (iii) there is scope for improving staff knowledge in the definition of shared prosperity, and particularly, in the common Bank Group terminologies and definitions, within the institution.

As indicated by IFC management on various occasions, strengthening development results estimation and measurement has become a real priority for IFC over the last few years. With substantial dedicated resources, IFC management made significant progress in reengineering its framework and introduced Anticipated Impact Measurement and Monitoring (AIMM), the new ex ante impact assessment framework. AIMM will help IFC better assess and document development outcomes and make the link with the twin goals, particularly the shared prosperity goal.

AIMM addresses a dimension of inclusiveness by capturing impacts on low-income populations, an area where more data would help deepen our understanding. In addition to the twin goals, the framework will help link the intermediate objectives of IFC projects with SDGs. To ensure the coherent implementation, IFC management also placed enhanced end-to-end support to operations with better development outcome assessment at project selection phase and monitoring during project supervision.

It is worth noting that AIMM benefited from the theories of change IFC had developed in the past year, which drew on empirical evidence of impact of interventions in different sectors on the bottom 40 percent and poor populations. In terms of analyzing IFC's contribution to the Twin Goals, IFC Management clarifies its view that due to the over-complexity of a project-by-project approach, it is more constructive to take a sector-level approach. In this regard, it is advised that IFC increasingly undertakes a limited number of strategically-chosen in-depth ex post evaluations at a project level and complements existing data with the findings and evidence.

Beside estimation, measurement, and assessment efforts, IFC management wishes to make a few points to clarify the substance of its contribution to shared prosperity as it continues to advance its well-established work on shared prosperity and thinking.

First, IFC contributes to the shared prosperity goal by promoting broad-based economic growth that directly and indirectly benefits the poor and does this through its support for the private sector. Although IFC does have direct contribution to shared prosperity through microfinance support and some of those projects identified as "inclusive business," much of IFC's work is indirect and foundational in shared prosperity contribution. This type of work is essential for shared prosperity because it promotes growth to lift general income and it is the income growth in the aggregate that drives the bottom 40 percent's income growth as studies, such as World Bank's Global Monitoring Report, show. This is critical, providing the principal rational for IFC 3.0 Creating Markets Strategy that seeks to further create opportunities across the board and stimulate growth.

Second, the shared prosperity goal is more than merely reducing income poverty. It is multidimensional in nature and is underpinned by the sustainability requirement. On the former, shared prosperity is directly linked to a reduction in the various access gaps that are registered in the nonincome dimensions of development. Recognizing this, IFC provides support for physical and digital infrastructure, health, and education, which reduce the gaps and raise the living standards of the bottom 40 percent. If one focuses solely on the bottom 40 percent registering good income growth and therefore, solely on Bank Group's support directly increasing the bottom 40 percent's income, the analysis would miss much of IFC's important contribution. On the sustainability requirement, both ending extreme poverty and promoting shared prosperity should be sustainable environmentally, socially, and fiscally. IFC is constantly striving to contribute to these three dimensions of sustainability in engaging with the private- and public-sector clients. Evaluating the shared prosperity contribution without the sustainability requirement would likely end in not finding much of IFC's efforts in this regard.

Third, as an institution directly supporting the private sector, IFC has a considerable comparative advantage in the Bank Group in the area of disruptive technology in promoting shared prosperity. IFC Management notes that nonincome areas of development, such as health, education, water and sanitation, have had slower progress than the income growth itself.

Disruptive technology holds great potential to not only help accelerate income generation of the poor but also help improve their essential access in nonincome dimensions. IFC is therefore constantly seeking opportunities to deploy the private sector innovations at scale that can contribute to the twin goals while also pursuing opportunities in more traditional, export-led and other sectors especially where productivity growth occurs.

IFC is firmly committed to both of the twin goals. IFC's Creating Markets Strategy will further contribute to boosting broad-based growth, which will benefit the bottom 40 percent.

Multilateral Investment Guarantee Agency Management Comments

This is a useful report, but with limited Multilateral Investment Guarantee Agency (MIGA) references. Overall, MIGA finds the IEG evaluation report to be useful and important. The evaluation takes stock of the extent to which the Bank Group has incorporated its shared prosperity goal in its knowledge, strategy, and lending work. The evaluation also presents evidence on whether staff are aware of the shared prosperity goal and on the degree to which efforts are being made to incorporate the goal across the various Bank Group products and services. However, the evaluation has limited references to MIGA guarantee projects.

MIGA's approach to shared prosperity. MIGA remains fully committed to the twin goals, as articulated in the FY15–17 MIGA Strategic Directions Paper. As the paper noted, although there is potential for earning high returns in emerging markets, investors are often hesitant to engage, given uncertain political and sovereign risks that may impede returns to investment. MIGA's value-added stems from its ability to support private sector investments by mitigating noncommercial risks. Over and above the development impacts achieved on a project-by-project basis, Bank Group collaboration through joint projects—including support for transformational projects—has been a key element of MIGA's approach to the twin goals. Since 2010 the IFC-MIGA business development agreement has been a major driver of MIGA's support for joint Bank Group projects. MIGA also notes from IEG's 2016 learning evaluation that over the past two decades, joint Bank Group projects have allowed MIGA to expand its reach and access World Bank and IFC clients.

The evaluation states that MIGA needs to articulate further the links between MIGA projects and the twin goals where relevant. However, MIGA notes that it is extremely difficult—if not impossible—to link development results from MIGA guarantee operations to the twin goals at the project level. Therefore, MIGA's approach has been to position MIGA guarantee projects as being broadly consistent with the Bank Group twin goals, but without any attribution at the project level.

Development Effectiveness Indicator System (DEIS). The evaluation states that since 2011, MIGA has collected development indicators for its operations through DEIS. DEIS provides a standardized approach for collecting from MIGA clients data on development outcome indicators that is being used for reporting, analysis, and self-evaluation at the project level as well as aggregate results at the portfolio level. On the broader topic of MIGA's development data gathering, MIGA notes from IEG's (2013) *Biennial Report on Operations Evaluation: Assessing the Monitoring and Evaluation Systems of IFC and MIGA* that MIGA is constrained by the fact that its business model is based on an arms-length relationship with the project company. Therefore, access to project information is not automatic—a fact that limits the scope and depth of monitoring and evaluation. Nevertheless, the 2013 evaluation noted new MIGA activities in 2011 that indicated a more active MIGA role in measuring development results: (i) an environmental and social monitoring strategy for tracking compliance with MIGA's Environmental and Social Performance Standards; (ii) DEIS for collecting sector-specific indicators as well as standard development impact indicators; and (iii) self-evaluation of MIGA guarantee projects, which was introduced on a pilot basis and has since been mainstreamed.

MANAGEMENT RESPONSE Management agrees that the design of World Bank interventions focused on the shared prosperity objective should have a well-defined approach on how the interventions are expected to contribute to the objective and solid results frameworks.

However, it should be noted that shared prosperity, expressed as growth of income of bottom 40 percent, is a higher-level outcome at the country level. Bank Group's interventions and operations, as outlined in country strategies, contribute only indirectly to this strategic objective through lower levels of outcomes in the results chain, such as improved welfare or economic opportunities for the bottom 40 percent.

IFC Management reiterates the response to recommendation 2

management action record

Closing the Knowledge Gap

IEG FINDINGS AND CONCLUSIONS Knowledge work on distributional issues has played an important role in providing analytical underpinnings for the World Bank's policy dialogue on shared prosperity–related issues, as well for the design of World Bank strategies and lending products that address those issues. Though the volume of the knowledge work from the International Finance Corporation (IFC) is much more limited than the World Bank's, recent IFC studies suggest ways in which it can contribute to the shared prosperity goal, including by supporting private sector job creation.

All 42 Systematic Country Diagnostics (SCDs) produced in the period October 2013–June 2016 have explicit coverage of the World Bank's second twin goal. However, 60 percent of SCDs faced severe constraints in terms of the availability of timely and good-quality data. This has limited the extent to which more sophisticated methods can be used for shared prosperity analysis and ultimately affected the granularity of some of the SCD findings and recommendations. Other core diagnostics prepared since the introduction of the shared prosperity goal have paid relatively little attention to the new goal, thus missing an opportunity to further strengthen the analytical basis of shared prosperity interventions at the country level. Only 20 percent of the 64 non-SCD core diagnostics produced since the introduction of the shared prosperity goal (and until June 2016) contain analysis of the bottom 40 percent.

IEG RECOMMENDATIONS Recommendation 1. Where there are knowledge and data gaps on the characteristics of populations in the bottom 40 percent or on the drivers of income growth in this segment, the World Bank (International Bank for Reconstruction and Development [IBRD], the International Development Association [IDA]) and IFC should provide sufficient funding for analytical diagnostic work to close the knowledge gaps within the following Country Partnership Framework (CPF) cycle, and they should encourage country clients to ensure greater availability, quality, and comparability of distributional data.

WORLD BANK GROUP MANAGEMENT RECOMMENDATIONS[1] Recommendation 1. To address identified knowledge gaps on the characteristics of the population in the bottom 40 percent (including drivers of income growth in this segment), the World Bank (IBRD and IDA) and IFC management should (i) reinforce efforts to build analytical and data capacity at the global level to help close such gaps; (ii) encourage country clients to ensure greater availability, quality, and comparability of distributional data; and (iii) enhance the analytical and data underpinning of World Bank Group interventions that aim to contribute to the shared prosperity objective.

MANAGEMENT RESPONSE Management agrees with the IEG findings and conclusions and with the overall thrust of the recommendation to close the knowledge gaps on distributional issues. Management is committed to continuing its efforts to improve the availability of good-quality data. However, closing the existing large knowledge gaps would be beyond the financial capacity of the Bank Group or any one organization.

The Data Diagnostic template is expected to support SCD teams in systematically recording distributional data gaps and to inform consultations on the CPFs to consider addressing gaps that are aligned with client countries' strategic objectives and the World Bank's comparative advantages.

Management will also encourage country clients to ensure greater availability, quality, and comparability of distributional data.

Articulating a Theory of Change

IEG FINDINGS AND CONCLUSIONS CPF objectives generally do not include a clearly articulated theory of change pertaining to the bottom 40 percent. Descriptions of how the World Bank Group will influence the living conditions of the bottom 40 percent are provided in only 25 percent of the objectives included in the CPFs approved during October 2013–June 2016. And for only 7 percent of those do CPFs provide well-articulated theories of change describing in at least some detail the results chain linking World Bank interventions, context variables, and outcomes related to the bottom 40 percent.

Three-quarters of World Bank projects mention the shared prosperity goal, but a much smaller share has a well-defined approach on how they will contribute to the goal. Only 32 percent have an explicit theory of change linking project interventions to benefits among the bottom 40 percent, and for just 18 percent that theory of change is minimally well articulated. Only 15 percent of IFC projects approved between FY14 and FY15 mention the shared prosperity goal, and none include a clear theory of change linking project results to benefits accruing to the bottom 40 percent (or to a subset of that group).

IEG RECOMMENDATIONS Recommendation 2. The management of the World Bank Group institutions should ensure that country strategies and projects that explicitly aim to contribute to the shared prosperity goal also include clear descriptions of the results chains linking the respective interventions to outcomes for populations in the bottom 40 percent.

WORLD BANK GROUP MANAGEMENT RECOMMENDATIONS[1] Recommendation 2. Management of the World Bank Group institutions should intensify efforts to have operations that contribute to the shared prosperity goal articulate an explicit theory of change, describing the results chain between interventions and associated outcomes for the bottom 40 percent. Similarly, management should commit to strengthening the presentation of intervention logics in all CPF results frameworks by laying out explicitly how relevant elements of the World Bank Group program will contribute to boosting shared prosperity.

MANAGEMENT RESPONSE Management agrees that operations that contribute to the shared prosperity objective should articulate a theory of change, describing the results chain between interventions and associated outcomes for the bottom 40 percent. The country strategies define how interventions, either individually or collectively, contribute to the shared prosperity goal, by presenting intervention logics for each CPF objective, which link these objectives to country development priorities. In most cases, these priorities are linked to the corporate goals, including the shared prosperity objective. Management is committed to undertake additional efforts to strengthen the articulation of a theory of change pertaining to CPF objectives that explicitly aim at shared prosperity.

IFC Management reiterates that more work on developing robust, evidence-based theories of change is needed to better illustrate IFC's contributions to shared prosperity, and IFC's ability to better estimate and measure its development impact should be strengthened.

Systematically extracting data on final beneficiaries from private sector clients is still a challenge while IFC continues various approaches to capture such data when additional resources are available.

Measuring Contributions to Shared Prosperity

IEG FINDINGS AND CONCLUSIONS None of the objectives included in CPFs approved during October 2013–June 2016 have indicators on income growth in the bottom 40 percent, and only for 26 percent will the World Bank Group track indicators on population groups identifiable as being part of this group. Moreover, in less than 5 percent of the cases do CPFs provide information on the data sources that will be used to calculate shared prosperity–related indicators.

Regarding World Bank projects, even among the minority (32 percent) that do articulate a results chain linking World Bank–financed activities to shared prosperity–related outcomes, 75 percent fail to include indicators that would allow tracking of the respective achievements in their results frameworks. Indicators tend to be more readily available for projects with well-articulated theories of change, but even among those projects, 47 percent lack sufficiently granular results frameworks.

IEG RECOMMENDATIONS Recommendation 3. World Bank Group–financed strategies and projects that explicitly aim to contribute to the shared prosperity goal should have clear results frameworks with indicators that allow for measuring the World Bank's contributions to shared prosperity outcomes.

WORLD BANK GROUP MANAGEMENT RECOMMENDATIONS[1] Recommendation 3. The results frameworks for CPFs and operations that explicitly aim to contribute to the shared prosperity goal should include, where possible, results indicators that measure the specific impact on variables relevant to the bottom 40 percent.

MANAGEMENT RESPONSE Management agrees that the design of World Bank interventions focused on the shared prosperity objective should have a well-defined approach on how the interventions are expected to contribute to the objective and solid results frameworks.

However, it should be noted that shared prosperity, expressed as growth of income of bottom 40 percent, is a higher-level outcome at the country level. The Bank Group's interventions and operations, as outlined in country strategies, contribute only indirectly to this strategic objective through lower levels of outcomes in the results chain, such as improved welfare or economic opportunities for the bottom 40 percent.

IFC Management reiterates the response to Recommendation 2.

Monitoring the Geographical Distribution of Outcomes

IEG FINDINGS AND CONCLUSIONS An analysis of the geographical footprint of World Bank investment projects in 56 countries shows that in more than 70 percent of the cases the presence of World Bank–financed activities is positively correlated with the presence of populations in the bottom 40 percent.

However, in 15 countries, 13 of which are in Sub-Saharan Africa, the correlation between the location of World Bank investment projects and the bottom 40 percent is negative, which raises concerns about the extent to which World Bank projects in those countries will be able to contribute to the shared prosperity goal.

IEG RECOMMENDATIONS Recommendation 4. For projects in which it is possible to identify the geographical location of direct beneficiaries, the World Bank Group should monitor the extent to which the geographical distribution of beneficiaries and that of populations in the bottom 40 percent are congruent.

WORLD BANK GROUP MANAGEMENT RECOMMENDATIONS[1] Recommendation 4. For projects that explicitly aim to contribute to the shared prosperity or target benefits to specific regions or geographic areas, management should include expected geographical distribution of project outcomes, relative to the geographic distribution of the bottom 40 percent of the national population.

MANAGEMENT RESPONSE Management agrees that projects that explicitly aim to contribute to the shared prosperity or are targeted to benefit specific regions or geographic areas should analyze expected geographical distribution of project outcomes, relative to the geographic distribution of the bottom 40 percent of the national population.

Understanding and Tracking Shared Prosperity

IEG FINDINGS AND CONCLUSIONS According to a comprehensive survey performed for this evaluation, less than two-thirds of World Bank Group staff—63 percent—are fully familiar with the official World Bank definition of shared prosperity. Knowledge about the shared prosperity goal is highest in IBRD, at 71 percent, and lowest in IFC, at 42 percent.

Staff understanding of the goal varies widely across the World Bank's 14 Global Practices. It is highest in the Poverty; Macroeconomics and Fiscal Management; Health, Nutrition, and Population; Social Protection and Labor; and Governance Global Practices. In these Global Practices and in the Development Economics Vice Presidency, more than 75 percent of staff are aware of the official definition of the goal. At the other extreme, familiarity with the shared prosperity goal is lowest—at less than 50 percent—in the Finance and Markets, Environment and Natural Resources, Energy and Extractives, Agriculture, and Transport and ICT Global Practices.

IEG RECOMMENDATIONS Recommendation 5. The management of the World Bank Group institutions should ensure that operational staff have a clear understanding of the shared prosperity goal and possess the skills needed for effectively incorporating and tracking shared prosperity–related objectives in financed strategies and projects, where relevant.

WORLD BANK GROUP MANAGEMENT RECOMMENDATIONS[1] Recommendation 5. Management of the World Bank Group institutions should ensure that operational staff have a clear understanding of the shared prosperity goal and possess the skills to effectively incorporate and track the shared prosperity goal in their country strategies and operational and analytical work, where relevant.

MANAGEMENT RESPONSE Management agrees that full understanding of the goal is critical to adapt World Bank activities accordingly and to use World Bank convening power to contribute to the shared prosperity agenda.

Management is committed to ensure that staff and managers are familiar with the concept of shared prosperity. Efforts will be focused on ensuring that operational staff possess the skills they need to effectively incorporate and track the shared prosperity goal in their country strategies, operational and analytical work.

IFC management concurs with the point that there is scope for improving staff knowledge in the definition of shared prosperity, and particularly, in the common Bank Group terminologies and definitions, within the institution.

[1] As part of a pilot initiative, led by the Independent Evaluation Group (IEG) and the management of the World Bank Group institutions, both the IEG and the management of the World Bank Group institutions issued separate sets of recommendations based on the evaluation's findings. Those recommendations were discussed at the Committee on Development Effectiveness (CODE) meeting on October 25, 2017. Given the relatively high similarity of the two sets of recommendations, CODE, IEG, and World Bank Group management concurred with management's recommendations (shown in the Management Action Record). The pilot initiative is aimed at increasing the ownership by World Bank Group management of the recommendations derived from the IEG's major evaluations, which is ultimately expected to increase their impact on the World Bank Group's development effectiveness.

report to the board from the committee on development effectiveness

The Committee on Development Effectiveness met to consider *Growth for the Bottom 40 Percent: The World Bank Group's Support for Shared Prosperity* and the draft management response.

The committee welcomed the evaluation on shared prosperity and acknowledged its relevance, given that it is at the core of the World Bank Group's mandate. Members acknowledged the evaluation as part of the six pilots to improve the process for major thematic and sectoral evaluations by the Independent Evaluation Group (IEG) emerging from IEG's external review. Members were pleased to see the convergence between the two sets of recommendations (for purpose of this pilot both IEG and management drafted their own set of recommendations based on the report's findings) and praised the pilot for leading to a robust and fruitful discussion.

Members highlighted the importance of this "real-time" evaluation, acknowledging that although it did not provide evidence on impact, it provided key inputs for a timely course correction of the shared prosperity agenda. Members underscored that the shared prosperity goal needed more attention, as it focused on the poorest and most vulnerable people in the poorest countries. Some committee members also underscored the importance of having a common and "official definition" with focus on the bottom 40 percent. Members asked management to clarify the timeline for implementing the recommendations.

To ensure results in this area, members highlighted the importance of properly and mindfully using the theory of change to analyze and understand better, based on evidence of what works, how different projects contribute to the overall shared prosperity agenda. Members also emphasized the need to prioritize efforts on data collection and analytical work. Noting that the Bank Group cannot undertake this agenda on its own, they encouraged management to increase efforts to mobilize donors and raise awareness of the importance of this agenda in client countries. They also emphasized the need to generate evidence to determine what Bank Group actions (jobs, fiscal and macroeconomic policies, income earning assets, distributional policies, and so on) have greater impact and thus inform future decisions.

Members were interested to learn the approach used by the Bank Group in countries with different stages of development and its plan to ensure that the Bank Group's work benefited the poorest and most vulnerable. Some highlighted the unevenness in progress across countries and highlighted that the evaluation would have benefited from capturing disaggregated information based on country groups and regions.

1

Introduction

THE OVERARCHING MISSION of the World Bank Group is a world free of poverty. Recognizing the complexity of this mission, and that it requires coordinated action on many policy fronts by the entire international community, in 2013, the World Bank Group committed to aligning all its diverse activities to two intermediate goals. The first goal is to end extreme poverty. The target for this goal is to reduce the global extreme poverty rate to 3 percent by 2030. The second goal is to promote shared prosperity, which will entail fostering income growth of the bottom 40 percent of the population in every country. The establishment of these intermediate "twin goals" was motivated by the need to focus the institution's efforts, adapt to an ever-changing development landscape, and build consensus among the rapidly expanding number of local, regional, and global stakeholders.

An Evolving View from Income Inequality to Shared Prosperity

A significant consensus has emerged in recent years about the importance of addressing high levels of inequality at the country level for making progress toward the World Bank Group's vision of a world free of poverty. In the mid-20th century, mainstream development economics treated

Definition

> Shared prosperity is "foster(ing) the income growth of the bottom 40 percent of the population …"
>
> *World* Bank Group Strategy 2013

income inequality as a by-product of development and a key incentive for taking risk and engaging in entrepreneurship (Kuznets 1958; Lewis 1954). Today, however, income and wealth inequality are understood to also have potentially negative effects on economic growth and on the ability of growth to reduce poverty (Aghion, Caroli, and Garcia-Penalosa 1999; Hoff and Stiglitz 2001; Bourguignon 2004). In part, this is because some key drivers of inequality may destabilize countries and compromise their growth potential—such as, for example, imperfect or missing markets and high levels of corruption or other governance challenges (Kanbur 2006; Kanbur and Wagstaff 2014; Paes de Barros et al. 2009).

At the World Bank, the importance of addressing high inequality levels in achieving the vision of poverty elimination has been increasingly recognized over the past decades. Starting with the 1990 World Development Report (WDR) on poverty, various World Bank Group flagship studies and strategy documents have recognized that high levels of inequality can be an obstacle to sustained poverty reduction. The 1990 WDR argues that this is especially relevant in some of the most highly unequal countries in Latin America and the Caribbean (World Bank 1989). This and many other World Bank publications have increasingly emphasized that although poverty alleviation requires growth, growth is not enough: growth must be broad-based and labor-intensive, and it must be coupled with efforts to improve the targeting and effectiveness of basic social expenditures. The 2000/01 WDR, for example, concludes that attaining the international development goals will require actions not only to spur economic growth but also to reduce income inequality and make progress in two other important fronts: facilitating empowerment by developing sound and responsive public sector institutions, and enhancing security by reducing the poor's vulnerability to various external shocks (World Bank 2000). Many of these issues were revisited in depth in the *Equity and Development* WDR (World Bank 2006).

The World Bank Group has recognized the importance of avoiding growing levels of inequality to achievement of the twin goals; however, it has stopped short of considering inequality reduction a goal in itself. Continued increases in inequality, as observed in some of the larger developing countries in recent years, imply that attaining the global poverty eradication target would require growth rates that are higher than what has been historically observed. The World Bank has thus recognized that to make progress toward the first twin goal, countries will have to implement policies and reform institutions to limit increases in inequality (World Bank 2016b). Similarly, official World Bank documents have explicitly stated that sustained progress in achieving the second twin goal is incompatible with a steady increase in inequality. However, the World Bank has also noted that promoting shared prosperity does not necessarily imply reducing inequality in all countries at every point of time.

In global development forums, too, inequality has become a key issue, and shared prosperity is a part of a global development agenda, closely related to Sustainable Development Goal (SDG) 10. The United Nations adopted a principle that "no one will be left behind" in its SDGs and the 2030 agenda for sustainable development (UN General Assembly 2015, preamble).

This Evaluation

The objective of this evaluation is to provide management and the Board of Executive Directors with early feedback on how the new shared prosperity goal is being implemented and offer lessons that might help the World Bank Group achieve better results under the shared prosperity agenda. To that end, the evaluation takes stock of the extent to which the World Bank Group has incorporated its second twin goal—the promotion of shared prosperity—in its knowledge, strategy, and lending work. The focus is on the changes observed in the World Bank Group's different activities after the adoption of the World Bank Group strategy in the fall of 2013. The evaluation presents evidence on the extent to which staff are aware of the goal and on the degree to which efforts to incorporate the goal in World Bank activities vary across regions and different types of products and services.

To assess the potential for achieving significant results in the future through the ongoing efforts to mainstream the shared prosperity goal in World Bank activities, the evaluation assesses the strength of the results chains linking World Bank Group interventions to shared prosperity outcomes. In other words, the evaluation looks at the extent to which World Bank Group products and services contain not only nominal expressions of intent to contribute to the second twin goal but also well-articulated theories of change that show how, under specific contextual circumstances, these products and services are expected to lead to improvements in the well-being of the bottom 40 percent. With a view to identifying lessons from experience, the evaluation also presents evidence on the extent to which the institution had already effectively incorporated equity considerations in its various products and services prior to 2013. The evaluation covers fiscal year (FY)05–16, with particular attention to the post-2013 period. Its scope includes knowledge products and strategy documents from across the World Bank Group, as well as lending (International Bank for Reconstruction and Development [IBRD] / International Development Association [IDA]), investment (International Finance Corporation [IFC]), and guarantee (Multilateral Investment Guarantee Agency [MIGA]) projects. The evaluation uses a mixed-method approach that is described in detail in appendix A.

2

How Has the World Bank Group Operationalized the Shared Prosperity Goal?

highlights

1 Despite significant data constraints, Systematic Country Diagnostics (SCDs) are for the most part delivering on their mandate of providing an explicit analysis of constraints for boosting shared prosperity.

2 Only 20 percent of the core country diagnostics, other than the SCDs, produced since October 2013 include an explicit analysis of shared prosperity issues. About one-half of Country Economic Memorandums do include such analysis, but shared prosperity issues are much less frequently covered in Public Expenditure Reviews.

3 The most common pathways for boosting shared prosperity identified in SCDs and other relevant knowledge work are related to building the productive assets of the bottom 40 percent and improving macro policies and institutions. Issues related to market access and transfers are less frequently featured in analytical works as priority pathways for increasing incomes of the bottom 40 percent.

4 Country Partnership Framework (CPF) objectives generally do not include a clearly articulated theory of change pertaining to the bottom 40 percent: only for 7 percent of objectives included in CPFs approved since October, 2013, do CPFs describe the results chain linking World Bank interventions, context variables, and outcomes related to the bottom 40 percent.

5 About a quarter of all CPF objectives will be tracked through indicators measured for population groups identifiable as being part of the bottom 40 percent. Of those, however, only 17 percent have identified data sources for monitoring the respective results.

6 Although three-quarters of World Bank projects mention the shared prosperity goal, only 36 percent refer to the bottom 40 percent of the population, and just 18 percent have a sufficiently well-articulated theory of change linking project interventions to benefits for that target group.

7 Theories of change linking World Bank–financed interventions to shared prosperity outcomes tend to be better articulated in investment projects than in development policy financing projects. Few projects have sufficiently disaggregated indicators to measure progress in shared prosperity–related targets.

8 A review of the design of approved International Finance Corporation projects between FY14 and FY15 found that only 15 percent mentioned the shared prosperity goal, but none included a clear theory of change linking project results to benefits accruing to the bottom 40 percent (or to a subset of that group).

ALTHOUGH IT IS TOO EARLY to judge the effectiveness of World Bank Group efforts toward the shared prosperity goal, success will arguably depend on the extent to which World Bank strategies and projects go beyond stating their intent to contribute to boosting the incomes of the bottom 40 percent and actually provide an explicit theory of change that articulates the process by which, under specific and well-defined circumstances, the outputs of World Bank interventions will contribute to the desired impact on shared prosperity outcomes.[1] Furthermore, without proper data sources and indicators on the bottom 40 percent, it is very difficult to track progress toward the goal.

Conceptual Framework for Identifying Pathways to Shared Prosperity

The World Bank Group's approach to operationalizing its shared prosperity goal focuses on enhancing human capacities and building assets, improving access to markets, and strengthening tax and transfer policies. This approach is laid out in a 2014 paper endorsed by the Development Committee and is to a large extent based on an "asset-based" framework for identifying the drivers of households' ability to benefit from and contribute to economic growth. These include households' access to productive assets, the productivity and returns of those assets, and their access to public or private transfers.[2]

In the context of the asset-based framework, this evaluation considers five channels through which World Bank interventions can help boost shared prosperity: (i) improvements in human, financial, and physical *income-earning assets* owned by the bottom 40; (ii) *well-functioning markets,* as reflected in low barriers to entry, connectivity, and other key infrastructures; (iii) availability of *transfers from private and public sources* (for example, remittances, social assistance, public cash transfers, unemployment insurance, health insurance, and pension); (iv) *equitable and sustainable fiscal and monetary policy* with beneficial effects on the relative prices faced by the bottom 40; and (v) *fair and transparent institutions* capable of delivering quality basic services, protecting property rights and generating a stable investment climate conducive to job creation.[3]

World Bank Group Knowledge Work on Shared Prosperity

All 42 Systematic Country Diagnostics (SCDs) produced during October 2013–June 2016 explicitly cover the World Bank's second twin goal of shared prosperity. Almost all include an explicit analysis of the profile of the bottom 40 percent, the exceptions being countries where the share of the poor in the population is higher than 40 percent—in these cases, the focus of the analysis is on the poor, but it applies to the bottom 40 percent as well. The majority of SCDs produced during the evaluation period are from the Africa Region (31 percent) followed by Latin America and the Caribbean

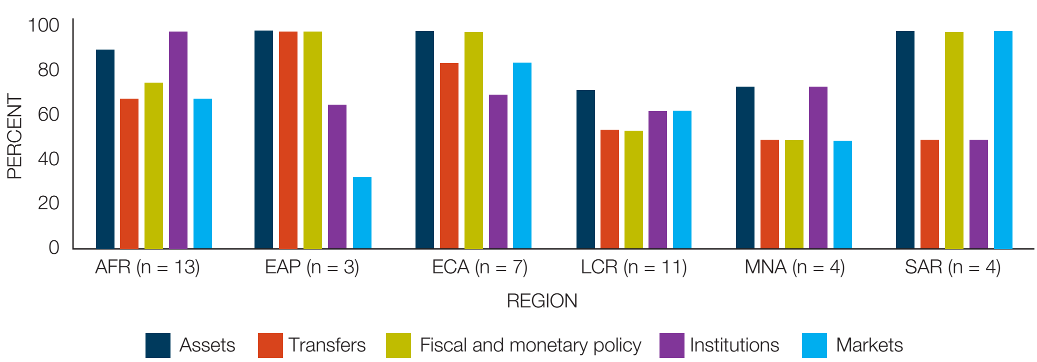
(26 percent) and Europe and Central Asia (17 percent). SCDs explicitly analyze aspects of fiscal, social, or environmental sustainability.

Not all SCDs include an explicit analysis of the pathways that could help boost incomes among the bottom 40 percent (figure 2.1). The broadest coverage across all five pathways was found in SCDs prepared in the Europe and Central Asia region and the lowest in the Middle East and North Africa and Latin America and the Caribbean.

The most frequently discussed pathway for boosting shared prosperity is related to interventions aimed at increasing the income-earning assets of the bottom 40 percent. They are included in 88 percent of SCDs across the World Bank and absent in only a few SCDs from the Latin America and the Caribbean and the Middle East and North Africa regions. The next most frequently discussed pathways, included in three-quarters of SCDs, are related to equitable and sustainable fiscal and monetary policies and fair and transparent institutions. Pathways related to improved institutions are covered in all SCDs from the Africa region, but only in 50 percent to 75 percent of SCDs from other regions. Equitable macro policies are covered in all SCDs from the East Asia and Pacific, Europe and Central Asia and South Asia regions, but present in only 50 percent to 77 percent of other regions. Transfers as means to boosting shared prosperity are mentioned in almost all SCDs from the East Asia and Pacific and Europe and Central Asia regions, but in only 50 percent to 60 percent of SCDs from other regions. Similarly, though access to markets is discussed as a pathway for increasing bottom 40 percent incomes in almost all SCDs from the South Asia and Europe and Central Asia regions, they are mentioned less frequently in other regions.

SCD teams face significant constraints in the scarcity of timely and good-quality data for performing detailed shared prosperity analysis: 60 percent of SCDs were written in an environment of low data quality (table 2.1).[4] Most use the existing data effectively while candidly assessing the data gaps and presenting the findings with caveats (see examples in box 2.1). Nevertheless, data quality with respect to the bottom 40 percent has limited the extent to which more sophisticated methods can be used

Figure 2.1 | Systematic Country Diagnostics Mapped Against Asset-Based Framework



Note: n = 42. AFR = Africa; EAP = East Asia and Pacific; ECA = Europe and Central Asia; LCR = Latin America and the Caribbean; MNA = Middle East and North Africa; SAR = South Asia.

Box 2.1 | Examples of Treatment of Shared Prosperity in Systematic Country Diagnostics

Bangladesh. The Systematic Country Diagnosis (SCD) does not provide income or nonincome indicators for the bottom 40 percent as a group. Because more than 40 percent of the population is below the threshold for extreme poverty, the SCD considers the two goals equivalent in the short term. No reference is made to social sustainability, although growth and environmental sustainability are well covered. The SCD does not provide statistics on income growth among the bottom 40 percent or comparisons with the top 60 percent. It does provide a growth incidence curve, which indicates average income growth of about 2 percent among the bottom 40 percent in 2000–10. Trends in nonincome indicators of shared prosperity (health, education, sanitation) are shown, but the figures are not provided separately for the bottom 40 percent.

Arab Republic of Egypt. The SCD emphasizes that progress toward the twin goals must be sustainable and discusses risks to environmental and fiscal sustainability. Indicators are available for four groups: the poor, the vulnerable, the middle class, and the upper class. Together the poor and vulnerable make up about 45 percent of the population. The incomes of the bottom 40 percent shrank by an average of 1.3 percent during 2005–10. The decline was smaller than for the country as a whole, which saw average annual declines of 1.7 percent. The SCD also examines three nonincome measures of welfare: the dependency rate, illiteracy, and educational achievement of the household head. Data limitations mentioned include poor tracking of noncommunicable diseases and agricultural water usage, and limited access to government data in general.

Ethiopia. Shared prosperity is defined as consumption growth of the bottom 40 percent. The report notes that although health and education are not included in the measure of shared prosperity, they have intrinsic value and are "part of the spirit of ensuring freedom from poverty and shared prosperity for all." Consumption growth by the bottom 40 percent exceeded consumption growth of the top 60 percent between 2000 and 2005 but was lower than the top 60 percent's consumption growth between 2006 and 2011. The report notes that Ethiopia is one of the most equal countries in the world, with a Gini index of 0.3 after tax and transfers, but that inequality has increased. Many knowledge gaps are identified: on pastoralist communities, livestock productivity, rural nonfarm growth, livelihoods in refugee camps, the availability of groundwater resources for irrigation, financial sector risks, ways to raise tax revenues, improvements in public investment management, the returns from public investment and the role of state-owned enterprises, government transparency, accountability, civil service capacity, and interactions between the government and the private sector.

Sources: World Bank 2015a, 2015c, 2016a.

TABLE 2.1 | Quality of Methods and Data in Systematic Country Diagnostics

Level	Quality of Methods (*number [percent]*)	Quality of Data (*number [percent]*)
High	11 (26)	8 (19)
Medium	30 (71)	9 (21)
Low	1 (2)	25 (60)

for shared prosperity analysis in SCDs, and ultimately affected the granularity of some of the findings and recommendations. For example, in several SCDs where ethnic groups and internally displaced populations are an important part of the bottom 40 percent, there are no sufficiently detailed data with which to analyze key issues pertaining to these groups.

Non-SCD Core Diagnostics

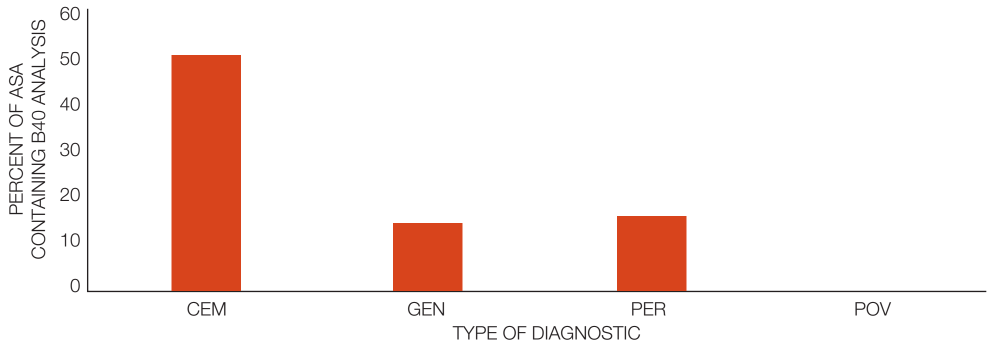
Other than SCDs, other core diagnostics—that is, Country Economic Memorandums (CEMs), poverty assessments, gender assessments, and Public Expenditure Reviews (PERs)—prepared by country teams since the introduction of the shared prosperity goal have paid little attention to the new goal and thus missed an opportunity to strengthen the analytical basis of shared prosperity interventions at the country level. Only 20 percent of the 64 non-SCD core diagnostics produced since the introduction of the shared prosperity goal (and until June 2016) contain an analysis on the bottom 40 percent. Four non-SCD core diagnostics products at the country level are especially relevant for shared prosperity analysis because of their thematic focus on growth (CEMs), poverty (poverty assessments), distributional impact of fiscal policy (PERs), and gender inequality (gender assessments).[5] Overall, CEMs tend to be more focused on the bottom 40 percent than other non-SCD core diagnostics. Half of the CEMs (5 out of 10) explicitly focus on the bottom 40 percent; none of the three poverty assessments provide an explicit analysis on this group. PERs (7 out of 44) and gender assessments (1 out of 7) fall between those two extremes (figure 2.2).

In terms of the pathways to shared prosperity, most of the diagnostics on the bottom 40 percent focus on this population's income-earning assets and the transfers they receive. Nine of the 13 diagnostics include an explicit analysis on assets, and 10 of 13 discuss transfers. All the related PERs incorporate an analysis on equitable and sustainable fiscal and monetary policies and on governance issues, typically including a benefit (tax or expenditure) incidence analysis. The good practice Paraguay PER features a full-fledged Commitment to Equity analysis of total fiscal incidence. Only two address the topic of well-functioning markets for improved connectivity and competition. Twelve of 13 diagnostics discuss the impact of policy reforms on the bottom 40 percent.

IFC Knowledge Work

The volume of IFC's knowledge work is smaller than the World Bank's, but IFC produced three studies that provide useful insights into how it can contribute to the World Bank Group's shared prosperity goal. In 2007, IFC co-authored a report titled *The Next 4 Billion: Market Size and Business Strategy*

Figure 2.2 | Share of Non-SCD Core Diagnostics with Bottom 40 Percent Analysis, by Type



Note: Since the adoption of the shared prosperity goal. ASA = Advisory Services and Analytics; B40 = bottom 40 percent; CEM = Country Economic Memorandum; GEN = gender assessments; PER = Public Expenditure Review; POV = poverty assessments; SCD = Systematic Country Diagnostics.

at the Base of the Pyramid with the World Resources Institute, and IFC has been analyzing the impact of projects on lower-income population, mainly through its Inclusive Business Unit. In 2013, IFC conducted a comprehensive study, *IFC Jobs Study: Assessing Private Sector Contributions to Job Creation and Poverty Reduction* (IFC 2013). The third study is *Lines of Sight: Private Sector Development and the "Twin Goals" of Extreme Poverty Eradication and Shared Prosperity* (Gregory and Michelitsch 2014). It is currently the knowledge note for staff on IFC's contribution to shared prosperity. The note provides a schematic overview of how IFC support for private sector growth potentially contributes to the World Bank Group's poverty eradication and shared prosperity objectives. IFC has also been enhancing its efforts to monitor and evaluate the general development impact of its operations to better assess its contributions to the twin goals at the sector and subsector levels.

The Influence of Bottom 40 Percent Diagnostics

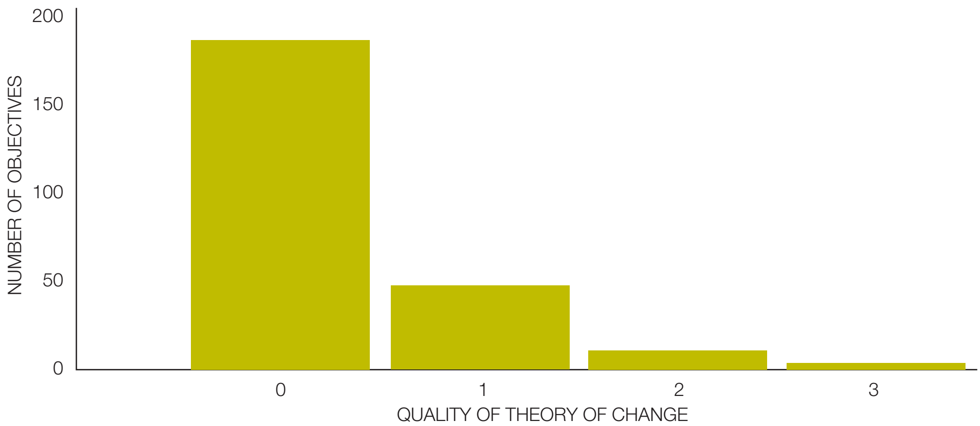
The Influence of Bottom 40 Percent Diagnostics

Diagnostics on the bottom 40 percent appear to be in greater demand than other diagnostic reports. The evaluation tracked the number of downloads at the World Bank 's Open Knowledge Repository for all Advisory Services and Analytics (ASA) published since the introduction of the goal. The median value of downloads for all ASA is 174. The median value of downloads for diagnostics on the bottom 40 percent is 223, against 165 for non-bottom 40 percent diagnostics. This corresponds to a 35.5 percent increase with respect to non-bottom 40 percent diagnostics, suggestive of greater influence.[6]

World Bank Country Strategies

Country Partnership Framework (CPF) objectives generally do not include a clearly articulated theory of change pertaining to the bottom 40 percent. Figure 2.3 shows the distribution of the quality of the theory of change for all 251 CPF objectives in the 29 CPFs approved during the period under review:[7] 187

Figure 2.3 | Country Partnership Framework Objectives and Quality of Theory of Change



Note: Quality score of 0 = objectives fail to show how they will influence the living conditions of the bottom 40 percent. Quality score of 1 = objectives have a basic theory of change indicating some causal steps that show how reaching the objective will contribute to the shared prosperity goal. Quality score of 2 or above = objectives have well-articulated theories of change.

objectives fail to show how they will influence the living conditions of the bottom 40 percent (quality score equal to 0). Forty-eight objectives have a basic theory of change (quality score equal to 1), indicating some causal steps that show how reaching the objective will contribute to the shared prosperity goal. For only 16 objectives, or 7 percent, do CPFs provide well-articulated theories of change (quality score of at least 2), describing in at least some detail the results chain linking World Bank interventions, context variables, and outcomes related to the bottom 40 percent (see box 2.2 for an example).

Of the 64 objectives with a theory of change for the bottom 40 percent, 39 percent can be linked to the pathway of income-earning assets; 37.5 percent address governance issues, and 33 percent are related to improving the functioning of markets. The other two pathways identified in the context of the asset-based framework are found much less frequently among CPF objectives that have a theory of change for the bottom 40 percent: supporting more equitable fiscal and monetary policies (13 percent of objectives) and using transfers to improve their incomes (5 percent).

In 12 countries, none of the objectives have an explicitly articulated theory of change pertaining to the bottom 40 percent.[8] Among the 17 countries that do have at least one objective with a theory of change, the objectives are related to two or three channels of influence, on average. Interestingly, two CPFs—Albania and Indonesia—have objectives with a theory of change aiming to influence all five policy channels of the asset-based framework.

Though none of the CPF objectives have indicators on income growth for the bottom 40 percent, a quarter of all objectives will track indicators on population groups identifiable as being part of this group. Table 2.2 indicates the number of objectives with indicators related to shared prosperity. The table shows that 66 objectives (26 percent) have indicators on population groups that are identifiable as part of the bottom 40 percent. For instance, Indonesia's CPF will track the number of

TABLE 2.2 | CPF Objectives with Explicit Indicators on Shared Prosperity for the Bottom 40 Percent *(number)*

	Indicator on Income Growth	Indicator on Benefits	Indicator on Income Growth for Related Population	Indicator on Benefits for Related Population
Objectives	0	6	8	58

Note: *CPF* = Country Partnership Framework.

low-income households with access to affordable “core starter” public housing units. However, only in the minority of cases (11 objectives) is information provided on the data sources that will be used to calculate the indicators. The table also shows that six objectives have indicators on improving the living conditions of the bottom 40 percent; for example, Bulgaria’s CPF will track the number of

Box 2.2 | Good Practice Theory of Change: Expanding Access to Finance in Costa Rica

One of the objectives of Costa Rica’s Country Partnership Framework (CPF) is to increase access to finance to ensure productive opportunities (objective 2). The CPF provides details on relevant context variables, and the causal mechanisms linking interventions to outcomes.

For instance, the CPF mentions that to “ensure greater inclusion, the bottom 40 percent of the population needs greater access to more productive opportunities. Labor income and self-employment are the largest contributors to poverty alleviation while MSMEs [micro, small, and medium-size enterprises] play an important role in providing income and employment opportunities for low skilled workers and the poor. [… However,] access to finance is limited: just 40 percent of women and 35 percent of people in the bottom two wealth quintiles have access to formal financial services” (World Bank 2015b, 23).

The CPF seeks to catalyze productive opportunities for greater employment, especially for the bottom 40 percent among the large pool of unskilled labor force, through increased access to finance for the country’s MSME. World Bank Group engagement will facilitate access to credit and improve availability of finance through IFC credit lines tailored to MSMEs, including women-owned enterprises.

The expected outcome of this objective is that access to finance to MSMEs would be increased. This in turn would be expected to lead over time to more productive opportunities, especially for the bottom 40 percent of the population and the unskilled labor pool.”

Source: World Bank 2015b.

households benefiting from renovated energy efficient dwellings.

World Bank Group Projects

Theories of Change in World Bank Projects

Although three-quarters of World Bank projects mention the shared prosperity goal, a much smaller share have a well-defined approach of how they will contribute to the goal. Indeed, only 32 percent have an explicit theory of change linking project interventions to benefits among the bottom 40 percent, and for just 18 percent that theory of change is sufficiently articulated. Of the 246 projects that refer to the bottom 40 percent, 219 had an explicit theory of change linking their interventions to the shared prosperity corporate goal.[9] These were assessed on a three-point scale (low, medium, or high) based on the quality of the discussion of the result chain linking the project activities to shared prosperity–related outcomes. Namely, the extent to which a well-articulated description is provided, of the causal mechanisms that would be at work and how they would lead to the outcomes in question, under well-specified context conditions. Of the 219 operations that had an explicit theory of change, the quality of 43 percent (95) was considered low, 33 percent (73) medium, and 23 percent (51) high. In sum, out of the 685 operations approved since the adoption of the twin goals, only 124, or 18 percent, have a theory of change of at least medium quality.

The theory of change was found strongest in projects that would help improve transfers to the bottom 40 percent (about 50 percent were of high quality) followed by projects that would build the productive assets of the bottom 40 percent (33 percent are of high quality). Projects that would address shared prosperity through improvements in fiscal and monetary policies, better functioning

Figure 2.4 | Quality of Theory of Change in Bottom 40 Percent Operations, by Asset-Based Framework

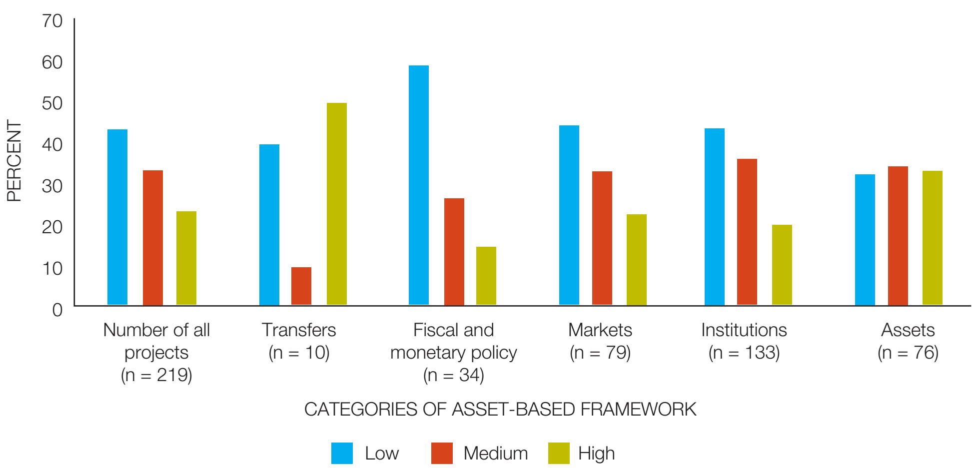
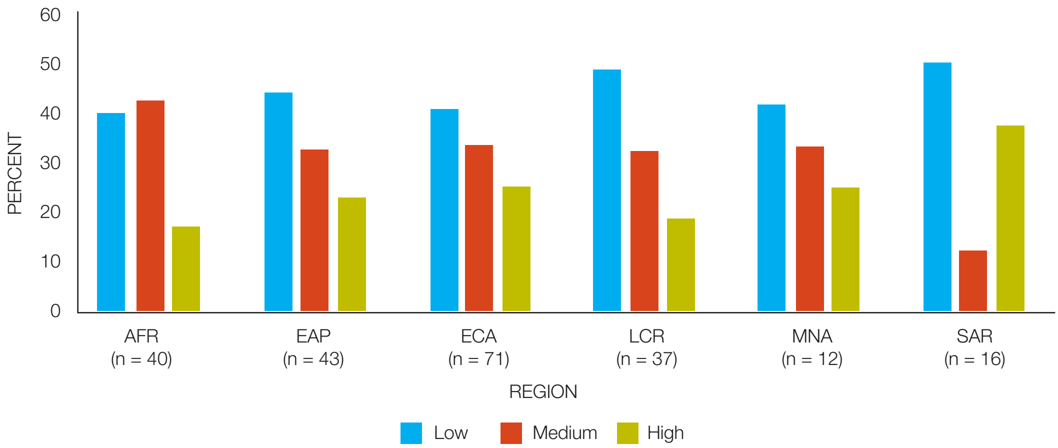


Figure 2.5 | Quality of Theory of Change in Bottom 40 Percent Operations, by Region



Note: n = 219. AFR = Africa; EAP = East Asia and Pacific; ECA = Europe and Central Asia; LCR = Latin America and the Caribbean; MNA = Middle East and North Africa; SAR = South Asia.

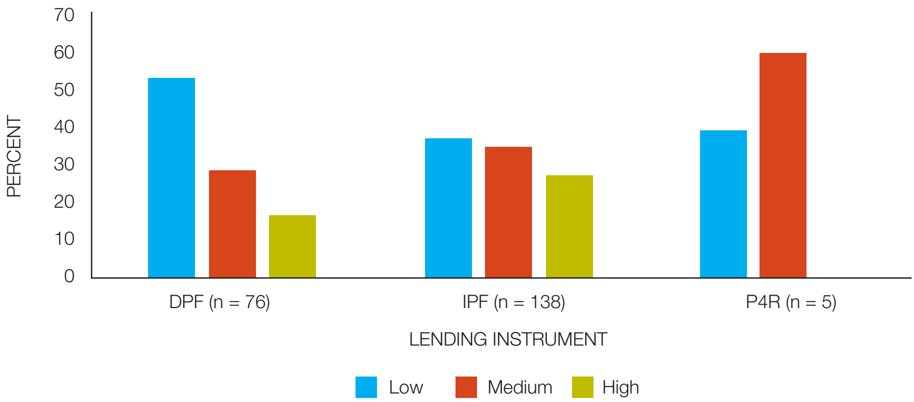
markets and more fair and transparent institutions had theories of change of weaker quality (figure 2.4). Across regions, the quality of theories of change varies less: it is medium or high for between 50 percent and 60 percent of the respective projects across all regions (figure 2.5).

As lending instruments, investment operations have better-quality theories of change for shared prosperity than development policy financing (DPF). This difference may be the effect of more complex underlying theories of change in policy-based lending. But it may also reflect document structure, in that project appraisal documents for investment lending contain a dedicated placeholder called "higher-level objectives to which the project contributes." Here, authors have the opportunity to describe how project interventions are expected to contribute to the twin goals; they sometimes do so in great depth. Conversely, in program documents for DPFs there is no such section, and thus it is less obvious how a discussion of expected contribution to the twin goals would fit. The concern, however, is not the document format but that DPFs need to also justify the relevance of DPF objectives to the achievement of the twin goals. This hinges on how the specific DPF objectives fit into the overall country engagement strategy for contributing to progress toward the twin goals. There were only four Program-for-Results in the sample, so conclusions should be drawn with caution. The breakdown is provided in figure 2.6.

There is considerable variation across Global Practices in the quality of theories of change linking project activities to shared prosperity outcomes. The Health, Nutrition, and Population; Social Protection and Labor; Transport and ICT; Agriculture; and Finance and Markets Global Practices have the highest share of projects with medium- or high-quality theories of change (table 2.3).

Even among the minority of projects that do articulate a result chain linking World Bank–financed activities to shared prosperity–related outcomes, 75 percent fail to include indicators that could be used to track the respective achievements in their results frameworks. Indeed, very few projects contain disaggregated information on either the bottom 40 percent or on a population stratum

Figure 2.6 | Quality of Theory of Change in Bottom 40 Percent Operations, by Lending Instrument



Note: n = 219. DPF = development policy financing; IPF = investment project financing; P4R = Program-for-Results.

TABLE 2.3 | Quality of Theory of Change by Global Practice

Global Practice	Projects with Theory of Change *(number)*	Low (n = 95) *(percent)*	Medium (n = 73) *(percent)*	High (n = 51) *(percent)*
Agriculture	9	33.3	11.1	55.6
Education	13	38.5	38.5	23.1
Energy and Extractives	17	58.8	35.3	5.9
Environment and Natural Resources	7	42.9	57.1	0.0
Finance and Markets	9	33.3	55.6	11.1
Governance	5	80.0	0.0	20.0
Health, Nutrition, and Population	9	22.2	55.6	22.2
Macro Economics and Fiscal Management	53	49.1	34.0	17.0
Poverty and Equity	1	0.0	0.0	100.0
Social Protection and Labor	10	30.0	10.0	60.0
Social, Urban, Rural, and Resilience	24	45.8	29.2	25.0
Trade and Competitiveness	19	52.6	26.3	21.1
Transport and ICT	33	30.3	36.4	33.3
Water	10	50.0	40.0	10.0
Total	219	43.4	33.3	23.3

Note: In projects with a theory of change. The analysis presented in this table covers all lending instruments: investment project financing, development policy financing, and Program-for-Results.

TABLE 2.4 | Quality of Theory of Change and Availability of Indicators for Subgroups of Bottom 40 Percent

Quality of Theory of Change	Projects *(number)*	Indicator (n = 53) *(percent)*	No Indicator (n = 166) *(percent)*	Total (n = 219) *(percent)*
Low	95	9.5	90.5	100.0
Medium	73	23.3	76.7	100.0
High	51	52.9	47.1	100.0
Total	219	24.2	75.8	100.0

within it to track project performance toward shared prosperity–related objectives. Indicators tend to be more readily available for projects with theories of change rated as high quality, but even among those projects 47 percent lack sufficiently granular results frameworks (table 2.4). For those projects containing shared prosperity–related indicators, the measurement of outcomes in terms of income or other benefits for the bottom 40 percent is very rare—found in only three projects. Rather, these projects tend to measure income or benefits for specific population subgroups of the bottom 40 percent.

IFC Projects and Shared Prosperity

A review of the design of approved IFC projects between FY14 and FY16 found that no projects directly targeted shared prosperity or included a clear theory of change linking project results to benefits accruing to the bottom 40 percent (or to a subset of that group). Between FY14 and FY16, about 15 percent of investment projects (67 projects) have referred to shared prosperity in documents sent to the Board.[10, 11] None of these directly targeted shared prosperity or the bottom 40 percent in their project objectives. Indeed, among the projects that referred to shared prosperity, about half (36 projects or 54 percent) mentioned it by indicating that the projects were well aligned with the World Bank Group's twin goals, without specifying how the projects would specifically contribute to boosting shared prosperity. The other half of the projects attempted to articulate the link, but the articulations were thin. Furthermore, there was indication as to which of the twin goals the projects were contributing to.

About 60 percent of the projects that mentioned the shared prosperity goal focused on financial markets. In most cases, these projects were ultimately intended to support micro and small enterprises or low-income or underserved populations by increasing access to microfinance. The other projects that mentioned shared prosperity pertained to the manufacturing, agriculture and services (especially agribusiness, and health services) and energy sectors. These projects generally intended to increase accessibility and affordability of services (such as health and electricity) through the private sector. In addition, many IFC projects indicated that the project would create jobs, but the link to shared prosperity or the bottom 40 percent was not clear.

MIGA and Shared Prosperity

MIGA contributes to the shared prosperity goal indirectly through its political and credit risk guarantees, which facilitate foreign direct investment in developing countries. *MIGA Strategic Directions FY15–17* explains how its operations contribute to achieving the twin goals of the World Bank Group, but it needs to articulate further the linkages between MIGA projects and the twin goals where relevant. MIGA has been expanding its guarantee operations in both IDA countries and fragility and conflict-affected situations as its top priority, and has succeeded in leveraging IFC's global presence to increase its business volume. Most joint IFC-MIGA projects are infrastructure projects that support overall economic growth. The IFC-MIGA partnership has been successful, leading to 72 joint projects for the period FY11–15 with a total project cost of $2.7 billion.

En

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[1] Developing a theory of change motivates project teams to think deeply about how project activities are expected to lead to development outcomes. Such thinking is expected to lead to higher-quality projects and better development outcomes (see, for example, Smets, Knack, and Molenaers 2013).

[2] The framework is flexible in that it accommodates the role of institutions and public policy in influencing both micro and macro determinants of growth and distribution (see Attanasio and Székely 1999; for World Bank's regional studies from Europe and Central Asia, see World Bank 2014; for Latin America and the Caribbean, see Cord, Genoni, and Rodríguez-Castelán 2015; and for South Asia, see Ghani, Iyer, and Mishra 2015).

[3] Categorization based on Luis F. López-Calva and Carlos Rodríguez-Castelán (2016).

[4] The protocol for assessing the quality of methods and data in knowledge work is described in appendix A.

[5] Since the introduction of the shared prosperity goal, 64 core diagnostics have been produced: 44 Public Expenditure Reviews, 10 Country Economic Memorandums, 7 gender assessments, and 3 poverty assessments. Only 13 pf those studies contain an analysis related to the bottom 40 percent. Nine out of 37 Public Expenditure Reviews that do not explicitly focus on the bottom 40 percent do have a benefit incidence analysis.

[6] As Wagstaff (2011) notes, "Getting at development impact of any knowledge product is obviously a huge challenge. But it seems plausible that use [— in terms of downloads—] is a key step in the causal chain running from the knowledge product production to development impact." It is possible, however, that significant impact can be achieved by other means, even if internet–based dissemination is limited: for example, in the case of the Mali Poverty Assessment, the report could have achieved impact through its impact on the World Bank program, by means of influencing the World Bank Strategic Country Diagnostic and Country Partnership Framework.

[7] Quality of theory of change is assessed by analyzing each Country Partnership Framework to ascertain whether it articulates clearly the context, mechanism, and outcome. For details, see Protocol in appendix A.

[8] These countries are Bangladesh, Bolivia, Botswana, Colombia, Côte d'Ivoire, Haiti, Jordan, Lebanon, Mali, Panama, Tunisia, and Uganda.

[9] Projects that mention only shared prosperity without mentioning the target group of bottom 40 percent and those that do not mention either shared prosperity or the bottom 40 percent are much less likely to have a clearly articulated theory of change with results frameworks targeting this group.

[10] The population (n = 431) is based on International Finance Corporation investment projects that could be accessed by the Independent Evaluation Group and excludes Reimbursable Rights, sectorwide programs, Global Trade Finance Program, and B loan projects.

[11] Bottom 40 percent was cited in four cases, but the projects referred to it in the context of relevance to shared prosperity.

3

Institutional Requirements for Implementation of the Shared Prosperity Goal

highlights

1. Understanding of the shared prosperity goal is not universal among World Bank Group staff: almost 30 percent of International Bank for Reconstruction and Development (IBRD) staff and almost 60 percent of International Finance Corporation (IFC) staff are not familiar with the official definition of the goal.

2. Two-thirds of staff report having incorporated the shared prosperity goal in their work, especially in IBRD's knowledge products and services but also in its lending and strategy work.

3. Incorporation of the goal is much less common in IFC's investments and advisory services, but there are ongoing new initiatives to better monitor the well-being of IFC project beneficiaries, including the introduction of a new ex ante evaluation framework starting in FY18.

4. More than two-thirds of staff and a number of World Bank chief economists believe the World Bank Group should focus more explicitly on reducing inequality, especially in opportunities

(as opposed to focusing on boosting equality in outcomes).

5 Along with suboptimal staff awareness, limited client interest and lack of good-quality data are among the main constraints to further mainstreaming of the shared prosperity goal in World Bank Group operations.

6 Significant global and local partnership efforts are under way to advocate for coordinated support to boost shared prosperity and address data constraints.

TO SUCCESSFULLY IMPLEMENT its shared prosperity goal, the World Bank Group needs to meet at least three internal requirements. It needs its staff to fully understand the goal and be able to adapt its activities accordingly. It needs timely, good-quality distributional data and analytical tools, both to inform the design of World Bank strategies and interventions and to monitor progress toward the goal. Moreover, it needs to be able to use its convening power and partnerships in ways that contribute to the shared prosperity agenda globally as well as in its member countries.

Staff Awareness of the Shared Prosperity Goal

According to a comprehensive survey performed for this evaluation (box 3.1), less than two-thirds of World Bank Group staff—63 percent—are fully familiar with the official World Bank definition of shared prosperity. Knowledge about the shared prosperity goal is highest in IBRD, at 71 percent, and lowest in IFC, at 42 percent. As for MIGA, 58 percent of staff are familiar with how the goal is officially defined (figure 3.1). Across the World Bank Group, familiarity is larger among managers, at 81 percent, than among task team leaders, at 67 percent.

Box 3.1 | Shared Prosperity Staff Survey

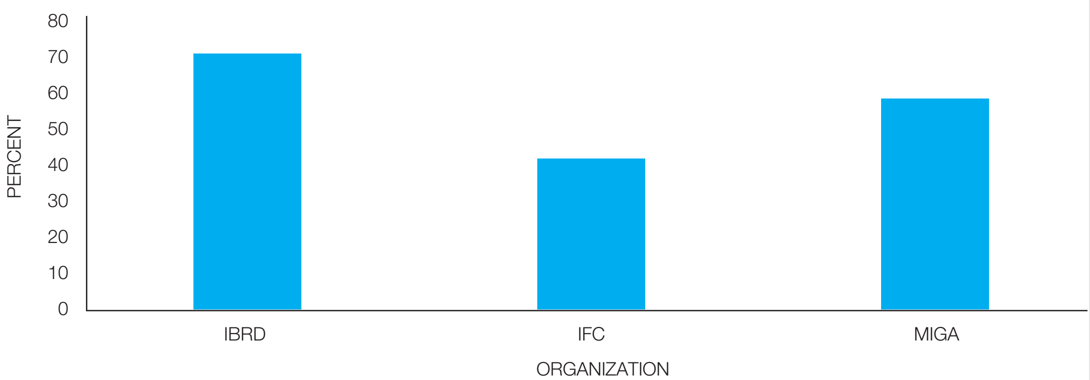
A web-based survey implemented for this evaluation aimed to ascertain how well staff understand the shared prosperity goal; the extent to which they have been pursuing it in their activities; and the main constraints they have faced in these efforts. The design of the questionnaire was informed by expert meetings and additional insights from piloting. The final version of the survey was implemented in September-October 2016 and targeted a sample of 3,698 staff members graded F and above, excluding service and back-office departments. Two e-mail reminders and randomized telephone reminders were introduced, leading to an overall response rate of 35.5 percent (which corresponds to a sample size of 1,313 observations). To account for nonresponse error, sample weights were adjusted employing poststratification, using managerial status, organizational mapping (International Bank for Reconstruction and Development or the International Finance Corporation / Multilateral Investment Guarantee Agency) and location (headquarters or country office) as strata. Poststratification eliminates nonresponse bias if, within each poststratum, the propensity to respond is unrelated to the survey variables of interest. Intuitively, this assumes that within each of the eight poststrata, nonrespondents can be represented by the respondents (see appendix D).

Staff understanding of the shared prosperity goal varies widely across the World Bank's 14 Global Practices. It is highest in the Poverty; Macroeconomic and Fiscal Management; Health, Nutrition, and Population; Social Protection and Labor; and Governance Global Practices. In these Global Practices and in the Development Economics Vice Presidency, more than 75 percent of staff are aware of the official definition of the goal (figure 3.2). At the other extreme, familiarity with the shared prosperity goal is lowest—at less than 50 percent—in the Finance and Markets; Environment and Natural Resources; Energy and Extractives; Agriculture; and Transport and ICT Global Practices. More widespread knowledge of the shared prosperity goal is to be expected among staff involved directly with the social sectors, but the finding that large numbers of technical staff across the World Bank are not yet familiar with the second corporate goal does not bode well for the World Bank's ability to systematically adapt itself to make faster progress toward it.

Across regions, familiarity with the goal is highest, at close to 70 percent, in South Asia, Europe and Central Asia, and East Asia and Pacific. It is lowest in Latin America and the Caribbean, at 56 percent, followed by the Sub-Saharan Africa and Middle East and North Africa regions at 60 percent and 64 percent, respectively. Interestingly, there is no clear pattern in terms of per capita income levels: relatively low levels of staff awareness of the goal are found both in regions where low-income countries are the majority and in middle-income regions, where the goal is arguably most important, given that extreme poverty levels are often relatively low.

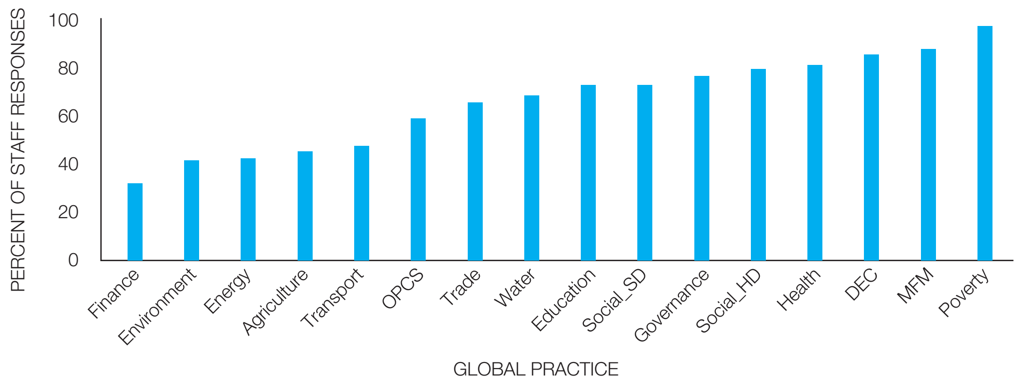
Interviews with the World Bank Group's 11 chief regional, sector, and agency economists support the view that shared prosperity should be a particularly important agenda for the World Bank Group's work in middle-income countries and regions. World Bank Group chief economists emphasized the potential for shared prosperity work to help the World Bank Group contribute to improvements in the well-being of nonpoor middle class and vulnerable groups. In middle-income countries, these often include large

Figure 3.1 | Familiarity with the Official Definition of Shared Prosperity, by World Bank Group Agency



Note: Statistics calculated using adjusted sample weights. Number of observations used in calculating proportions reported above the bars. IBRD = International Bank for Reconstruction and Development; IFC = International Finance Corporation; MIGA = Multilateral Investment Guarantee Agency.

Figure 3.2 | Familiarity with the Official Definition of Shared Prosperity, by Global Practice



Note: Statistics calculated employing adjusted sample weights. Number of observations used in calculating proportions reported above the bars. DEC = Development Economics Vice Presidency; IBRD = International Bank for Reconstruction and Development; IDA = International Development Association; HD = Human Development; MFM = Macroeconomics and Fiscal Management; OPCS = Operations Policy and Country Services; SD = Sustainable Development.

populations who, though they live above the international extreme poverty line, are considered poor according to national standards. However, some chief economists expressed concerns about whether the institution has an adequate capital base for responding to the rising demand for World Bank support among middle-income country clients because of the enhanced focus on boosting shared prosperity. In regions with very high levels of extreme poverty, World Bank chief economists confirmed that the poverty agenda naturally predominates over the one related to shared prosperity—and in fact both agendas are indistinguishable when extreme poverty rates are above 40 percent.

A majority of staff—68 percent—believe that in implementing the shared prosperity goal, the World Bank Group should focus more explicitly on reducing *inequality.* This view is most common, at 82 percent, in the Middle East and North Africa region. Furthermore, 71 percent of staff consider that an important channel for achieving progress in shared prosperity would be to increase the World Bank's focus on improving equality in *opportunities*—namely access to basic services, factor and financial markets, and political voice and representation—rather than focusing on reducing inequality in *outcomes*—basically, incomes. These views are shared by several World Bank chief economists, who would welcome a larger explicit emphasis on inequality as well as on nonincome dimensions of well-being.

Operationalizing the Shared Prosperity Goal: Channels and Constraints

Two-thirds of professional World Bank Group staff are incorporating the shared prosperity goal into their day-to-day activities, especially through knowledge work but also in lending and strategy work.

The share of staff who indicate integrating the goal in their work is higher for IBRD than for IFC and MIGA: 71 percent, 50 percent, and 68 percent, respectively.

According to World Bank Group chief economists interviewed for this evaluation, the World Bank Group's adoption of the shared prosperity goal has had a larger effect on activities related to policy dialogue, knowledge products, and strategy development; hence, they suggested, the effect on World Bank operations would have been more limited. This view is only partially confirmed by staff. Indeed, the main activities in which IBRD staff report having incorporated the shared prosperity goal are knowledge products and services, cited by 55 percent. However, 45 percent of IBRD staff mention mainstreaming of the shared prosperity goal in their lending work and only 27 percent refer to mainstreaming of the goal in work on SCDs or Country Partnership Frameworks (CPFs).

Investment financing is the most common instrument for incorporating the shared prosperity goal in lending activities: 38 percent of IBRD staff mention it, compared with respectively 15 percent and 11 percent for development policy lending and Program-for-Results operations (table 3.1). As for IFC, 26 percent of staff indicate having incorporated the shared prosperity goal into their work on IFC investment operations and 20 percent state that they mainstream the goal in their advisory services work.

Regardless of whether staff work on lending or knowledge activities, the most common channel through which staff contribute to the shared prosperity goal is related to improvements in the *assets of populations in the bottom 40 percent* human, physical, financial, social, and natural assets. This channel is mentioned by 36 percent of World Bank Group staff—39 percent for IBRD and 20 percent for IFC. Other important channels mentioned by staff are work aimed at improving the *resilience to shocks* of the bottom 40 percent (for example, through safety nets), mentioned by 33 percent of IBRD and 4 percent of IFC staff, and activities aimed at improving *infrastructure* relevant to the bottom 40,

TABLE 3.1 | Instruments of Implementation of the Shared Prosperity Goal

Product	Share of Total Staff Indicating Product or Service *(percent)*
Policy dialogue with clients	33
Investment project financing	31
Technical assistance	30
Knowledge products	29
Systematic Country Diagnostics	18
Country Partnership Frameworks	13
Development policy financing	11
Program-for-Results operations	8

Note: International Finance Corporation Investment (90) and Advisory Services (83) and Multilateral Investment Guarantee Agency guarantees (9) responses are smaller, reflecting the smaller size of these agencies.

mentioned by 29 percent and 21 percent of IBRD and IFC staff, respectively. The mainstreaming of the shared prosperity goal in work that contributes to increasing *demand for the labor of the bottom 40 percent* comes in fourth place, being mentioned by 20 percent of IBRD staff and 13 percent of IFC staff. Interestingly, relatively few World Bank staff—about 6 percent—mention work focused on improving macro stability or taxation policies as a channel for contributing to the shared prosperity goal (table 3.2).

Lack of client interest in shared prosperity issues is the most commonly mentioned constraint to mainstreaming the shared prosperity goal, mentioned respectively by 36 percent and 39 percent of IBRD and IFC staff, respectively. The issue is particularly important for staff involved in lending activities and for those working in the Middle East and North Africa, Europe and Central Asia, and Latin America and the Caribbean (table 3.3). Other constraints mentioned by staff are related to the availability of data and analytical tools, mentioned respectively by 36 percent and 29 percent of World Bank Group staff, and the lack of managerial support, mentioned by 24 percent.

Data and Analytical Tools for Mainstreaming Shared Prosperity

The availability of data to compute the World Bank's shared prosperity measure has increased substantially over the past two decades, but important challenges remain. To track the shared prosperity goal, income (or consumption) data from comparable household surveys are needed. During the 2004–13 period, 81 developing countries had such data within a five-year window and

TABLE 3.2 | Implementing the Shared Prosperity Goal for the Bottom 40 Percent, Channels

Channel	Staff Indicating Channel *(percent)*
Improve the assets of the bottom 40 percent	36
Improve relevant infrastructure	27
Improve knowledge on the bottom 40 percent	27
Improve resilience to shocks	26
Improve demand for labor of the bottom 40 percent	19
Improve macroeconomic price stability	6
Improve taxation policies benefiting the bottom 40 percent	5
Other[a]	5

Note: a. "Other" includes improving governance, access to information, access to the political system, or raising donor awareness.

TABLE 3.3 | Client Government Interest

Question: "Client governments I am currently working with pay considerable attention to the shared prosperity goal."							
Region	Observations[a] *(number)*	Agree *(percent)*	Somewhat Agree *(percent)*	Sum *(percent)*	Disagree *(percent)*	Some-what Disagree *(percent)*	Sum *(percent)*
Africa	172	11	25	36	12	23	35
East Asia and Pacific	77	20	28	48	6	26	32
Europe and Central Asia	129	12	16	27	14	30	44
Latin America and the Caribbean	81	10	26	36	11	32	43
Middle East and North Africa	56	9	21	30	16	32	48
South Asia	71	12	26	38	20	10	31

Note: Estimates for International Bank for Reconstruction and Development staff only. For presentational purposes, the following categories are excluded from the table: neutral, not applicable, and no opinion.

a. Number of observations used to estimate the proportions. Proportions calculated employing adjusted sample weights.

were thus able to compute the World Bank's shared prosperity indicator. This is a clear improvement over the 1990s, when only 63 developing countries had such data (World Bank 2016d). However, about half of the developing world—74 countries—still lack data to measure changes in shared prosperity. Data deprivation is particularly acute among low-income countries. In Europe and Central Asia, for example, 28 of 31 countries have at least three survey comparable data points for the period 2004–13. At the other extreme, 35 of 48 countries in Sub-Saharan Africa still lack the data needed to compute the evolution of the World Bank's shared prosperity measure.

Even though IBRD has a long tradition of addressing equity issues in its strategy, knowledge, and financing work, more systematic efforts to improve household survey data availability across client countries have been made only after the adoption of the twin goals. These efforts are benefiting from the World Bank's considerable technical expertise in this area, generated through the Living Standards Measurement Survey program. Launched in 1980, this program has led to important methodological achievements and considerable household survey technical capacity creation in selected client countries. More recently, the World Bank has greatly enhanced its efforts to improve household survey data availability through a combination of technical and financial support (World Bank 2017a). This undertaking followed a commitment made by the World Bank Group president at the 2015 End Poverty Day, to eradicate household survey data deprivation in low-income countries, especially in the regions with the largest challenges in this area—notably, Sub-Saharan Africa.

IFC and MIGA have much more limited experience in systematically monitoring the poverty and shared prosperity impact of their operations. This is confirmed by a review of IFC projects in 12 country case studies, which indicates that project designs do not integrate shared prosperity aspects into their results frameworks. Over the past few years, however, IFC has piloted different initiatives for better understanding the broader development impacts of its operations: The Poverty Scorecard, which measures beneficiaries' progress out of poverty; and the Survey of Well-being via Instant, Frequent Tracking of beneficiaries. IFC also recently used a simplified version of the Demographic and Health Survey wealth index, applied to beneficiaries of IFC investments. With its financial sector clients, IFC has also piloted expanded appraisals and supervisions to collect data about project beneficiaries. Starting in FY18, IFC will pilot its new ex ante evaluation framework, Anticipated Impact Measurement and Monitoring, which will assess whether a specific project contributes to the twin goals. Since 2011, MIGA has collected development indicators for its operations through its Development Effectiveness Indicator System.

The World Bank has also made significant progress in developing analytical tools for analyzing distributional issues, including shared prosperity. These tools are being increasingly used by researchers and government officials across the world. One such key tool is PovcalNet, which allows users to replicate the World Bank's poverty estimates as well as a range of distributional indicators, including income growth of the bottom 40 percent. It contains data from more than one thousand household surveys across 138 countries in six regions and 21 high-income countries. Somewhat similar is the Global Poverty Data Portal, which provides cross-country poverty and shared prosperity data based on harmonized survey collections. In addition, the recently developed Global Database of Shared Prosperity provides the most recent figures on shared prosperity. As most of its data is not open to the public, the main goal of the portal is to support the work of World Bank staff across Regions and Global Practices. Another useful tool is the World Development Indicators, which enables users to visualize progress in 1,452 development indicators for 217 countries, including income inequality and growth among the bottom 40 percent. Visualize Inequality is another tool to compare the opportunities for the children in the bottom 40 percent to access to basic services.

Convening Power, Partnerships, and International Collaboration

In 2013, the World Bank Group outlined its strategy for collaborating with the international development community and national stakeholders to help end extreme poverty and promote shared prosperity in a sustainable manner.[1] The strategy commits the institution to promoting development in every country in a way that fosters sustainable income growth of the bottom 40 percent of the population. According to the strategy document, the World Bank Group's twin goals, as well as the required partnerships to achieve them, are "well aligned" with the international community's efforts to reach both the Millennium Development Goals and the SDGs.

The "Forward Look" document, endorsed by the Development Committee during the 2016 Annual Meetings, describes a process that better positions the World Bank Group to serve its members by assisting all client segments (World Bank 2016b).[2] It shapes a common view of its members on how the institution can reach its twin corporate goals as well as the SDGs by 2030. Achieving both sets of goals will require unprecedented global cooperation and massive public and private financial resources. Since 2014, when the new strategy went into effect, the World Bank Group has made progress at both the global and country levels.

Global-Level Actions

Broadening collaboration with the United Nations (UN) on the SDGs. In 2015, the World Bank Group established the Office of the Senior Vice President for the 2030 Development Agenda, UN Relations and Partnerships, to serve as its primary liaison to the UN system. It coordinates interaction between World Bank Group staff and the UN system to align the twin goals and to implement the "Forward Look" strategic direction in support of the World Bank Group's commitments under the 2030 Development Agenda, encompassing Financing for Development, the SDGs, and Climate Change COP21.[3] Coordination involves the institution's Global Practices; cross-cutting solution areas (climate change, gender, jobs, and others); Regional vice presidencies; IFC; and corporate units (such as Operations Policy and Country Services and the Development Economics Vice Presidency). Work focuses on Financing for Development, data, and implementation, including country-level planning for the SDGs.

Supporting the production of data on shared prosperity. In 2014, the World Bank increased its commitment to support the collection of data measuring and monitoring of extreme poverty (SDG 1) and inequality (SDG 10). Its position as a global leader and convener, as well as a respected partner, in the area of development data is broadly recognized (World Bank 2017).[4] Its coordinating role in the International Comparison Project (which collects comparative price data and estimates purchasing power parities of the world's economies) and its leading position in country-level household expenditure and income surveys (through the Living Standards Measurement Study [LSMS]) gives the institution a unique global perspective and technical capacity in supporting the data requirements for measuring and monitoring progress toward reducing extreme poverty and assessing changes in shared prosperity. The timeliness of SDG data is crucial if the SDGs are to be a useful management and policy tool. To align with national planning and budgetary processes, SDG monitoring needs to operate on an annual cycle. The World Bank's continued support for improvements in the quality and public availability of household survey data across its client countries will be a major factor in improving data for development, better monitoring progress toward the World Bank's twin goals, and informing the design of shared prosperity–focused World Bank strategies and lending products.[5, 6]

Working with the G-20 and the G-7. The World Bank has played an important role in elevating the issue of inequality and shared growth to the G-20 agenda. Only in 2015 did the G-20 add "inclusive" growth to its formal agenda and official statements. Through its written contributions and oral interventions with leaders and ministers in meetings and relevant working groups, the World Bank helped build consensus for that decision. The G-20's commitment encompasses efforts to review growth strategies and employment plans to ensure policy coherence, strengthen actions against inequality and in support of inclusive growth, and maintain the priority of substantially reducing the gender gap in labor force participation. Similarly, within the G-7, Germany is pushing for the ambitious implementation of the SDGs (Germany 2016). It has made commitments that appear to be closely aligned with the World Bank Group's twin goals in "supporting programs that aim to reduce inequality, for example, employment promotion activities that target the bottom 40 percent of the income scale." The G-7 is also committed to promoting equal opportunities, including by "facilitating access to and improving the quality of services in a number of sectors, including health, education, water, social welfare and energy, as well as promoting gender equality directly and indirectly."[7]

Country-Level Actions

Through the SCD/CPF country engagement model, the World Bank Group has made a strong effort to elevate the shared prosperity agenda in its dialogue with governments and other donors. Review of 12 country case studies illustrates the important but varied convening and advocacy power of the World Bank Group on issues related to shared prosperity, including sustainability. In Azerbaijan, for example, a growth- and infrastructure-oriented World Bank strategy has given way to a new strategy that is much more oriented toward shared prosperity, based on the diagnostic work in the SCD. Similarly, whereas in the Arab Republic of Egypt previous strategies paid little attention to shared prosperity issues, reflecting the government's low level of interest in it, the current CPF has put shared prosperity on the policy agenda. Both Azerbaijan and Egypt CPFs include pillars focusing on sustainability; in almost all country case studies, sustainability issues are explicitly featured as part of the CPF context or pillars.

In several countries, the World Bank has also played a major convening and coordinating role on issues related to shared prosperity. In Bangladesh, this has been reflected in its leadership in sectorwide programs in education and health, and in the expanded use of disbursement-linked indicators. In Colombia, World Bank Group donor coordination work has been focusing on postconflict and on environmental management. In Haiti, the World Bank has played a leading role as a convener of many development partners, with whom coordination has been strong, especially after the Earthquake. In Indonesia, the World Bank has also played an important convening role, including in the reconstruction after the Aceh catastrophe.

Success in achieving a strong focus on shared prosperity has been more elusive in other cases. In Serbia, for example, lack of local support for addressing shared prosperity issues has persisted despite the World Bank's efforts to champion the concept and despite its opportunistic approach, reflected for example in its successful support to programs targeted at disadvantaged Roma populations. Progress has been even more limited in South Africa, partly because of insufficient government interest in borrowing from IBRD and the small number of engaged donor partners.

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[1] The Development Committee endorsed the new strategy in October 2013. It is available at https://openknowledge.worldbank.org/bitstream/handle/10986/16095/32824_ebook.pdf.

[2] http://siteresources.worldbank.org/DEVCOMMINT/Documentation/23732171/ DC2016-0008.pdf.

[3] An outline of the World Bank Group's commitments on data, financing, and delivery is provided in the following intervention by the Senior Vice Presidency for the 2030 Development Agenda, United Nations Relations and Partnerships, at a high-level United Nations meeting in July 2016: http://www.worldbank.org/en/news/speech/2016/07/18/unlocking-means-of-implementation-for-the-sdgs-and-creating-an-enabling-environment.

[4] Draft version of World Bank 2017 from January 2017.

[5] See World Bank President Jim Yong Kim's April 2013 speech at Georgetown University, available at http://www.worldbank.org/en/news/speech/2013/04/02/world-bank-group-president-jim-yong-kims-speech-atgeorgetown-university.

[6] The World Bank Group has made specific commitments to strengthening household data surveys to improve targeted policymaking. It has committed to helping client countries undertake a household survey, which covers relevant indicators for the its twin goals as well as United Nations Sustainable Development Goals 1 and 10, every three years in the 78 poorest countries, by 2020.

[7] https://sustainabledevelopment.un.org/content/documents/10686HLPF-Bericht_final_EN.pdf.

4

Learning from the Past: Support for Shared Prosperity Before It Was Explicitly a Goal

highlights

1 One out of six Advisory Services and Analytics (ASA) products produced by the World Bank between fiscal year (FY)05 and FY13 included content related to distribution. Core diagnostic reports are more likely than other types of ASA to include such content, especially after FY13.

2 The highest incidence of ASA products with distributional content are from the social sectors—education, health, nutrition, and population, and social protection and labor—followed by Macroeconomics and Fiscal Management; Agriculture; Social, Urban, Rural, and Resilience; and Water—in addition to the Poverty and Equity Global Practice.

3 With a smaller volume of knowledge work focused on distributional issues than that of the World Bank, IFC has been making increasing efforts to better understand and measure the broader development impacts of its operations.

4 The analysis of the World Bank's country strategies in 12 country case studies reveals than more than one-half of country assistance strategy / Country Partnership Framework pillars in FY05–16 had significant distributional content and that these pillars were more likely to achieve satisfactory outcomes than those without distributional focus.

5 The share of World Bank projects with significant distributional content has been trending up even prior to the adoption of the twin goals, and is highest among upper middle-income country clients.

6 There does not appear to be a clear link between a project's distributional content and its development outcome ratings. If anything, the evidence suggests that projects that explicitly embed equity considerations in their objectives are, on average, slightly less likely to achieve at least moderately satisfactory outcomes.

7 Development policy financing support for social policy reform appears to have a positive impact on the quality of social policies of borrower countries.

8 An analysis of the geographical footprint of World Bank investment projects in 56 countries shows that in more than 70 percent of the investment projects that could be geographically mapped to specific locations, the presence of World Bank–financed activities is positively correlated with the presence of populations in the bottom 40 percent.

THE WORLD BANK has a long tradition of addressing distributional issues in its various activities, even before officially adopting the twin goals in 2013. As shown in chapter 1, the World Bank has long recognized the importance of equitable growth and the avoidance of high and growing levels of inequality, both for achieving international development goals in general and for moving toward poverty eradication in particular. The World Bank's accumulated experience in this context is a potential source of lessons that can be applied to the its ongoing effort to achieve shared prosperity outcomes. To that end, it is important to assess the extent to which distributional concerns have been addressed in the World Bank's knowledge, strategy, and project work, the extent to which they have achieved their respective development objectives, and the extent to which they have targeted geographic areas with a higher concentration of disadvantaged populations.

World Bank Group's Knowledge and Strategies for Equity

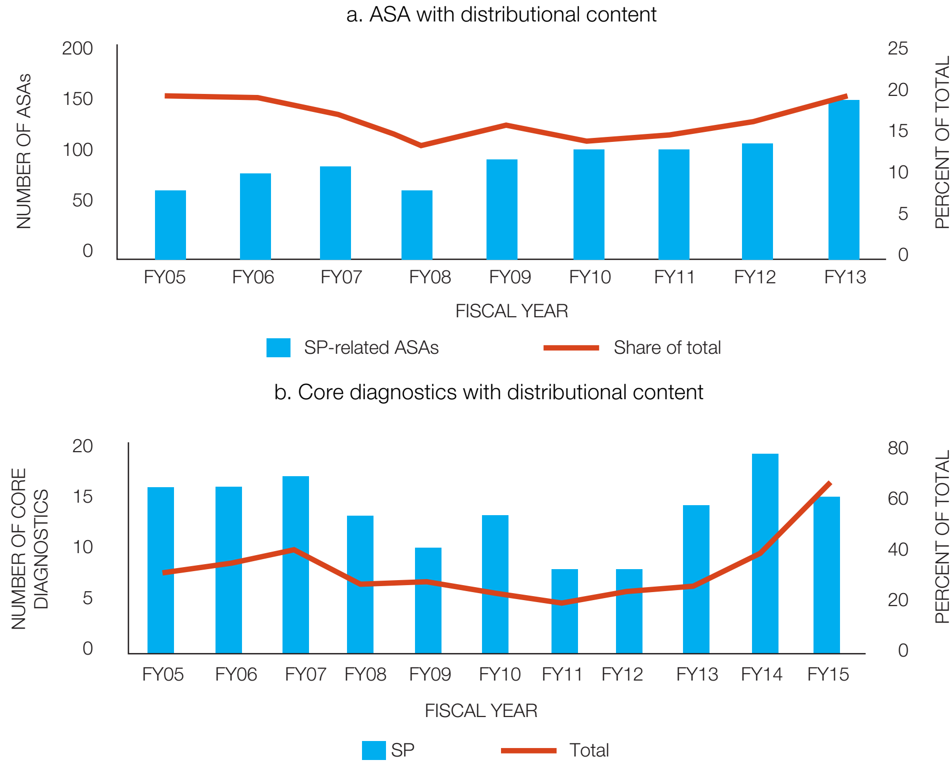
Evidence from the Analysis of the ASA Portfolio

One out of six ASA products produced by the World Bank between FY05 and FY13 included content related to distributional issues. To assess the extent to which these issues were covered, the evaluation examined the abstracts of 5,407 country-level reports, studies, and policy notes completed in FY05–13. Another 3,849 ASAs produced in FY14–16 were also examined to assess any breaks in the trends from before the establishment of the twin goals trends. This analysis showed that about 16 percent of FY05–13 ASA products contained language that suggested coverage of issues related to either inequality, exclusion, inclusive or shared growth, economic mobility, redistribution, the middle class, or shared prosperity.[1] No clear trend is discernible over time, except for a slight reduction in the share of ASA with distributional content during FY08–11 (14.5 percent compared with 18.4 percent in FY05–07) and a recovery to almost 18 percent in FY12–13, and 19.5 percent in FY14–16 (figure 4.1, panel a).

The share of ASA with distributional content has been quite homogeneous across World Bank regions, though the coverage of distributional issues has been greater in the Latin America and the Caribbean region. During FY05–13, ASA products with distributional content accounted for between 15 percent and 16 percent of the total in all World Bank regions except for Latin America and the Caribbean, where that share was 23 percent. During FY14–16, the incidence of ASA with distributional content increased across all regions, but the largest increases—of between 7 and 8 percentage points—were found in Latin America and the Caribbean, Europe and Central Asia, and South Asia.

There are significant differences across Global Practices in the share of ASA with distributional content. The share is unsurprisingly large in the Poverty and Equity Global Practice (47 percent) and in the Global Practices focused on the social sectors—Education; Health, Nutrition, and Population;

Figure 4.1 | Trends in Knowledge Products, FY05–13



Source: World Bank Business Intelligence.

Note: ASA = Advisory Services and Analytics; SP = shared prosperity.

and Social Protection and Labor (25 percent on average). The other Global Practice with an above-average share of ASA with distributional content is Macroeconomic and Fiscal Management (21 percent), which is followed by Agriculture; Social, Urban, Rural, and Resilience; and Water (all with about 14 percent).

Core diagnostic reports are more likely to include distributional content than other types of ASA, especially after FY13. Core diagnostics include growth-focused CEMs, poverty assessments, PERs, and gender assessments. About 40 such products have been completed per year between FY05 and FY16. Of those, 31 percent included coverage of distributional issues; that is, almost twice the share for the whole pool of ASA in this period.

Core diagnostics also show a larger increase in distributional content after the adoption of the twin goals: 47 percent of core diagnostics had distributional content in FY14–16, compared with 28 percent in FY05–13. The importance of core diagnostics for shaping the agenda for the World Bank's policy dialogue on distributional issues has been confirmed in country case studies. One somewhat worrisome negative trend, however, has been observed in the total budget allocated to non-SCD core diagnostics (PERs, CEMs, poverty assessments, and gender assessments), which decreased steadily from $21.5 million in 2005 to about $10.0 million in 2013, including use of donor-supported trust funds.[2] This negative funding trend, though, has been partially offset by the introduction of the SCDs after FY13.

Distributional themes have also been increasingly covered in the World Bank's working paper series. The average number of working papers per year "exploded" in recent years, increasing from 152 in FY05–13, to 899 in FY14–16. At the same time, the share of working papers with distributional content increased from 14 percent to 18 percent.

IFC Knowledge

With a smaller volume of knowledge work focused on distributional issues than the World Bank's, IFC has been making increasing efforts to better understand and measure the broader development impacts of its operations. IFC's increasing effort to expand due diligence and supervision in this regard are illustrated by recent initiatives to collect data on the beneficiaries of selected projects, including their income, gender, and other characteristics relevant for poverty and shared prosperity. Moreover, since 2010 there has been a surge in analytical studies focused on measuring the number of jobs created and other social benefits generated by IFC projects. Examples of such studies, which IFC generally contracted out, include, "Sector-Level Notes on Infrastructure," "Review of the Growth and Employment Impacts of Power Projects," *An Evaluation of the Development Impact of IFC Hotel Investments,* "The Impact of PPI on Poverty in Developing Countries," and a 2011–12 survey to determine the share of women-owned small and medium-size enterprises financed by client banks worldwide. As suggested by interviews with IFC staff, this positive trend has been the result of increasing internal and external demand for IFC to provide more evidence on the development impact of its investments.[3]

World Bank Group Strategies for Equity

World Bank Strategies

The analysis of the World Bank's country strategies in 12 country case studies reveals that more than one-half of country assistance strategy / CPF pillars that were closed and evaluated in the FY05–16 period had significant distributional content, and that these pillars were more likely to achieve satisfactory outcomes than those without a focus. The evaluation covered case studies for a group of countries from all World Bank regions, and a variety of income, poverty, and inequality levels. The countries are Azerbaijan, Bangladesh, Cambodia, Colombia, Egypt, Ethiopia, Ghana, Haiti, Indonesia, Serbia, South Africa, and Vietnam. Each strategic *objective* was separately reviewed for shared prosperity content, and the respective strategy *pillars* (often composed of multiple objectives) were subsequently classified accordingly as having or not having significant distributional content. In total, for the 12 case studies, there were 63 strategy pillars, 36 of which were considered to have significant distributional content. As shown in table 4.1, pillars with distributional objectives were rated moderately satisfactory or better two-thirds of the time, compared with 40 percent for pillars without distributional objectives. Though this is an encouraging illustrative finding, the 12 case studies are not representative of the World Bank's broader experience across its client countries.

TABLE 4.1 | Country Strategy Pillar Ratings by Distributional Content *(percent)*

Distributional Content	≤MU (n = 28)	≥MS (n = 35)	Total (n = 63)
Yes (n = 36)	33.3	66.7	100.0
No (n = 27)	59.3	40.7	100.0
Total (n = 63)	44.4	55.6	100.0

Note: MS = moderately satisfactory; MU = moderately unsatisfactory.

IFC Strategic Approaches

Even before the World Bank Group adopted its twin goals, IFC was already to some extent pursuing distributional objectives in some of its strategy documents. Examples can be found in IFC Road Maps, in its increasing work in frontier regions, in IFC industry strategies aimed at reaching unbanked populations through the Financial Institutions Group, and to a limited extent, in inclusive business models that support low-income, excluded, and underserved populations. Nevertheless, between 2005 and 2013, Independent Evaluation Group evaluations found that although IFC projects are generally designed to contribute to growth, their incorporation of distributional objectives has been limited. Since 2013, there has been some progress toward incorporating Independent Evaluation Group recommendations, especially at the strategy level, but interviews with staff suggest that the steps taken at the operational level and with regard to measuring development results have been more limited.

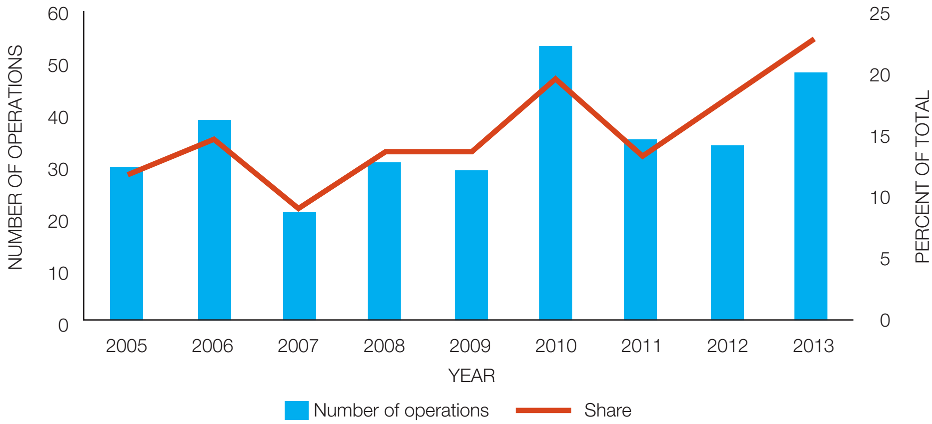
World Bank Group Projects for Equity

World Bank Projects

The share of World Bank projects with significant distributional content has been trending up even prior to the adoption of the twin goals and is highest among upper middle-income country clients. An analysis of the incidence of distributional terms in project documents found that the share of projects classified as having high distributional content reached 18 percent in FY10–13, compared with 14 percent in FY05–09 (figure 4.2).[4] The incidence of such distributionally oriented projects reached 33 percent in upper middle-income countries, compared with 11 percent and 15 percent for low-income and lower middle-income countries, respectively. Across regions, the highest incidence of such projects is found in Latin America and the Caribbean (33 percent), followed by the Middle East and North Africa (20 percent), with the other regions having shares close to 10 percent. Not surprisingly given these trends, distributionally oriented projects were more common among IBRD than among IDA clients—18 percent and 12 percent, respectively.

Almost three-quarters of projects with high distributional content are found in Global Practices focused in the social sectors, as well as in Agriculture and Macroeconomic and Fiscal Management. Almost 70 percent of Social Protection and Labor projects are considered to have high distributional

FIGURE 4.2 | World Bank Projects with High Distributional Content



content, as are 30 percent of Health, Nutrition, and Population projects, about 20 percent of projects in Agriculture and Education, and 15 percent of Macroeconomic and Fiscal Management projects. In terms of World Bank lending instruments, Program-for-Results projects are most likely to have a high distributional focus, followed by DPFs and investment project financing projects—38 percent, 18 percent, and 14 percent of projects, respectively.

There does not appear to be a clear link between a project's distributional content and development outcome ratings. About 75 percent of projects with high distributional content have at least moderately satisfactory outcome ratings, compared with 74 percent for other projects. There are also no significant differences in ratings for risks to development outcomes. Differences in outcome ratings are also generally small when computed for each of the World Bank regions (table 4.2), though projects with high distributional content tend to perform better in Latin America and the Caribbean, and worse in the Middle East and North Africa and South Asia. Among Global Practices with the largest numbers of projects with high distributional content, distributionally oriented projects were more successful in Social Protection and Labor; Education; and Health, Nutrition, and Population: the difference in the rate of projects rated moderately satisfactory and above are 8, 6, and 2 percentage points, respectively, favoring high distributional content projects. For Macroeconomic and Fiscal Management and Agriculture, ratings of moderately satisfactory and above are somewhat less frequent for projects with high distributional content—by 4 and 9 percentage points, respectively.

The evaluation also identified projects that embed distributional concerns specifically in their objectives and found that they tended to perform below average, although this trend appears to be reversing in recent years. A review of all objectives in Implementation Completion and Results Reviews for projects closed between FY05 and FY16 for distribution-related terms found that 68 percent (n = 685) of projects were rated moderately satisfactory or higher, compared with 75 percent of operations (n = 3,377) with no distribution-related objectives. While this has been

TABLE 4.2 | Project Outcome Ratings, by Distributional Content of Projects and Region *(percent)*

Distributional Content / Outcome Rating	EAP	ECA	LAC	MNA	SAR	SSA	Total
High DC (n = 190)	7.7	11.0	32.6	21.3	9.3	10.1	15.4
≥MS / High DC (n = 143)	77.9	81.8	78.5	54.0	69.9	70.3	75.3
Low DC (n = 1,047)	92.3	89.0	67.4	78.7	90.7	89.9	84.6
≥MS / Low DC (n = 776)	77.6	79.8	72.3	58.3	82.7	69.4	74.1

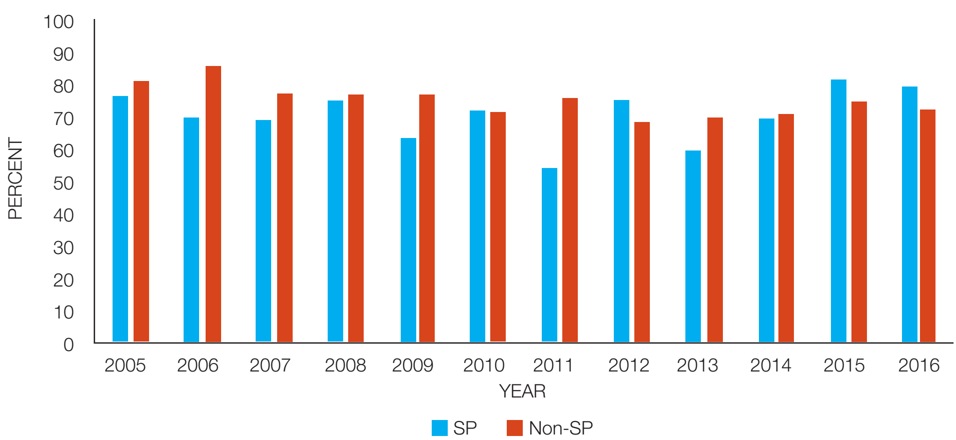
Note: n = 1,237. DC = distribution content; EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MNA = Middle East and North Africa; MS = moderately satisfactory; SAR = South Asia; SSA = Sub-Saharan Africa.

consistently the case prior to FY12, this trend has since begun to reverse. In 2015 and 2016, projects with distributional objectives scored 82 percent and 80 percent moderately satisfactory or above, respectively (figure 4.3).

IFC Projects

An in-depth review of IFC portfolios in the 12 country case studies shows that its main strategic contribution to the distributional objectives has been indirect in most cases. Out of the 339 IFC investment projects reviewed (F05–FY13), for which documentation was available, 17 percent had a project objective or a component that could potentially benefit low-income or excluded populations. Though this share is not small in light of findings for the World Bank, it must be noted that the 12 case

Figure 4.3 | Share of Operations Rated Moderately Satisfactory or Higher, by Distributional Content in Objectives



Note: n = 3,338. SP = shared prosperity.

studies are not representative of the World Bank Group client countries, and serve only illustrative purposes. Some examples of IFC projects with high distributional content are presented in box 4.1.

Box 4.1 | Good Practice International Finance Corporation Projects in Terms of Distributional Content

In Colombia, two International Finance Corporation (IFC) microfinance projects supported increased credit to low-income populations and helped provide new loans to the previously unbanked. One of these projects reached out to women, representing 75 percent of the borrowers with working capital loans. The share of the Colombian population with microcredit rose by 2 percentage points and the project helped formalize many microfirms.

In Ghana, several IFC projects helped increase the market share of financial institutions supporting lending to micro, small, and medium-size enterprises (MSMEs). An IFC client doubled its MSME loan portfolio from $33.7 million to $68 million over two years. The project supported expansion outside Accra and Tema, with 50 percent of the loans approved in less affluent areas.

IFC successfully engaged in Cambodia's rice sector to improve competitiveness through support to key processes along the value chain. During 2011–15, the number of Cambodia's rice export markets widened from 35 to 83 and the value of rice shipments grew by 199 percent. Farmers who participated in the project have enhanced their yields by 20 percent and some earn $40 per ton more than for normal rice.

In Cambodia, IFC supported the establishment of the Association of Cambodian Local Economic Development Agencies Bank in 1993. It is now the largest commercial bank in Cambodia and has expanded into the Lao People's Democratic Republic and Myanmar with support from IFC and others. According to a 2015 survey of customers, 92 percent of respondents confirmed that their income and living standard increased after they got loans.

IFC's Better Work program in Vietnam targeted the labor-intensive garment industry, employing mostly women from poor rural backgrounds. The first phase of the IFC project reached 120,000 women in factories that implemented improved labor practices. Better Work commissioned an independent impact assessment to better understand its development impact. The assessment showed a positive link between better working conditions and higher profit margins: factories participating in the program experienced a rise in worker productivity and profitability.

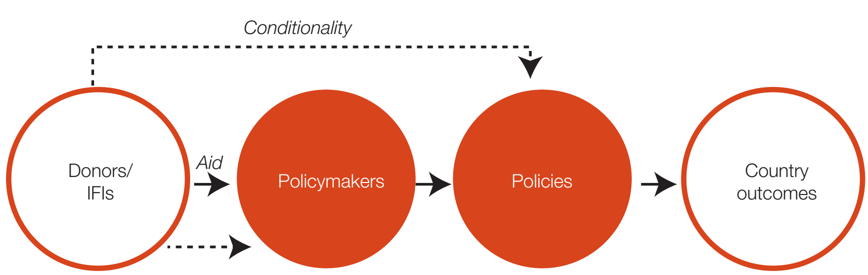
DPF and the Quality of Countries' Social Policies

How effective is a key World Bank lending instrument—DPF—in promoting policy reform geared toward equity or shared prosperity? In the context of the World Bank's current policy lending, improvements in policy can take place through several channels: financing, policy dialogue, and policy and institutional actions (see figure 4.4). First, the government's budget constraint may be relaxed by policy lending with additional World Bank financing, which may not be easily available from other sources; that financing, in turn, may support maintenance or an increase in spending on social programs that matter for equity outcomes. Second, policy dialogue on the reform program between the World Bank team and the government counterparts typically involves a detailed technical discussion of various policy options, potentially leading to better policy choices. And third, the government implements policy and institutional reforms through specific actions. In the design of DPFs, prior actions encapsulate the critical elements of the agreed reform program that aim to move the whole development policy loan supported reform agenda forward. A simplified diagram of this underlying theory of change is provided in figure 4.4.

World Bank policy lending was found to have a positive effect on the quality of social policies. The evaluation team analyzed the association between the number of "social policy" prior actions and the World Bank's Country Policy and Institutional Assessment (CPIA) scores on social inclusion (CPIA cluster C), which is directly relevant for shared prosperity.[5] In terms of figure 4.4, the team investigated the first link of the aid causality chain, running from the World Bank's provision of DPF to the policies selected by recipient country policy makers and not final development outcomes such as income inequality or human development.

Econometric estimates suggest that social policy lending has a significantly positive effect on the quality of social policies even when the endogeneity of the former is controlled for. For instance, one additional social policy prior action increases the CPIA social inclusion score by .009 points on average. Put differently, it would take 30 social policy prior actions—as a measure of cumulative policy reform—on average to increase the country's CPIA social inclusion score by one standard deviation.

FIGURE 4.4 | Aid Causality Chain



Source: Bourguignon and Sundberg 2007.

Note: IFI = International Financial Institution.

When disaggregating the analysis by CPIA cluster C components, evidence shows that prior actions targeting social protection and environmental sustainability have a positive effect, while conditions related to building human resources (health and education) and equity of public resources use do not seem to affect the quality of policies in those areas. These findings suggest that the right kind of conditionality can help improve social policies and provide an important lever for promoting shared prosperity.

Geographic Targeting of World Bank Investment Projects

An analysis of the geographical targeting of World Bank investment projects in 56 countries shows that in more than 70 percent of the cases the presence of World Bank financed activities is positively correlated with the presence of bottom 40 percent populations.[6] The evaluation assessed the targeting performance of World Bank investment projects by correlating the geographical allocation of projects at the subnational level—one administrative level below national—with the subnational territorial distribution of the national bottom 40 percent. As shown in table 4.3, 40 countries (71 percent) present positive correlations. In 20 of those (36 percent), the correlation is high, with a coefficient between 0.5 and 1.

The geographic targeting of investment projects is lowest in Sub-Saharan Africa. Almost half of the sample is composed of countries from this region (25). For these, the average correlation coefficient is 0.03, significantly lower than the 0.27 of the entire sample.[7] With a correlation of 0.54, geographic targeting in the 10 Latin America and the Caribbean countries covered is the highest. The targeting correlation for the other regions falls in between those two values (East Asia and Pacific, 0.39; South Asia, 0.51; Middle East and North Africa, 0.37; Europe and Central Asia, 0.39).[8]

Figure 4.5 displays a more disaggregated view of the distribution of correlation coefficient values, both for the whole sample (panel a) and for each world region (panel b). This shows large positive values of the targeting correlation for the whole "world" sample and a roughly uniform distribution for the case of Sub-Saharan Africa, ranging from −0.7 to 1.0.

Four important caveats are in order. First, the analysis covers World Bank *lending projects* only because they can be related with geospatial data to specific subnational regions. Second, correlations reported here do not account for any confounding variables that determine the targeting of World Bank investment projects. For instance, the geographic targeting of investment projects may be conditioned by a problem of access—lack of infrastructure or conflict, government preferences or other donors' investments. Third, the correlations do not take into account general equilibrium effects. That is, some projects (for example, energy and infrastructure projects) may be located in regions with a low share of the bottom 40 percent but have high general equilibrium impacts on the bottom 40 percent (see, for example, Kanbur, Wang, and Zhang 2017).[9] Fourth, the analysis is performed at the first administrative level below national and does not analyze targeting effectiveness within these geographic units.

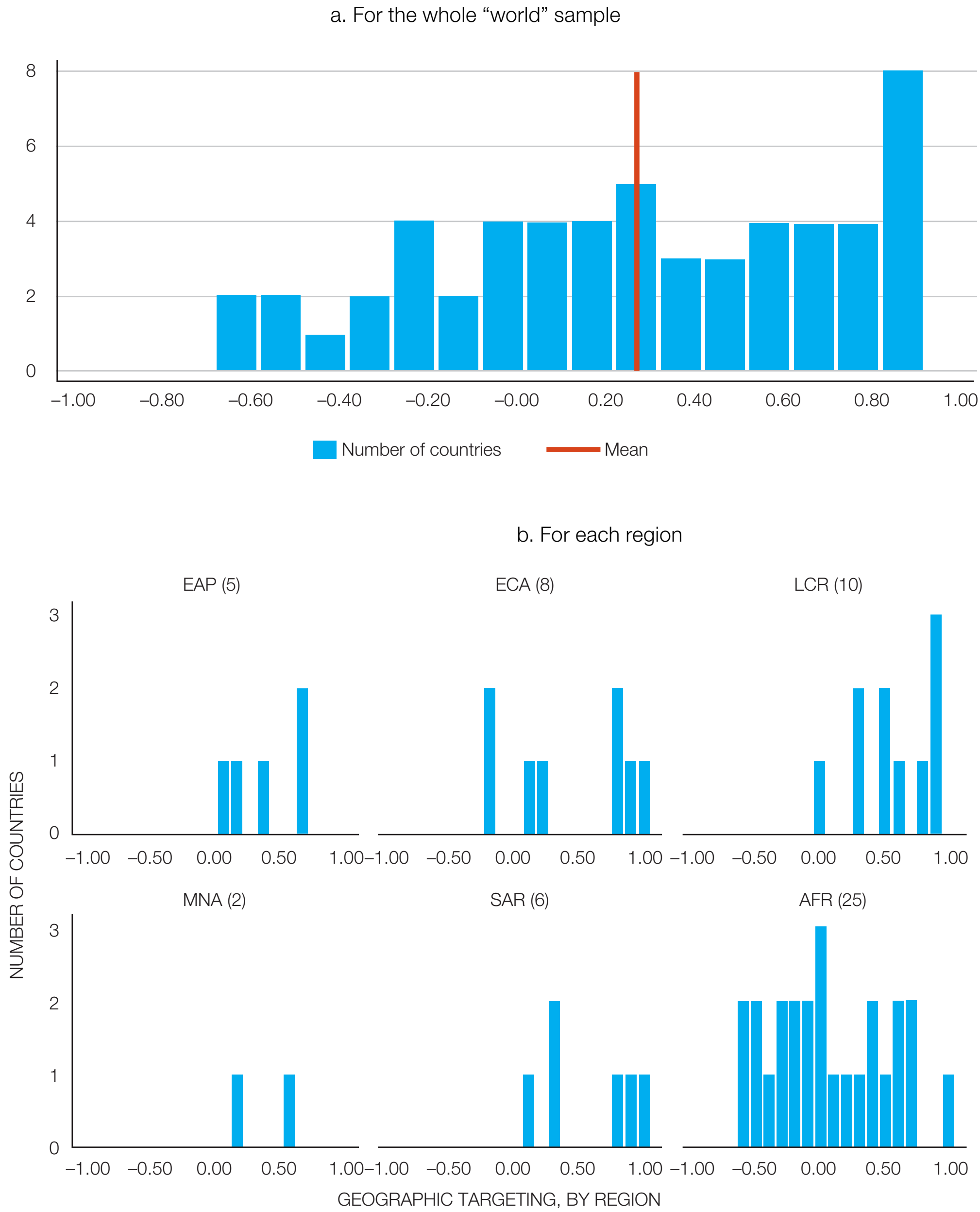
Therefore, a high correlation may be seen as indicative that targeting is taking place. The

TABLE 4.3 | Correlations Between Location of World Bank's Investment Lending and the Bottom 40 Percent

1 to 0.5	0.5 to 0	0 to −0.5	−0.5 to −1
Armenia	Afghanistan	Belarus	Guinea
Bangladesh	Angola	Burundi	Rwanda
Bolivia	Bhutan	DRC	Sierra Leone
Bosnia and Herzegovina	Burkina Faso	Georgia	Zambia
Brazil	Cameroon	Ghana	
Cabo Verde	Chad	Guinea-Bissau	
Chile	Ecuador	Mexico	
El Salvador	Guatemala	Mozambique	
Ethiopia	Haiti	Nigeria	
India	Iraq	Senegal	
Indonesia	Kenya	South Africa	
Kyrgyz Republic	Lao PDR	Tanzania	
Lesotho	Niger		
Madagascar	Peru		
Mauritania	Philippines		
Nepal	Republic of Congo		
Tajikistan	Russian Federation		
Timor-Leste	Sri Lanka		
Uruguay	Ukraine		
Yemen	Vietnam		

Note: PDR = People's Democratic Republic.

Figure 4.5 | Histogram of Targeting Correlations



Note: EAP = East Asia and Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MNA = Middle East and North Africa; SAR = South Asia; SSA = Sub-Saharan Africa.

interpretation of low or negative correlations can be more ambiguous, however, and should to be used cautiously as an entry point for further analysis rather than necessarily a negative assessment. Poor correlation can stem from several justified reasons, such as difficulty in access due to conflict, donor coordination issues, spatial considerations, and so on. For more details on this analysis, see the last section of the appendix A.

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1 A search function of strictly distribution-related terms was applied to Advisory Services and Analytics titles and abstracts. Advisory Services and Analytics were considered to have distributional content if the abstract contained at least one of these terms. Additional details can be found in appendix A.

2 World Bank Business Intelligence Report 1.5.

3 These notes are as follows: IFC Economics Notes, Notes 3, "The Impact of PPI on Poverty in Developing Countries," by Antonio Estache and Caroline Philippe, April 2012; "Review of the Growth and Employment Impacts of Power Projects," Arepo Consult, May 7, 2015; *An Evaluation of the Development Impact of IFC Hotel Investments,* by Oxford Economics, October 2015; and *Women-Owned SMEs: A Business Opportunity for Financial Institutions: A Market And Credit Gap Assessment and IFC's Portfolio Gender Baseline,* IFC, 2014.

4 The classification of projects as having shared prosperity content was based on the incidence of references to distributional issues based on text analytics. The 80th percentile for the respective index across all regions and periods was used as a threshold for categorizing a project as having significant distributional content. This approach was complemented by a manual document review of abstracts of all projects, which showed that the projects categorized as having high distributional content were also likely to have theories of change linking the respective interventions to outcomes for beneficiaries in the bottom 40 percent (see appendix A for details).

5 An econometric model was estimated with the change in the World Bank's Country Policy and Institutional Assessment score on social inclusion (cluster C) during 2006–2014 as dependent variable and the accumulation of social policy prior actions during 2006–2014 as variable of interest. Smets and Knack (2015, 2016) take a similar approach, examining the influence of World Bank policy lending on public sector governance and economic policy respectively. This study complements that research by looking at social policies. See appendix A for further details.

6 This section summarizes research done under this evaluation by Ž. Bogetić, R. Massari, M. Negre, H. Öhler, and L. Smets in 2017.

7 Initial regression analysis suggests that the negative correlations in Africa are in part due to the concentration of aid shares in the capital region. This finding is corroborated by case study evidence from Ghana.

8 Weighting the regional average correlations by country population or projects funds allocated to each country, the ranking changes substantially, though. Latin America and the Caribbean's population-weighted average goes down, dragged by populous Mexico, which presents a slightly negative correlation coefficient (–0.04) and falls to second position when weighting countries by population or funding. South Asia's targeting proves far better when weighted by either population or allocations, thanks to the very high correlations shown in Bangladesh (0.86) and India (0.73). The Russian Federation (0.03) is mostly responsible for a large drop in the weighted average coefficients for Europe and Central Asia.

9 However, for two countries—Bangladesh and Nepal—an analysis at the second administrative level was performed, resulting in very similar targeting correlations. These findings indicate that similar targeting practices are taking place at more disaggregated geographic levels.

5

Main Findings and Recommendations

Main Findings

Operationalizing the Shared Prosperity Goal Since 2013

THE ASSET-BASED FRAMEWORK underlying much of shared prosperity knowledge work suggests multiple pathways toward shared prosperity: building income-earning assets, facilitating public and private transfers, promoting fair and transparent institutions, supporting equitable and sustainable macroeconomic policies, and promoting well-functioning markets. The importance of these pathways differs across countries and regions depending on their development contexts.

Since the adoption of the shared prosperity goal in 2013, *knowledge* work has led the path of its operationalization. All 42 SCDs produced during October 2013–June 2016 have explicit coverage of the World Bank's second twin goal. Almost all include explicit analysis of the profile of the bottom 40 percent, the exceptions being countries where the share of the poor in the population is higher than 40 percent; in these cases, the focus of the analysis is on the poor but it applies to the bottom 40 percent as well. The broadest coverage across all five pathways was found in SCDs prepared in the Europe and Central Asia Region; and the lowest were in the Middle East and North Africa and Latin America and the Caribbean Regions.

SCD teams face significant constraints in the scarcity of timely and good-quality data for performing detailed shared prosperity analysis: 60 percent of these analyses were written in an environment of low data quality. For example, in several SCDs where ethnic groups and internally displaced populations are an important part of the bottom 40 percent, there are no sufficiently detailed data with which to analyze key issues pertaining to these groups.

The analysis of shared prosperity–related issues is much less common in World Bank knowledge products other than SCDs. Only 20 percent of the 64 non-SCD core diagnostics produced since the introduction of the shared prosperity goal (and until

June 2016) contain an analysis on the bottom 40 percent. Overall, CEMs tend to be more focused on the bottom 40 percent than other non-SCD core diagnostics (PERs, poverty assessments, gender assessments).

The importance of core diagnostics for shaping the agenda of the World Bank's policy dialogue on distributional issues was confirmed in 12 case studies covering Azerbaijan, Bangladesh, Cambodia, Colombia, Egypt, Ethiopia, Ghana, Haiti, Indonesia, Serbia, South Africa, and Vietnam.

With a smaller volume of knowledge work than World Bank's, IFC has completed three recent studies that provide useful insights into how it can contribute to the World Bank Group's shared prosperity goal. In 2007, IFC published the report on market size and business strategy at the base of the pyramid. In 2013, IFC conducted a comprehensive study assessing private sector contributions to job creation and poverty reduction (IFC 2013). Another important work is the note on *Lines of Sight* (Gregory and Michelitsch 2014). IFC has also been enhancing its efforts to monitor and evaluate the general development impact of its operations to better assess its contributions to the twin goals at the sector and subsector levels. From FY18, IFC will pilot its new ex ante evaluation framework, Anticipated Impact Measurement and Monitoring, which aims to assess whether a specific project contributes to the twin goals.

Diagnostics on the bottom 40 percent appear to be in higher demand than other diagnostic reports. The evaluation tracked the number of downloads at the World Bank's Open Knowledge Repository for all ASA published since the introduction of the goal. The median value of downloads for all ASA is 174. The median value of downloads for diagnostics on the bottom 40 percent is 223, against 165 for diagnostics that do not include them. This corresponds to a 35.5 percent increase in interest in the bottom 40 percent, and suggests a higher influence.

CPF objectives generally do not fully articulate the theory of change pertaining to the bottom 40 percent. Though none of the CPF objectives have indicators on income growth in this group, a quarter of all objectives will track indicators on population groups identifiable as being part of it. In the Costa Rica good practice CPF, four objectives have a high-quality theory of change on shared prosperity, clearly articulating several causal steps, context variables, and outcomes related to the bottom 40 percent (World Bank 2015b).

Three-quarters of World Bank projects mention the shared prosperity goal, but a much smaller share have a well-defined approach on how they will contribute to the goal. Indeed, only 32 percent have an explicit theory of change linking project interventions to benefits among the bottom 40 percent, and that theory of change is sufficiently articulated for just 18 percent. Theories of change pertaining to shared prosperity tend to be more articulated in investment projects than in DPFs.

The theory of change was found strongest in projects that would help improve transfers to the bottom 40 percent (about 50 percent were of high quality) followed by projects that would build their productive assets (33 percent high quality). Projects that would address shared prosperity through improvements in fiscal and monetary policies, better functioning markets and more fair and transparent institutions had weaker-quality theories of change (see figure 2.8). There is less variation across regions in the quality of the theories of change linking project interventions to the shared prosperity goal: quality is medium or high for between 50 percent and 60 percent of the respective projects across all regions.

A review of the design of approved IFC projects between FY14 and FY16 found that no projects directly targeted shared prosperity or included a clear theory of change linking project results to benefits accruing to the bottom 40 percent (or a subset of that group). Around 60 percent of the projects with some degree of articulation of links to the shared prosperity goal were focused on financial markets. In addition, many IFC projects indicated that the project would create jobs but the link to the bottom 40 percent was not clear.

Institutional Requirements for the Implementation of the Goal

According to a comprehensive survey performed for this evaluation, less than two-thirds of World Bank Group staff—63 percent—are fully familiar with the official World Bank definition of shared prosperity. Knowledge about the shared prosperity goal is highest in IBRD, at 71 percent, and lowest in IFC, at 42 percent. Understanding and operationalization of the goal varies across the institutions and Global Practices. The goal is being operationalized mainly through policy dialogue, investment lending, technical assistance, and knowledge work.

A large majority of staff—68 percent—believe that in implementing the shared prosperity goal, the World Bank Group should focus more explicitly on reducing inequality. This view is most common, at 82 percent, in the Middle East and North Africa Region. Furthermore, 71 percent of staff members express support for a larger focus on improving equality in opportunities—namely access to basic services, factor and financial markets, and political voice and representation—rather than focusing on reducing inequality in outcomes—basically, incomes. These views are shared by several World Bank chief economists.

The most common channel through which staff contribute to the shared prosperity goal is related to improvements in the assets of bottom 40 percent populations—human, physical, financial, social, and natural assets. This channel is mentioned by 36 percent of World Bank Group staff—39 percent for IBRD and 20 percent for IFC. Other important channels mentioned by staff are work aimed at improving the *resilience to shocks* of the bottom 40 percent (for example, through safety nets), mentioned by 33 percent of IBRD and 4 percent of IFC staff, and activities aimed at improving infrastructure relevant to the bottom 40 percent, mentioned by 29 percent and 21 percent of IBRD and IFC staff, respectively. The mainstreaming of the shared prosperity goal in work that contributes to increasing demand for the labor of the bottom 40 percent comes in fourth place, being mentioned by 20 percent and 13 percent of IBRD and IFC staff, respectively. Interestingly, relatively few World Bank staff—about 6 percent—mention work focused on improving macro stability or taxation policies as a channel for contributing to the shared prosperity goal

The World Bank Group is providing an important global public good in distributional *data, indicators, and tools* for analyzing shared prosperity, but good-quality distributional data, analytical tools, and client interest are factors constraining staff from fully or effectively implementing the goal in their work. Use of indicators measuring shared prosperity varies widely across agencies and country programs, and there is little standard coverage and disaggregation, though there is increasing use of various inequality and access measures.

The World Bank Group demonstrates considerable convening power at the global and country levels in promoting, financing, and advocating for shared prosperity-focused interventions.

Learning from the Past: World Bank Group Support for Equity Before Adoption of the Goal

The World Bank did significant knowledge work on equity, even before adopting it as a goal. One out of six ASA products produced by the World Bank between FY05 and FY13 included content related to distributional issues. Core diagnostic reports were more likely to include distributional content: they appeared in 28 percent of the cases in FY05–13 and in 47 percent in FY14–16. One somewhat worrisome negative trend, however, has been observed in the total budget allocated to non-SCD core diagnostics (PERs, CEMs, poverty assessments, and gender assessments), which decreased steadily from $21.5 million in 2005 to about $10.0 million in 2013, including use of donor-supported trust funds. Though this decline has been partially compensated by the introduction of SCDs after FY13, it raises questions about the sustainability of the knowledge work against rising demand and the need to inform strategies and interventions for greater relevance and impact.

There are significant differences across Global Practices in the share of ASA with distributional content. The share is unsurprisingly large in the Poverty Global Practice (47 percent) and in the Global Practices focused on the social sectors—Education; Health, Nutrition, and Population; and Social Protection and Labor (25 percent on average). The other Global Practice with an above-average share of ASA with distributional content is Macroeconomics and Fiscal Management (21 percent), followed by Agriculture; Social, Urban, Rural, and Resilience; and Water (all with about 14 percent).

With a much smaller volume of knowledge work focused on distributional issues than the World Bank's, IFC has been making increasing efforts to better understand and measure the broader development impacts of its operations. Moreover, since 2010 there has been a surge in analytical studies focused on measuring the number of jobs created and other social benefits generated by IFC projects. As suggested by interviews with IFC staff, this positive trend has been the result of increasing internal and external demand for IFC to provide more evidence on the development impact of its investments.

The analysis of the World Bank 's country *strategies* in 12 country case studies reveals that more than half of country assistance strategy / CPF pillars closed and evaluated in FY05–16 had significant distributional content and that these pillars were more likely to achieve satisfactory outcomes than those without distributional focus.

Although shared prosperity is a new concept in the World Bank Group, for many years IFC project documents have been using terms such as *lower-income populations, bottom of the pyramid, inclusive business,* and *underserved groups,* all of which suggest a concern with addressing equity issues. At the strategic level, before adopting the shared prosperity goal, IFC was already pursuing distributional objectives in its strategies, as laid out in its previous IFC Road Maps, IF Industry strategies, its work in frontier markets and to a limited extent, through inclusive business models that support low-income, excluded, and underserved populations.

The share of World Bank projects with significant distributional content had been trending up, even prior to the adoption of the twin goals, and is highest among upper middle-income country clients. The incidence of such distribution-oriented projects during FY05–13 was 33 percent in upper-middle-income countries, compared with 11 percent and 15 percent for low-income and lower middle-income countries, respectively. Across regions, the highest incidence of such projects is found in Latin America and the Caribbean (33 percent), followed by the Middle East and North Africa (20 percent), with the other regions having shares close to 10 percent. Not surprisingly, given these trends, distribution-oriented projects were more common among IBRD clients than among IDA clients—18 percent and 12 percent, respectively.

Almost three-quarters of projects with high distributional content in FY05–13 were found in Global Practices focused in the social sectors, as well as in Agriculture and MFM. Almost 70 percent of Social Protection and Labor projects are considered to have high distributional content, as are 30 percent of Health, Nutrition, and Population projects, about 20 percent of projects in Agriculture and Education, and 15 percent of Macroeconomic and Fiscal Management projects. In terms of World Bank lending instruments, Program-for-Results are most likely to have a high distributional focus, followed by DPFs and investment project financing projects—38 percent, 18 percent, and 14 percent of projects, respectively.

World Bank DPFs that support social policy reform were found to have a significant, positive impact on the quality of borrower countries' social policies, especially in the areas of social protection and environmental sustainability. This is an indication of the effectiveness of DPFs in influencing policy reform through their policy frameworks and policy dialogue on social policies.

Finally, a new study conducted under this evaluation of the association between subnational, geographic distribution of the World Bank's investment projects and the territorial distribution of groups in the bottom 40 percent in 56 countries shows that a large share of World Bank investment projects is well targeted to the them: in 70 percent of the sampled countries, investment projects tended—even before the goal—to benefit the geographic areas where these groups live.

These results are broadly consistent with the findings of country case studies conducted for this report. For example, Bangladesh, Ethiopia, and Indonesia, which are among the 18 countries with high correlations between the location of investment projects and populations of the bottom 40 percent, are examples of generally successful World Bank strategies focused on addressing poverty and equity challenges in concert with client governments and over a long time.

Recommendations

Recommendation 1. Where there are knowledge and data gaps on the characteristics of bottom 40 percent populations or on the drivers of bottom 40 percent income growth, the World Bank

(IBRD and IDA) and IFC should provide sufficient funding for analytical diagnostic work to close the knowledge gaps within the following CPF cycle, and they should encourage country clients to ensure greater availability, quality, and comparability of distributional data.

Recommendation 2. The management of the World Bank Group institutions should ensure financed strategies and projects that explicitly aim to contribute to the shared prosperity goal also include clear descriptions of the results chains linking the respective interventions to outcomes for bottom 40 percent populations.

Recommendation 3. World Bank Group–financed strategies and projects that explicitly aim to contribute to the shared prosperity goal should have clear results frameworks with indicators that permit measuring the World Bank Group's contributions to shared prosperity outcomes.

Recommendation 4. For projects in which it is possible to identify the geographical location of direct beneficiaries, the World Bank Group should monitor the extent to which the geographical distribution of beneficiaries and that of populations in the bottom 40 percent are congruent.

Recommendation 5. The management of the World Bank Group institutions should ensure that operational staff across all its institutions have a clear understanding of the shared prosperity goal and possess the skills needed for effectively incorporating and tracking shared prosperity–related objectives in World Bank Group–financed strategies and projects, where relevant.

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APPENDIXES

Growth for the Bottom 40 Percent

The World Bank Group's Support for Shared Prosperity

AN INDEPENDENT EVALUATION

IEG
Independent Evaluation Group

WORLD BANK GROUP
World Bank • IFC • MIGA

WHAT WORKS

Appendix A. Methodology

This appendix elaborates on the methodological approach underlying the evaluation. It first discusses the evaluation objectives and four main evaluation questions. Then it highlights the main evaluation principles motivating the background work. Section 3 draws attention to some limitations, and, finally, the methodology of the different evaluation components is described.

Evaluation Questions

The evaluation's objective was to assess the early implementation of the World Bank's shared prosperity goal, focusing on strategies, lending, knowledge products, and data and indicators. Four evaluation questions (box A.1) shaped the different evaluation components, the framing of the findings, and the evidence generated to support the main messages of the evaluation.

Box A.1. Four Guiding Evaluation Questions

Question 1: To what extent and how are the World Bank Group's knowledge products incorporating shared prosperity–related content? To what extent did knowledge work incorporate distributional issues prior to the adoption of the goal?

Question 2: To what extent and how effectively have strategies of the World Bank Group attempted to support client countries in addressing distributional objectives? To what extent and how have they incorporated shared prosperity objectives after October, 2013?

Question 3: To what extent, how, and how effectively has World Bank lending incorporated distributional goals in projects before the twin goals were adopted? How have projects incorporated shared prosperity goals after 2013, and to what extent have they provided explicit theories of change and results frameworks linking World Bank Group–financed interventions to shared prosperity outcomes?

Question 4: Are World Bank Group institutional arrangements conducive to the effective implementation of the shared prosperity goal? Is staff awareness of the goal and its implications adequate, and are there any limitations related to the availability of appropriate data, tools, and partnerships?

Evaluation Principles

Given the fairly recent introduction of the shared prosperity goal (October 2013), studying the impact of World Bank engagements on final outcomes (such as inequality) is limited. For instance, many of the projects approved since the goal was introduced have not been completed yet. Therefore, this study is conceptualized in part as a process evaluation, looking at issues such as the incorporation of shared prosperity concepts and indicators in strategies. The chapter on lessons from the past does, however, also include a discussion of closed operations that bear relevance to the shared prosperity concept.

Three principles motivated the evaluation design: employing a multilevel analysis; following a mixed methods approach; and ensuring validity of findings.

1. Multilevel analysis: This evaluation analyzed multiple levels of different dimensions of World Bank support. This includes engagement at the global, sector, country, and project levels. For instance, at the aggregate level, global trends in the portfolio were analyzed. This was supplemented by in-depth sector studies of the portfolio and a review of the various lending instruments. In addition, a bottom-up approach was taken for country case studies. Various perspectives and information sources were considered, including World Bank corporate strategies, knowledge, and project-level data, regional and country data, staff survey data, and interviews with World Bank personnel.

2. Mixed methods: the evaluation combined a range of methods for data collection and analysis, involving both large and Small-N studies. Main primary data collection methods include structured, semistructured, and open interviews, both at headquarters and in the field. Secondary data collection relied on both internal and external sources of data. Data analysis included text analytics, comparative case study analysis, econometric analysis, survey analysis, and literature review.

3. Validity of findings: Systematic triangulation was applied to ensure the validity of the findings. For each of the main messages, the evaluation aimed to maximize the extent of triangulation by drawing on as many pieces of background work as possible. Furthermore, for each evaluation component, the methods of data collection and analysis are described to clarify the assumptions underlying the main findings. The evaluation team also applied external validations at various stages of the evaluation process, including extensive peer review and expert consultations with IDA/IBRD and IFC staff.

Limitations

1. Shared prosperity is a *complex concept,* open to many interpretations ranging from the strict measure of growth of income in the bottom 40 percent (B40) to the interplay between growth, inequality, and access. The evaluation uses the official definition of the growth of income of the bottom 40 percent for the period since the adoption of the goal. The wide scope of shared prosperity as a concept made it difficult to delineate the evaluation for the pre-2013 period. Specific choices had to be made during the portfolio identification to delineate the concept (discussed in more depth below).

2. Establishing *causal effects* with a backward-looking evaluation was not possible given the scope of the evaluation, the data availability, and the costs of collecting primary data. The findings provide tentative evidence based on plausible causality.

3. The evaluation *did not develop detailed theories of change* for the various sectors that connect World Bank Group interventions to shared prosperity goals. Instead the portfolio was classified based on establishing a composite index of terms related to distribution. Limitations to this approach are discussed in more depth in the respective sections.

Evaluation Components

The evaluation draws on a number of evaluation components—of which 12 are country case studies and several are sectoral papers—each relying on specific methods and each designed to answer parts of the main evaluation questions. Table A.1 provides an overview, and the methodologies of the components are discussed in more detail below.

Table A.1. List of Evaluation Components

Evaluation Component	Description	Link with Evaluation Questions
Portfolio review	Portfolio identification and analysis of shared prosperity relevant operations, strategies, and ASAs	Strategy, Lending, and ESW
Country case studies (12)	In-depth review of shared prosperity engagement at country level	Strategy, Lending, ESW, and Tools/Indicators
Sectoral studies (4)	In-depth review of shared prosperity engagement at sector level	Strategy, Lending, ESW, and Tools/Indicators
Concepts of shared prosperity	Review of shared prosperity concepts	Strategy, Lending, ESW, and Tools/Indicators
Staff views	Survey of shared prosperity understanding	Strategy, Lending, ESW, and Tools/Indicators
Tools of shared prosperity	Review of tools and indicators used to capture shared prosperity engagement and progress	Tools/Indicators
Study on the association of DPF and social policies	Statistical analysis of effectiveness of policy lending on CPIA	Lending
Targeting of World Bank aid	In-depth assessment of targeting effectiveness	Lending

Note: ASA = Advisory Services and Analytics; CPIA = Country Partnership and Institutional Assessment; DPF = development policy financing; ESW = economic and social work.

Portfolio Review

Operations. All projects launched after the introduction of the goal that reference the B40 or bottom 40 were reviewed for quality of theory of change and mapped against the asset-based framework.[1] The asset-based approach defines a household's income potential as a function of four main components: (i) the capacity of households to generate income based on the assets they own; (ii) the transfers they receive that are independent of household income-earning assets; (iii) the set of prices of the basket of goods and services that the household consumes; and, (iv) the realization of external shocks that generates variability of incomes.

In a recent working paper, Luis F. López-Calva and Carlos Rodríguez-Castelán (2016) propose a simple conceptual framework to identify the elements that affect a household's income potential. Based on this framework, five categories can be defined: (i) income-earning assets, (ii) private and public transfers, (iii) equitable and sustainable fiscal and monetary policies, (iv) fair and transparent institutions (governance), and (v) well-functioning markets related to improved connectivity and competition.

The protocol for the portfolio classification is provided in box A.2.

Box A.2. The Protocol for Assessing Projects' Theory of Change

Text Analytics

Step 1: All projects between October 1, 2013, and June 30, 2016, were identified.

Step 2: All projects that contain the words 'B40' or 'bottom 40' somewhere in the project documentation were identified and retained.

Manual Content Analysis

Step 3: The analyst reviewed all paragraphs that mention either B40, Bottom 40, or Shared Prosperity to determine whether the project clearly articulates how it aims to contribute to the shared prosperity goal or how the project would lead to benefits for the bottom 40 percent.

Step 4: All projects were mapped against the asset-based framework. The following five categories were used: (i) income-earning assets, (ii) private and public transfers, (iii) equitable and sustainable fiscal and monetary policies, (iv) fair and transparent institutions (governance), and (v) well-functioning markets related to improved connectivity and competition.

Step 5: The quality of the theory of change was assessed on whether context, mechanisms, and outcomes (CMO) pertaining to the bottom 40 percent are clearly articulated on a 0–3 scale. If there was no CMO statement whatsoever, a rating of 0 was given. If there was a CMO statement, the granularity determined the rating on a scale of 1-3. Factors for rating included the extent of discussion of contextual factors, the number of causal steps discussed, and the explicit link to shared prosperity outcomes.

Step 6: Project development objective indicators were assessed. The following decision tree will be taken:

- Does it mention B40 or bottom 40 (Y/N)? If yes, with regards to income or benefits to B40.
- Does it mention other population groups identifiable as part of B40 (Y/N)? If yes, with regards to income or benefits to B40.

Step 7: Assessment of indicators. Do indicators have a clear baseline and target (Y/N)? Do indicators have an information source identified (Y/N)?

For operations prior to October 2013 however the "bottom 40" or "shared prosperity" terms could not be used. Further, given the complex nature of the shared prosperity concept, relying on sector or theme codes was not considered to be sufficiently informative.

Instead, the evaluation team used extensive text analytics to construct a composite index of distributional terms, which was set up to capture the use of language related to shared prosperity in World Bank Group documents. For World Bank lending, this was corroborated by a review and categorization of all document abstracts.

Box A.3. The Good Practice Theory of Change in Investment Project Financing and Development Policy Financing

> The Serbia Competitiveness and Jobs investment operation (P152104) clearly articulates the importance of job creation for the bottom 40 percent, drawing on findings from the SCD. The operation outlines in detail important contextual factors, and mechanisms of how the interventions are critical for benefiting the bottom 40 percent. The project appraisal document argues for example, that the lack of labor income is a key constraint for the bottom 40, and that the majority of the bottom 40 are unlikely to benefit from export led growth. The operation provides details on the pattern of employment of the bottom 40 percent and describes how boosting private sector investment will contribute to progress in shared prosperity. The Pakistan Macroeconomic and Fiscal Management DPO (P147557) provides a good practice example of an upstream policy operation with a comprehensive theory of change. Here, the program document clearly outlines contextual factors, and specifies the mechanisms of how policy reforms will contribute to the shared prosperity goal. In particular, it outlines how support to growth with low inflation, a better investment climate, and measures taken to help households cope with shocks, will contribute to the well-being of the bottom two income quintiles.

Project Distributional Content Analysis

The project distributional content analysis captures the extent of shared prosperity–related language used in documents. A set of 85 key terms or phrases were used to calculate an index. This index was constructed following guidelines from OECD 2008.

Process for identifying key terms. These were identified in three steps: (1) suggestions were collected from senior Independent Evaluation Group (IEG) consultants and from experienced sector and poverty experts; (2) a workshop with these experts was held to review projects across sectors in depth so as to identify language that may have been missed otherwise; (3) this long list of terms was condensed in a subsequent workshop with key experts to ensure close alignment of terms with the overall conceptual framework. The final set of key terms capturing dimensions of shared prosperity, which was used in the analysis, is as follows:

> access, accessibility, affordability, asset distribution, barriers, coverage, disadvantaged, disparities, displaced persons, distribution, economic assets, economic integration, economic mobility, economic security, elderly, equal opportunities, equal opportunity, equality of opportunity, equality, equitable growth, equity, ethnic minorities, excluded, exclusion, fee waiver, female, financial barriers, financial protection, growth with equity, hardship, inclusion, inclusive development, inclusive growth, income deciles, income disparities, income distribution, income gain, income growth, inequality, lagging region, landless farmers, living standard, living standards, marginal, marginalized, means tested, means-tested, middle class, older citizens, out of pocket expenditure, outreach, quintile, redistribute, redistribution, reintegration, Roma, shared growth, shared prosperity, subsidization, subsistence, target, targeting, transfer, transfers, underserved, unemployed, unemployment, unserved, vulnerability, vulnerable, women, resilience, resilient, smallholders, remote areas, indigenous, refugee, affordable, equitable, gender, opportunity.

Calculation of the index. The approach taken to construct the term frequency follows Rajaram and Ullman (2011) and is also frequently used for the construction of similarity score indexes. Term frequency $tf_{SP,j}$ is defined as the number of times that shared prosperity terms occur in document j. This has been normalized to prevent a bias toward longer documents, which may have a higher term count regardless of the actual importance of terms in the document. This gives a measure of the importance of the term t_{SP} within the particular document d_j.

$$tf_{SP,j} = \frac{n_{SP,j}}{\sum_K n_{k,j}}$$

Here $n_{SP,j}$ is the number of occurrences of shared prosperity terms in document j, and the denominator is the sum of number of occurrences of all terms in document j, that is, the size of the document d_j. To normalize, the relative term frequency score was divided by the maximum of the vector tf_{SP}. Thus, the index reads as follows:

$$Index_{tf,i} = \frac{tf_{SP,j}}{max(tf_{SP})}$$

Source of content. For all World Bank lending, the total list of projects covering the period FY2005–16 was generated and customized using the World Bank Business Intelligence query 2c.1.1 on February 1, 2017. For these, program documents, project appraisal documents, and project papers were systematically downloaded, as available, and subjected to the algorithm. Of a total of 3,102 projects, URLs were available for 2,879 documents, or about 93 percent of total operations. Similarly, source documentation for IFC investments and advisory services was systematically downloaded and subjected to the algorithm. The document crawler was developed by the Chennai technical team using R, and results were shared with the evaluation team. Evaluation data were retrieved from business intelligence report 4.a.3 and merged into the master data set.

Projects in the top quintile were considered having high distributional content and were used for further analysis.

Robustness of index. This approach was complemented by a manual document review of abstracts of all projects. All World Bank operations were classified into whether they had a theory of change linking the respective interventions to outcomes associated with a population subgroup likely to be in the bottom 40 percent. This showed that the projects categorized as having high distributional content (the top quintile) were also likely to have theories of change linking the respective interventions to outcomes for beneficiaries in the bottom 40 percent.

Table A.2. The Incidence of Theory of Change and Shared Prosperity Content of World Bank Projects (percent)

Presence/absence of theory of change	≥P80	<P80	Total
With theory of change	80.5	36.4	43.2
Without theory of change	19.5	63.6	56.8
Total	100.0	100.0	100.0

Note: ≥P80 denotes the projects in the top quintile of the Shared Prosperity index score. <P80 denotes projects in the bottom for quintiles of the Shared Prosperity index score.

Limitations. Any interpretation of the index should consider the following limitations:

- Only about 93 percent of URLs for project documents were available, and thus the index is subject to a small exclusion error. This is biased toward documentation from the earlier part of the evaluation period and emergency projects where no formal project appraisal documents were issued.

- PDFs had to be transformed into text using optical character recognition. This process is subject to errors of inaccuracy, which is particularly relevant for scanned documents that were uploaded in the earlier part of the evaluation period.

- Documentation for additional financing for investment operations or supplemental lending for policy operations was not considered or subjected separately to the algorithm. Because this can alter the orientation of the operation, results may be biased.

Advisory Services and Analytics Portfolio

All core diagnostics—poverty assessments, Public Expenditure Reviews, gender assessments and Country Economic Memorandums—published since the introduction of the goal were reviewed and coded against the protocol shown in box A.4.

Text analytics were used to estimate the proportion of pregoal ASA that include distributional content. That is, for all ASA published before the goal, a search function of strictly distribution-related terms was applied to ASA titles and abstracts. These terms include: B40, bottom 40, disparities, distribution, economic mobility, equality, equitable, equity, excluded, inclusion, inclusive development, inclusive growth, inequality, middle class, redistribute, redistribution, shared growth, and shared prosperity. ASAs were considered to have distributional content if the abstract contained at least one of these terms.

Country strategies. All country strategies for case study countries between 2005 and 2016 were assessed. These were reviewed for whether objectives had distributional content and matched to IEG pillar completion and learning review outcome ratings. Distributional content was defined the same way as per assessment of pregoal ASAs.

Furthermore, a detailed analysis of country strategies for the entire portfolio after the onset of the corporate goal was conducted. For this, the protocol in box A.5 was used.

Box A.3. Protocol for Assessing Advisory Services and Analytics

Text Analytics

Step 1: All core diagnostics—Public Expenditure Reviews, poverty assessments, gender assessments, and Country Economic Memorandums—published after the introduction of the goal will be included in the sample (sample 1).

Step 2: All core diagnostics that contain the words “B40” or “bottom 40” will be retained (sample 2).

Step 3: All 33 Systematic Country Diagnostics will be added to sample 2 for in-depth review (sample 3).

Step 4: All six regional flagship reports on shared prosperity will be added to sample 3 for in-depth review (sample 4).

Manual Content Analysis

Step 5: All sections of sample 4 that pertain to the shared prosperity goal/bottom 40 will be mapped against the asset-based framework. The following categories are to be used: Income-earning assets (A), transfers (T), equitable and sustainable fiscal and monetary policy (P), Fair and transparent institutions (governance) (I), well-functioning markets related to improved connectivity and competition (M).

Step 6: The strategic relevance of the reports will be assessed. For this purpose, reports will be classified into whether the ASA has addressed one the following issues pertaining to the bottom 40 percent:

- Do they help identify who the B40 are? Y/N
- Do they help determine binding constraints for income growth of the B40?
- Do they identify the impact of policy or interventions on the B40? Y/N

Step 7: The quality of the reports will be assessed by gauging whether ASA relies on recent and good-quality data (L/M/H or NA), and whether the analysis pertaining to the shared prosperity goal/bottom 40 is of adequate quality in terms of the method used (including the credibility of assumptions) (L/M/H or NA).

Step 8: To assess influence, a download analysis will be performed benchmarked against means.

Box A.5. Protocol for Assessing Country Strategies

Identification of CPF Universe

Step 1: All CPFs between October 1, 2013, and June 30, 2016, were identified.

Step 2: All CPFs were reviewed manually for whether they clearly articulate how they will contribute to the shared prosperity (SP) goal.

Manual Content Analysis

Step 3: For all pillars/focus areas, all objectives were classified into the asset-based framework. The following five categories were used: (1) income-earning assets, (2) private and public transfers, (3) equitable and sustainable fiscal and monetary policies, (4) fair and transparent institutions (governance), (5) Well-functioning markets related to improved connectivity and competition.

Step 4: The theory of change for all objectives was assessed on whether context, mechanisms, and outcomes (CMO) pertaining to the B40 were clearly articulated on a 0-3 scale. If there was no CMO statement whatsoever, a 0 was given. If there was a CMO statement, the granularity determined the rating on a scale of 1–3. Factors for rating included the extent of discussion of contextual factors, the number of causal steps discussed, and the explicit link to SP outcomes. The analyst had to review the "World Bank Group Strategy" section of the CPF to make this assessment.

Step 5: For all objectives, indicators were assessed on how well they capture progress on the shared prosperity goal. Here the analyst consulted the results framework of the CPF. The following decision tree was taken:

- Does it mention B40 or bottom 40 (Y/N)? If yes, with regard to income or benefits to B40.
- Does it mention other population groups identifiable as part of B40 (Y/N)? If yes, with regards to income or benefits to B40.

Step 7: Quality assessment of indicators. Do indicators have a clear baseline and target (Y/N)? Do indicators have an information source identified (Y/N)?

Country Case Studies

Case Study Selection

Given budgetary and time constraints, a total of 12 countries were selected for case study analysis. With such a small sample, randomized case selection is not preferable.2 Nevertheless, the aim of the case studies is to provide inductive narratives of how the World Bank Group has been pursuing the goal of shared prosperity at the country level. It also aims to elucidate some lessons, if tentatively.

Therefore, a purposive case selection strategy was employed, deliberately selecting cases to represent the full range of values along the dimension of interest, that is, the evolution of average income of the bottom 40 percent. According to Seawright and Gerring (2008), such a strategy is potentially less biased than any other Small-N selection technique. The strategy also takes account of the diversity of lending portfolios.

Taking into account the objective of the evaluation—examining how well the World Bank is pursuing its distributional objectives—the selection was made based a two-step procedure. First, all countries were filtered using the following criteria:3

- Continuous World Bank engagement in lending of at least 10 years during the period 2004–15
- Availability of quality household data to examine distributional issues
- Availability of B40 income growth data
- Inclusion of countries with IFC portfolios.

These criteria ensured that an in-depth and intensive investigation of World Bank engagement was possible. Hence, the case studies could contribute, to the fullest extent possible, to answering the evaluation questions.

Applying these three filters resulted in a list of 56 candidates. Second, these 56 countries were ranked according to the basic indicator of shared prosperity, income growth among the bottom 40 percent, and divided into three groups of equal size: countries with high B40 growth, countries with moderate B40 growth, and countries with low (negative) B40 growth, in the bottom 40 percent. Then at least three countries from each group were selected for case study analysis.4 The final list consisted of Azerbaijan, Bangladesh, Cambodia, Colombia, Arab Republic of Egypt, Ethiopia, Haiti, Ghana, Indonesia, Serbia, South Africa, and Vietnam.

To facilitate selection within each of the three “B40 groups,” regional and income variation also were taken into account, as well as learning opportunities. To proxy the latter, a regression model was estimated with the change in B40 growth as the dependent variable and change in average income, Gini Index, and political freedom as independent variables. The simple theory behind this empirical model is that voice, income growth, and inequality all affect B40 growth (see, for example, Van Der Weide and Milanovic 2014). The residuals from this estimation indicate other—unknown—factors affecting B40 growth, beyond average income growth, changes in inequality, and political change. As high residuals—in absolute values—broadly reflect learning opportunities, attention was given to also select countries with highly positive (such as Vietnam) and highly negative residuals (such as Ethiopia).

It should be noted that the first filter of the country selection only includes countries with minimum available distributional data. Consequently, the approach tends to exclude poor/fragile countries with a low level of World Bank engagement and a lack of data.

Case Study Protocol

A protocol was developed to guide data collection for the case studies. To ensure consistency across evaluators, explicit probes and hypothesis were embedded into each question. Topics included in the protocol were background and contextual information; the World Bank’s priority and conceptualization of shared prosperity; the World Bank’s strategy, design, and implementation of interventions; the role of analytical work; and potential contributions on data.

Case studies were based on multiple sources of evidence including: interviews, document analysis, project records, survey data, archival data, and observations or field visits. Evaluators were trained on the protocol to ensure consistent data collection and understanding of concepts. Each case study was subject to peer review to ensure accuracy, consistency, and clarity of the evidence and conclusions.

Comparative Analysis

Analysis of case studies involved two steps. First, all evaluators discussed the content from each study to assess how and why the World Bank: (i) supported the mix of interventions within each country; (ii) conceptualized shared prosperity within each country; and (iii) designed and implemented operations within each country. Patterns began to emerge, which were explored from the multiple case studies to make analytical generalizations.

Sectoral Studies

The evaluation was informed by in-depth sectoral background papers in agriculture, human development, energy, fiscal policy, and IFC. Though these studies took different approaches to assessing the sectors' engagement in shared prosperity, they were considered adequate given sector-specific idiosyncrasies.

Concepts of Shared Prosperity

A literature review was prepared under the approach paper. Also, a background paper on the concepts and measurement of shared prosperity was prepared to inform the direction of the evaluation.

Staff Opinions

Staff Survey

A web-based survey was implemented to elicit staff views and understanding about the shared prosperity goal and to gauge how World Bank Group staff have operationalized the objective in their day-to-day work.

The target population of the survey were all World Bank staff members graded F and above, excluding service and back-office departments.5 For the purposes of this survey, each Global Practice and Region, as well as the Development Economics Group and the Operations Policy and Country Services Department, were considered statistical domains, analytical subgroups of the target population for which equally reliable data were wanted.

Given the large number of domains, an adjusted population survey was implemented. The population of interest was divided into two random subgroups to accommodate two IEG surveys taking place at the same time and avoiding survey overload. One of the two subgroups was used for this survey, resulting in a sample of 3,698 eligible staff members.

Next to the large number of domains, and hence the large total sample size, three other reasons justify the option of an adjusted population survey. First, given the web-based mode, the marginal cost of adding a survey participant was close to zero. Second, as World Bank internal surveys typically generate low response rates, taking a random sample from the population of interest will not necessarily imply representativeness. And finally, as explained below, sampling weights were corrected to account for nonresponse.

The design of the questionnaire entailed several rounds of review and revision, building on expertise from different parts in the World Bank Group. That is, before drafting the final questionnaire, a focus group meeting was organized with six knowledgeable staff members with relevant expertise and experience across the World Bank Group. The purpose of the focus group was to get information on how the introduction of the shared prosperity goal has influenced the work at the World Bank, and the scope of the shared prosperity goal.

Building on this rich information, a first robust iteration of the questionnaire was designed, which was sent to the core evaluation team for comments and suggestions. In addition, the draft was vetted by IEG's survey expert and an IEG evaluation officer working on IFC. Also two senior members from the Poverty Global Practice discussed the questionnaire. All of these inputs were used to give the questionnaire another revision.

Finally, before launching the survey, the questionnaire was piloted within IEG. In addition, the World Bank staff members that attended the focus group were also included. Twenty-six individuals participated in the pilot, of which five were external to IEG (five of the six focus group members). The comments and suggestions from the pilot were incorporated into a third, and final, draft of the survey.

The final questionnaire consisted of 18 questions, divided into four sections: general information, the official definition of shared prosperity, operationalizing shared prosperity, normative views of shared prosperity.

The survey was launched on September 7 and ran for six weeks, closing on October 18. Following best practices in survey methodology (Galesic and Bosnjak 2009; Joinson and Reips 2007; Kaplowitz et al. 2012), IEG's Director-General sent out the e-mail invitation, including the expected duration of the survey, the survey deadline and a web link to the survey at the bottom of the invitation (see the e-mail invitation in the appendix).

As follow-up contacts are found to increase response rates (see Munoz-Leiva and others 2010), two reminder emails were sent. For the first reminder, sent three weeks after launching the survey, the director of each department was asked to send it, since the literature indicates that the status of the sender also affects response rates (Gueguen and Jacob 2002). The final reminder was sent the day before closing, with IEG's Director-General as the sender.

Finally, we also called up a random subset of our sample inviting them to take the survey in case they had not. Out of the 110 people we have been able to reach, 79 had not filled out the survey. Of those 79 people, 55 ended up participating in the survey, which corresponds to a response rate of 70 percent.

In total, 1,313 staff members participated in the survey, resulting a response rate of 35.5 percent (=1,313/3,698),6 which is reasonably high by World Bank standards and compares well to other web-based surveys (see Lozar-Manfreda and others 2008).

Nevertheless, we corrected for nonresponse bias applying poststratification, using organizational mapping (IBRD or not), location (headquarters versus country office) and managerial status as stratifying variables. Poststratification generally results in decreasing nonresponse error; it totally eliminates nonresponse bias if, within each poststratum, the propensity to respond is unrelated to the survey variables of interest. This condition is also referred to as the missing-at-random assumption (Little and Rubin 2002). Intuitively, missing-at-random means that nonrespondents within each poststratum can be represented by the respondents.

ED and CE Interviews

Semistructured interviews were held with key stakeholders. Interview questions were broad-based around the evaluation themes but giving respondents freedom to elaborate and was followed up on through probing. Careful minutes were kept from interviews and systematically reviewed.

Tools to Measure and Analyze Shared Prosperity

A literature review was conducted to examine the data needs, coverage, strengths, and weaknesses of the main tools that are highly relevant for shared prosperity. This was done in combination with semistructured interviews with experts, statisticians, and task team leaders who have developed and used the analytical tools. This background work also benefited from consultations and discussion with sectoral experts and team members of the shared prosperity evaluation.

Study on the Association of DPF and Social Policies

This paper econometrically examined the impact of World Bank policy lending on policy and institutional reforms in the broad area of social development. This was done by analyzing the association of development policy lending with the quality of the client governments' social policies, as measured by Country Policy and Institutional Assessment (CPIA) ratings. For each country the number of "social policy" prior actions in policy loans were counted.7 This variable was used as the main variable of interest.

Using a sample of 68 developing countries, the following equation was estimated:

$$\Delta y_i = \beta_0 + \beta_1 \Delta x_i + \beta_2 Z_i + \varepsilon_i$$

With Δy_i the change in the CPIA C score for country i during the period 2006–14 and Δx_i the change in the number of "social policy" prior actions for country i between 2006 and 2014. Z_i is a vector of control variables including the initial level of policy quality (that is, the 2006 CPIA score), average annual aid as a share of gross domestic product (GDP), average annual growth in GDP per capita, and the change in political freedom over the period 2006–14.

A convenient implication of using the change in policy quality as the dependent variable is that time-invariant heterogeneity between countries—for example, colonial heritage, legal tradition, and cultural norms—should matter relatively little, as most of its effects will arguably be captured by the initial level of policy quality. Another convenience of using changes over a long period for key variables is recognition that policy reform may not translate into improvements instantaneously but with a lag, sometimes of several years.

When analyzing the association of World Bank lending with the quality of social policies, one needs to take into account a potential selection bias problem. That is, countries often receive policy loans because of policy deficiencies, so the coefficient on aid may be biased downward when examining its impact on policy outcomes. Yet, the coefficient may be biased upward if loans tend to go to motivated governments that would have reformed even in the absence of support. The paper corrected for this form of endogeneity by employing 2SLS. In the first stage the number of "social policy” conditions were instrumented with the logarithm of population (in 2006) and the number of financial and private sector conditions from 2006 through 2014. The selection bias problem was tackled by adjusting the OLS model in two different ways: first by lagging the variable of interest and secondly by instrumenting the variable of interest in two-stage least squares (2SLS) model. The first approach addresses the problem of reverse causality. The second approach provides a more general correction for selection bias and allows to estimate the causal effect of an explanatory variable on the dependent variable.

In the first stage of the 2SLS model, the number of social policy conditions were instrumented with the logarithm of population (in 2006) and the number of financial and private sector conditions from 2006 through 2014. Population size is used as an instrument for aid in many other studies and has been shown to be statistically unrelated to a wide variety of institutional indicators. For our second instrument— the number of financial and private sector conditions—we exploit the fact that the reform programs countries receive often contain conditionalities that target several sectors. That is, development policy loans that contain social sector conditions may also contain conditions targeting the private sector. In fact, that is often the case. Financial and private sector conditions typically entail reform of competition law, financial regulation and improvements in the ease of doing business. We do not expect these types of conditions to directly affect the quality of social policies. Furthermore, Smets and Knack (2015, 2016) provide empirical evidence that World Bank conditions targeting one policy area do not affect the quality of policies in other CPIA clusters.

Specification tests indicate that population and financial and private sector conditions are strong predictors of social policy prior actions and do not allow to reject the null hypothesis that the excluded instruments are exogenous to changes in the quality of social policy.

Geographic Targeting of World Bank’s Investment Projects: Data and Methodology

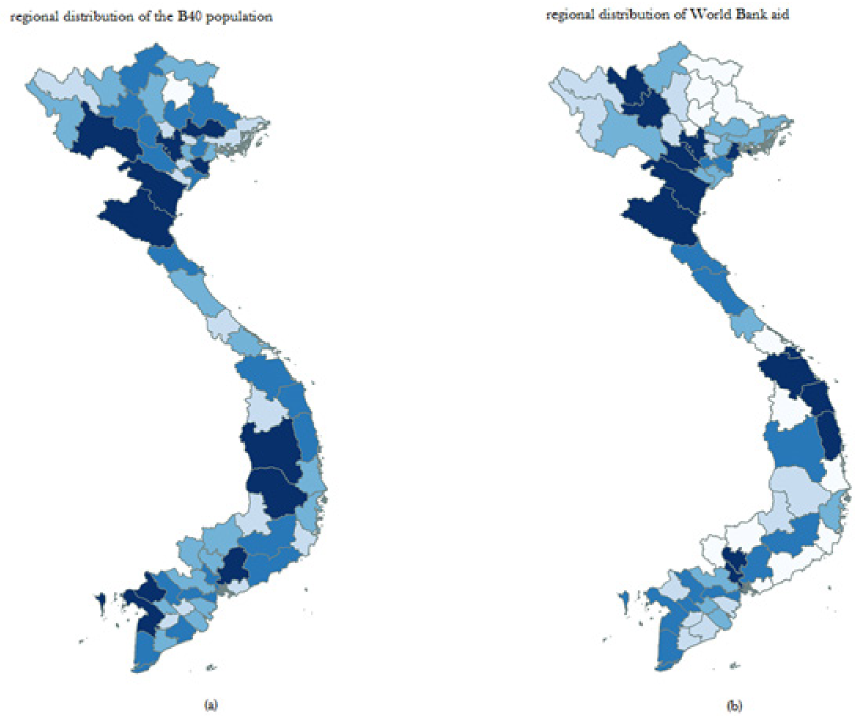
This study investigated whether World Bank investment lending in 56 countries flow to the subnational regions where the B40 are found. This was done by (i) merging unique geospatial data sets on the geographic distribution of World Bank projects with the location of the population identified as the B40 and (ii) correlating the geographical allocation of aid at regional level with the regional distribution of the national B40. (The distributions can also be displayed graphically, as shown below for Vietnam.)

Subnational information on the locations of World Bank projects within recipient countries came from AidData.8 The database does not provide the regional breakdown of the overall amount of project commitments. However, the entries in the database typically specify the locations (regions) where (part of) a project is located. This information was used to split total project commitment – for all projects approved between 2005 and 2014 – either equally or population-weighted across the subnational regions a project was active in. Subsequently, the percentage of World Bank aid (measured as commitments of investment projects) each region receives was calculated.

To calculate the percentage of the national B40 population in each subnational region, the paper relied on DATALIBWEB, an application developed and kindly shared by the World Bank’s Poverty and Equity GP. The tool allows to access harmonized household surveys—that is, GMD and GPWP—from the microdata library for subsequent analysis. As the surveys include geographic identifiers, household welfare estimates as well as poverty lines, it was fairly straightforward to calculate the regional distribution of the national B40.

Simple bivariate correlations between the two were calculated to tentatively assess the association or "geographic targeting" of World Bank aid.9 More on the details and results of this analysis are found in Öhler, Negre, Smets, Massari, and Bogetic (2017).

Figure A.1. Vietnam: Geographic Targeting of World Bank's Investment Projects to Bottom 40 Percent



Note: Darker shades of blue indicate a higher percentage of B40 (figure a) or a higher aid percentage (figure b). Categories correspond the quintiles of the respective distributions.

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1 Arguably, only projects that contain the words "B40" or "bottom 40" constitute the relevant subset of projects. Put differently, if projects do not contain the words "B40" or "bottom 40," it is highly unlikely that they will have an explicit focus on the bottom 40 percent.

2 A meaningful analysis based on random selection requires a sample size of at least 30 units (Hogg et al. 2014). For samples with less than 30 observations, the central limit theorem generally does not hold, thus jeopardizing hypothesis testing. Furthermore, standard errors are bound to be large in small samples.

3 Cambodia, the Arab Republic of Egypt, Haiti, Ghana, and South Africa did not strictly (but did to a large extent) meet the preselection criteria but are included because of regional interest.

4 This ensures that the preselected cases represent the full range of values along the dimension of interest, that is, the evolution of average income of the bottom 40 percent.

5 The excluded departments were Legal Vice Presidency, Quantitative Solutions, Strategic Asset Allocation, Internal Audit Vice Presidency, Sovereign Investment Partnerships Department, Sanctions Board, Mediation Services, Inspection Panel, World Bank Group Finance and Accounting, Group Chief Risk Officer, Pension & Endowment Department, Capital Markets Department, Administrative Tribunal, Banking & Debt Management, Development Partner Relations Department, International Center for Settlement of Investment Disputes, World Bank Group Information and Technology Solutions, General Services Department, Treasury, Integrity Vice Presidency, Office of Suspension and Debarment, Investment Management Department, Financial Advisory and Banking, World Bank BPS Managed Programs, Peer Review Services, Independent Evaluation Group, HRS Administered Programs, Corporate Secretariat, Ombudsman Services, Office of Ethics and Business Conduct, World Bank Group Human Resources Vice Presidency and Budget, Performance Review, and Strategic Planning Department.

6 The American Association for Public Opinion Research's response rate 2 definition is used, which includes partial interviews in the numerator. The minimum response rate for the survey, which only takes into account the completed interviews, is 29.5 percent.

7 These are prior actions with theme codes 51–60, 62–70, 80–89, 92, 93, and 100.

8 *http://aiddata.org/subnational-geospatial-research-datasets.* It is important to note that not all development assistance can be geographically pinpointed. For instance, budget support operations or technical assistance are generally not associated with geographical locations. For the World Bank, about 25 percent of its lending portfolio is in the form of budget support. However, countries with high-quality PFM systems will be able to capture (part of) these flows, including proper geographic disaggregation.

9 While our aid variable runs from 2005 to 2014, data on the distribution of the B40 varies, but falls for all countries in the 2005–14 period (see appendix A). Ideally, one would like to match aid commitments and bottom 40 percent distributions on a year-to-year basis. However, data limitations prevent this. Furthermore, if we assume that the spatial bottom 40 percent distribution does not shift over time, this is less of a problem.

Appendix B. Background Reports and Country Case Studies

Table B.1. Background Reports and Country Case Studies for the IEG Shared Prosperity Evaluation

Background Papers		
Product Date	Report	Team
1/26/2016	Fiscal Policy in Support of Shared Prosperity	Aristomene Varoudakis, Željko Bogetic, Helga Treichel, Moritz Piatti, and Felix Oppong
11/18/2016	A Look Behind the Curtain: World Bank Group Staff Experience with the Shared Prosperity Goal	Željko Bogetic and Lodewijk Smets
1/12/2017	Concept(s), Measurement and Use of the "Shared Prosperity" as a World Bank Group Corporate Goal	Shahrokh Fardoust, Željko Bogetic, Isabel Boggild-Jones, and Lodewijk Smets
1/17/2017	Assessment of IFC Strategy and Operations Toward the Shared Prosperity Goal	Takatoshi Kamezawa, Izlem Yenice, and Margareth Celse L'Hoste
1/18/2017	Measuring and Analyzing Shared prosperity: Tools and Practical Applications	Yumeka Hirano, Lodewijk Smets, and Takatoshi Kamezawa
1/18/2017	Do World Bank Projects Target the Bottom 40 Percent?	Hannes Öhler, Mario Negre, Lodewijk Smets, Renzo Massari and Željko Bogetic,
1/31/2017	Association Between World Bank Policy Lending and Social Development Policies and Institutions	Željko Bogetic and Lodewijk Smets
2/20/2017	Methodology of the Evaluation	Moritz Piatti and Lodewijk Smets
12/21/2016	Human Development	Susan Caceres and Isabel Boggild-Jones
12/23/2016	Electricity Sector	Istvan Dobozi and Maria Shkaratan
12/20/2016	Agriculture	Malathi Jayawickrama and Margareth Celse L'Hoste
12/22/18	Note on MIGA operations	Takatoshi Kamezawa and Izlem Yenice
Country Case Studies		
Product Date	Country	Team
12/22/2016	Colombia	Ulrich Lachler and Erik Cruikshank
12/23/2016	Ethiopia	Florence Charlier, Felix Oppong, Izlem Yenice
1/3/2017	Cambodia	Lourdes Pagaran and Takatoshi Kamezawa
1/7/2017	Indonesia	Anjali Kumar, Yumeka Hirano, Amitava Banerjee
1/11/2017	Bangladesh	Anis Dani and Isabel Boggild-Jones
1/23/2017	Vietnam	Iradj Alikani and Takatoshi Kamezawa

1/25/2017	Haiti	Margareth Celse L'Hoste
1/31/2017	Serbia	Željko Bogetiç, Moritz Piatti, Isabel Boggild-Jones, and Margareth Celse L'Hoste
2/09/2017	Egypt, Arab Republic of	Shahrokh Fardoust and Mark Sundberg
2/16/2017	Azerbaijan	Željko Bogetic, Isabel Boggild-Jones, Moritz Piatti, and Margareth Celse L'Hoste
12/23/2017	Ghana	Moritz Piatti, Felix Oppong, Izlem Yenice
11/18/2016	South Africa	Johannes Fedderke, Pamela Lamoreaux

Appendix C. Good Practice Projects

Good Practice: Local Services Delivery Project in Serbia and Health and Nutrition Projects in Ghana

The Serbia Local Services Delivery Project approved in 2009 aimed to improve outreach and access to basic services in a decentralized environment through innovations in service delivery and state capacity. The Implementation Completion and Results Report Review shows that over 140,000 Roma men, women, and children were reached through the health mediators program, while school improvement grants were provided to 560 schools and preschools, including 330 grants for inclusive education (disability, special needs, rural), and 193 grants for Roma children.

In 2008 and 2014, Ghana health and nutrition operations provided an innovative community support model. Here the World Bank supported community health workers with volunteers who helped provide essential services to the poor and marginalized. This served as a platform for other donors, who were able to use this approach to increase reach of malaria net distribution, immunization, and treatment of severe and acute malnutrition.

Data are from the Independent Evaluation Group (IEG) evaluation team's Serbia and Ghana case studies.

Good Practice in IFC Projects: Colombia and Ghana

In Colombia, two International Finance Corporation (IFC) microfinance projects supported increased credit to the low-income population and helped provide new loans to the previously unbanked. One of these projects reached out to women, who represented 75 percent of the borrowers with working capital loans. The projects helped mobilize funding from other investors and expanded geographic outreach. The clients' borrowing capacity and number of active clients doubled. There was a huge demonstration effect: Colombian population with microcredit rose by two percentage points and the project helped formalize many micro-firms.

In Ghana, several IFC projects helped increase the market share of financial institutions supporting lending to micro, small, and medium enterprises (MSMEs), directly contributing to poverty reduction and access to finance in a country where 90 percent of the registered companies are MSMEs. An IFC client doubled its MSME loan portfolio from $33.7 million to $68 million over two years. The project supported expansion outside Accra and Tema, with 50 percent of the loans approved in less affluent areas.

Data are from the IEG evaluation team's case studies on Colombia and Ghana.

Good Practice: Rural Electrification Project in Bangladesh

The fiscal year (FY)02–13 Rural Electrification and Renewable Energy Development (RERED) project supported the expansion of electricity access through off-grid solar home systems (SHS), supplementing the extension of the electricity grid. The project and its ongoing successor, RERED II, far exceeded original SHS targets. Parallel technical assistance and development policy financing (DPF) operations strengthened government capacity and sector policies. The World Bank's approach combines grid and off-grid solutions for quick provision of basic electricity services—lighting, mobile phone charging, fans, and television. The off-grid experience in Bangladesh is achieving rapid "preelectrification." Every month, 80,000 SHS are being installed, and have brought basic electricity services to 2.3 million households (World Bank 2016). In FY13, 10 percent of households were using off-grid electricity; this total is expected to grow to 18 percent by end-2016. The impact evaluation of the SHS program found a positive and significant impact of electricity access on study time for boys and girls; and a correlation between households with a television, and health outcomes and women's empowerment and mobility.

Data are from the IEG evaluation team's Project Performance Assessment Report of RERED and RERED II and the evaluation team's field interviews.

Good Practice: Examples of Fiscal DPFs Relevant to Shared Prosperity

The 2010–12 Georgia DPFs supported the policy reform program to mitigate the short-term impact of the economic downturn and facilitate the recovery to prepare Georgia for postcrisis growth in the medium term. The program helped improve the efficiency of public finances and the effectiveness of the social safety net.

The 2010 El Salvador DPF enabled the government to undertake an anticrisis plan to protect the poor. It helped protect nonpersonnel recurrent public spending and essential investments required to sustain the quality of education and health services, while increasing saving from a reduced transport subsidy. It supported the launch of essential social programs including the protection and extension of access to basic health and education services and income support to the unemployed in poor municipalities.

The 2010–12 Romania DPFs helped strengthen social assistance and pensions to address the immediate needs of the poor and vulnerable but also to ensure more effective social protection over the longer term given the scarcity of budget resources.

Data are from the fiscal policy background paper by written by Aristomene Varoudakis, Felix Oppong, and Moritz Piatti in 2017.

Good Practice IFC Projects: Cambodia and Vietnam

IFC successfully engaged in Cambodia's rice sector to improve competitiveness through support to key processes along the value chain. At the start, Cambodia was a low-quality paddy exporter. IFC advisory project helped transform the industry into a fragrant rice niche market player with global recognition. For 2011–15, the number of Cambodia's rice exports markets rose from 35 to 83, and the value of rice shipments grew by 199 percent. Promotion and branding helped increase foreign direct investment. A survey shows that over 8,400 farmers switched to high-quality seed and produced higher-quality paddy and higher yields. Farmers who participated in projects have enhanced their yields by 20 percent and some earn $40 per ton more than for normal rice.

In another project, the ACLEDA (Association of Cambodian Local Economic Development Agencies) Bank was established in Cambodia in 1993 and five years later became a specialized bank with support from founding shareholders, including IFC. It is now the largest commercial bank in Cambodia and it has expanded into Lao People's Democratic Republic and Myanmar with support from IFC and others. There was huge growth in the loan portfolio and depositor base. The number of borrowers reached 408,349 in 2015 and portfolio increased from $16 million in 2000 to $2.4 billion in 2015. According to survey of its customers, the number of respondents below poverty line dropped from 15 percent in 2011 to 3 percent in 2015. The 2015 survey finds that 92 percent of respondents confirmed that their income and living standard increased after they got loans.

IFC's Better Work Program in Vietnam targets the labor-intensive garment industry, employing mostly women from poor rural backgrounds. The garment industry is one of the two largest export earners. The first phase of the IFC project reached 120,000 women in factories that implemented improved labor practices as some women were discriminated against based on gender and migrant status. Better Work commissioned an independent impact assessment to understand development impact. It shows the positive link between better working conditions and higher profit margins: factories participating in programs experienced a rise in worker productivity and profitability.

Data are from IFC and ACLEDA annual client surveys.

Good Practice: Lessons from the Innovative IFC Ethiopia Women Entrepreneurs in Development Project

The Women Entrepreneurs in Development Project (WEDP) is a $50 million International Development Association investment operation designed to address the key constraints for growth-oriented women entrepreneurs. It created the first-ever women-entrepreneur focused line of credit in Ethiopia in 2013. Demand was huge. The WEDP line of credit is disbursing $2 million in loans to women entrepreneurs monthly, far above targets. Training draws lessons from cognitive psychology and equips women with business skills and the ability to "think like an entrepreneur." As of 2016, it provided loans to over 4,000 women entrepreneurs and training to over 7,500. Embedded impact evaluation shows that WEDP is successfully reaching its target segment of underserved women entrepreneurs. It also unlocked needed capital: for repeat borrowers, loan sizes have increased by 870 percent, enabling women-owned enterprises stuck in a missing-middle trap (where the amount of microfinance loans offered were too small) to meet their needs.

Data are from the IEG evaluation team's Ethiopia case study.

Appendix D. Staff Survey Questionnaire

Dear colleague,

You have been selected to participate in a short, 5-minute survey. The purpose of this survey is to collect staff views on the World Bank Group's goal of Shared Prosperity. This is part of an ongoing IEG Evaluation of the World Bank Group's Support for Shared Prosperity.

We believe that the findings of this survey will prove useful in your own work regarding the twin goals. Therefore, we would highly appreciate your taking the time to complete the survey. Please note that the survey will be closed on Wednesday October 19 at 8 pm.

Your responses are confidential. The data are evaluated in the aggregates only. If you have any questions or concerns, please contact Željko Bogetic (x32143), Task Manager for Shared Prosperity Evaluation and/or Lodewijk Smets (x31710), the Survey Manager.

To start, please click here.

Many thanks for your participation.

Q.1 In which department do you work?

Drop-down menu.

Q.2 Where are you based?

- Headquarters
- Country Office

Q.3 Are you affiliated with a Region?

1. Yes	2. No

If YES:

Q.3.2 Please select your regional affiliation from the list:

- ECA
- AFR
- MENA
- LAC
- EAP
- SA

Q.4 What is your grade level?

- GF
- GG
- GH+

If GG or above, Q. 4.2: Are you a manager/head?

3. Yes	4. No

Q.5 How long have you been a World Bank Group staff member?

- Less than 3 years
- 3-5 years
- 6-10 years
- More than 10 years

Q.6 Are you currently a Task Team Leader (TTL)?

5. Yes	6. No

Work may include policy dialogue with clients, lending/investment operations, technical assistance, knowledge products, SCDs/CPFs, guarantees.

Q.7 In the last three years, on which lending groups have you worked? Please select all that apply:

- IDA
- IBRD
- IDA/IBRD Blend
- HIC
- Not applicable

****

In October 2013, the Development Committee endorsed the new World Bank Group strategy of ending extreme poverty and boosting shared prosperity. First we would like to know more about your familiarity with the official definition of shared prosperity. Remember, survey responses will be treated confidentially.

Q.8 Do you know how the goal of 'boosting shared prosperity' is officially defined?

7. Yes	8. No

IF YES, Q 8.2: Please select the official World Bank Group definition of shared prosperity from the list below:

- Promoting greater income equality
- Reducing wealth inequality by 1 percent by the year 2030 in a sustainable way
- Fostering the income growth of the bottom 40 percent of the population in a sustainable way
- Promoting greater equality of opportunity in a sustainable way
- Enhancing universal access to education
- Reducing the Gini coefficient in each country below 0.33

****

In this section, we would like to know more about your experience of putting the shared prosperity goal into practice.

Q.9 In the last 3 years, have you incorporated the goal of fostering the income growth of the poorest 40 percent of a population into your work?

Work may include policy dialogue with clients, lending/investment operations, technical assistance, knowledge products, SCDs/CPFs, guarantees.

9. Yes	10. No	11. No opinion	12. Not applicable

If YES, Q.9.2. In which World Bank Group products and services? Please select all that apply:

- Policy dialogue with clients
- Investment project financing
- Development policy financing
- Program-for-Results operations
- Technical assistance
- Knowledge products
- Systematic Country Diagnostics
- Country Partnership Frameworks
- IFC investment operations
- IFC Advisory Services
- MIGA guarantees
- Other. Please specify:

If YES on Q.9, Q.9.3. Through what channels? Please select all that apply:

- Helping improve the assets of the bottom 40 percent (human, physical, financial, social and natural capital)
- Helping improve the resilience to shocks in the bottom 40 percent (for example, safety nets)
- Helping improve the infrastructure relevant to the bottom 40 percent (for example, electricity, roads, water and sanitation)
- Helping improve labor demand relevant to the bottom 40 percent (for example, facilitating business

entry, job creation)

- Helping improve taxation policies benefiting the bottom 40 percent
- Helping improve macroeconomic price stability
- Helping to improve knowledge on the bottom 40 percent
- Other. Please specify:

For the statement below, please indicate the extent to which you agree or disagree. If the statement does not apply to your current work, please check “not applicable.”

Q.10 It is easy to incorporate the shared prosperity goal in my current work:

Fully disagree	Somewhat disagree	Neutral	Somewhat agree	Fully agree	No opinion	Not applicable

Below we present four reasons why it may/may not be easy to incorporate the shared prosperity goal into your work. Again, please indicate the extent to which you agree with the statements.

Q.11 I have access to proper analytical tools to incorporate the shared prosperity goal in my current work:

Fully disagree	Somewhat disagree	Neutral	Somewhat agree	Fully agree	No opinion	Not applicable

Q.12 I have access to proper data to incorporate the shared prosperity goal in my current work:

Fully disagree	Somewhat disagree	Neutral	Somewhat agree	Fully agree	No opinion	Not applicable

Q.13 My manager provides incentives to incorporate the shared prosperity goal in my current work:

Fully disagree	Somewhat disagree	Neutral	Somewhat agree	Fully agree	No opinion	Not applicable

Q.14 Client governments/private clients I am currently working with pay considerable attention to the shared prosperity goal:

Fully disagree	Somewhat disagree	Neutral	Somewhat agree	Fully agree	No opinion	Not applicable

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The World Bank Group defines shared prosperity as the income growth of the poorest 40 percent. However, there are multiple ways to define shared prosperity. In this final section, we would like to know more about your opinion on *the scope of the shared prosperity goal.*

Q 15: How satisfied are you with the official World Bank Group definition of shared prosperity?

Dissatisfied	Somewhat dissatisfied	Neutral	Somewhat satisfied	Satisfied	No opinion

Q 16: Do you think the World Bank Group should focus more on improving opportunities rather than outcomes (that is, income) with its shared prosperity goal?

With opportunities we refer to individuals having access to basic goods and services (education, health care, electricity, water), factor and financial markets (labor, credit, savings, insurance) and political leaders.

Yes	No	No opinion

Q 17: Do you think the World Bank Group should focus more explicitly on inequality with its shared prosperity goal?

Yes	No	No opinion

IF YES, Q.17.2: Which types of inequality? Please select all that apply:

- Inequality in access to basic goods and services
- Inequality in access to factor and financial markets
- Inequality in political voice and representation
- Income inequality
- Other. Please specify:

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Q 18: Finally, please provide any other feedback you may have on your experience with the World Bank Group's shared prosperity goal:

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