

## Box 0.1 Structure of the report

This Policy Research Report is structured in three parts, mirroring the three broad aims of the report.

The first part provides a general overview of the conceptual underpinnings of the two goals and their assessment. Chapter 1 describes the World Bank's approach to poverty measurement and assesses what achievement of the poverty goal will require. Chapter 2 turns to the shared prosperity goal, demonstrating how the goal can be evaluated and highlighting some of the challenges of interpretation.

The second part of the report places the World Bank's two goals in a wider context. Chapter 3 places the global poverty and shared prosperity goals in a broader framework of poverty and welfare analysis. It shows how the World Bank's choices of measures are two options from an array of possible indicators, each with different features that provide different insights. Chapter 4 discusses poverty projections in the context of uncertainty about economic growth and large or unusual shocks, which could pose downside risk to achieving the goals and are often not adequately captured by standard economic models. Current debates around climate change and sustainability receive explicit attention in this framework. The chapter demonstrates how

confidence in achieving the goals and indeed their very attainment are sensitive to assumptions about the patterns of economic growth and the occurrence of extraordinary shocks.

Finally, while data and measurement issues are discussed throughout, the third part of the report specifically addresses issues related to the empirical monitoring of the goals in greater technical detail. Chapter 5 discusses the use of household survey data in measuring global poverty and shared prosperity, highlighting some of the challenges faced in raising the frequency and timeliness of global poverty estimates. Although household surveys are necessary inputs to the measurement of global poverty and shared prosperity, they are not sufficient. Chapter 6 thus turns to some of the key complementary data—population data, purchasing power parity (PPP) indexes that control for the differences in the cost of living across countries, and growth and inflation data—that are needed to support the World Bank's poverty and prosperity estimates. The discussion on accounting for differences in prices across countries with PPP indexes is particularly extensive, primarily because these data have significant implications for global poverty estimates.

## Evidence as the foundation for policy design

Concerns around data and measurement are often overshadowed in debates about the fundamental determinants of development and the role of policy. This report argues for a different perspective—one that acknowledges the role evidence plays in understanding structural change and the design of policy and appreciates the importance of evidence in evaluating and improving policies over time. Economists rely on the availability of consistent and reliable data not only to motivate and assess economic theory, but also to monitor and evaluate economic policies in practice—and this is as important for poverty reduction as for other areas of economics. As the

eminent Indian statistician Prasanta Chandra Mahalanobis once declared, “. . . statistics is an applied science and . . . its chief object is to help in solving practical problems. Poverty is the most basic problem of the country, and statistics must help in solving this problem” (Mahalanobis 1963).

Far from being an issue of secondary importance, data and measurement are pivotal to the assessment of the World Bank’s new goals and, thereby, their achievement. To assess progress toward the goals, it is necessary to have a clear understanding of how progress is defined and measured. Without a clear understanding of the goals’ meaning and knowing how to measure progress, what would be the basis for selectivity and prioritization? And how would lessons be learned from past experience?

This report will argue that improved data infrastructure—consisting of many elements, including more attention to measurement methods and the collection of more and better survey data as well as complementary population and price data—is critical to ensure that progress toward the goals can be measured and policies to help achieve them can be identified and prioritized. Although the availability of poverty data has increased substantially in the past few decades, infrequent or unreliable data continue to pose a challenge to global poverty assessment (box O.2).

## Box 0.2 Global poverty assessment since 1990

While poverty reduction has been a mainstay of the World Bank’s mission for decades, the measurement of global poverty has at times lagged behind ambitions to reduce it. The 1990 *World Development Report* was an important milestone in global poverty assessment, providing one of the first comprehensive cross-country databases on poverty and a concerted effort to articulate what was needed to improve the measurement of poverty. That effort was based on single household surveys from 22 countries. The World Bank now has access to more than 1,000 surveys from 1981 to 2011 (figure BO2.1), covering nearly all developing countries—making national poverty assessments possible in most countries.

Perhaps more important is the impact this increased ability to measure poverty has had on poverty reduction efforts. Poverty assessments, drawing on country-level poverty data, inform countries’ understandings of the plight of their citizens and help countries to shape policies accordingly. Such analyses have become increasingly common and detailed alongside the expansion of data. At the global level, improved data have supported international efforts to reduce poverty, including by providing the basis for the Millennium Development Goal aimed at halving global poverty between 1990 and 2015.

However, although encouraging progress has been made in improving the quantity of household

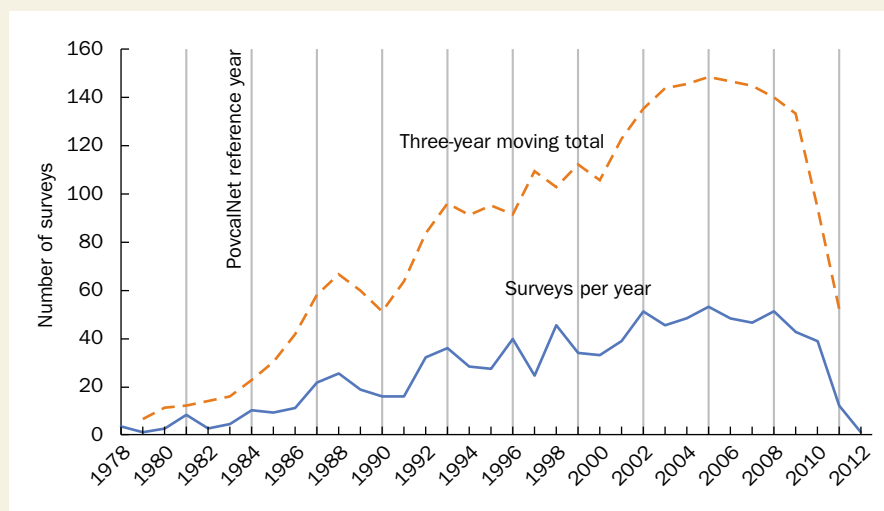
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## Box 0.2 continued

surveys needed to measure poverty, this report details the remaining challenges with the frequency and quality of data. Although most countries now have national poverty assessments, the global development community does not yet have the consistent and frequent data needed to understand fully the nature of poverty in countries, the evolution of poverty over time (and whether poverty is largely

a chronic or transitory condition), or the determinants of poverty. Improved poverty analysis requires more than just an increase in the number of surveys available. Concerted efforts are required to improve the capacity for data collection at the country level to produce not just more, but also better-quality poverty data.

**Figure BO.2.1** Number of surveys in PovcalNet over time



Source: Based on data from the World Bank PovcalNet database (accessed August 2014).

Note: It is quite common for there to be a delay of some months between when a survey is collected, when it is published, and when it becomes available in PovcalNet. The decline between 2010 and 2011 illustrated in the figure therefore reflects the fact that many surveys collected in 2011 are not yet available in PovcalNet, rather than a substantial decline in the number of surveys collected in 2011.

At the same time, discussion of improvements in data that are needed to measure poverty and shared prosperity consistently across countries should not ignore the progress in data measurement, access, and quality that has been achieved in recent decades. The purpose of this report is to identify areas where further improvements can build on progress that has already been made and highlight particular areas where further progress is needed.