



# PREM Shared Growth Work Program

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TFESSD Workshop  
November 14, 2007



# The Why and The How

- **Objective:** To improve the quality and policy relevance of shared growth analysis to accelerate poverty reduction.
- **Means:** Promoting and facilitating the use of existing and emerging analytical tools to better integrate analysis of growth and poverty by Bank country teams, governments, and donors.



# Basic Principles

- Growth is essential for poverty reduction, but some patterns of growth lead to more poverty reduction than others.
- Growth and poverty reduction should be viewed as interrelated processes.
- Improving opportunities for the poor through raising labor productivity and enhancing mobility across sectors.
- Equality of opportunity is a central consideration for efficiency and growth reasons as well as poverty reduction reasons.



# Two stages of country-specific shared growth analytics

- **Diagnostic stage:** A combination of macro and micro perspectives to identify the country-specific binding constraints for shared growth, and prioritize the most important areas for policy intervention.
- **Response/Intervention stage:** In-depth analysis of the relevant sectors or markets identified in the first stage, in order to formulate a country-specific policy response.

# Toolkit: Shared Growth Analytics

- Recent growth and poverty trends (past 5 years & 20 years)
  - GNI & GDP;  $S_I$  (public, private); GDP and employment shares by sector;  $S_X$  and patterns; imports ( $S_M$ ); RER; shares in aggregate demand ( $S_I, S_X, S_G$ )
  - Poverty profiles, Growth Incidence Curves, Rate of pro-poor growth, growth elasticity of poverty
  - Compare against benchmark countries (regional or otherwise)
- Sources of growth and poverty reduction
  - Sources of growth and changes over time
  - Returns to labor & capital by sector; TFP residual
  - Microdeterminants of income and growth
  - Labor market analysis
    - Human K wage premium and changes over time
    - Labor force participation, internal and international migration
  - Decompositions of growth and poverty reduction
  - Spatial growth patterns
- (Shared) Growth Diagnostics
  - Setting priorities for policy interventions



# **Second stage analysis: Identifying appropriate policy interventions**

- In-depth analysis of the markets, institutions, and policies that are associated with the binding constraints to shared growth.
- An array of relevant and practical tools depending on the constraint and country specific circumstances
- CGE-Microsimulations
- Special attention to win-win policies

# Practical Approach

- **Develop core ‘toolkit’ and guidance for integrating growth and poverty analysis**, drawing heavily on existing tools and literature.
- **Test toolkits and learning material** in a series of country studies to ensure relevance and practicality. Use a flexible, demand-driven approach. PRMED and PRMPR anchors working closely with country teams.
- **Revise and re-test.**
- **Disseminate** the key lessons in shared growth analytics, highlight good practices, and develop additional learning materials.
- **Continuous feedback** on the processes and subject matter from stakeholders.

# Main Activities and Outputs

## ■ Country studies

- DFSG-funded country studies
- Selected in-depth country studies (country teams + anchor units)

## ■ Knowledge Management

- Shared growth toolkit
- PREM Learning course(s) and workshop(s)
- BBLs, on-demand country clinics, PREM notes
- Community of practice on shared growth
- Annual review of ESW & PRS
- Web site