Sustained Income Growth of Bottom 40 Percent Crucial to Boosting Shared Prosperity in Emerging Europe and Central Asia

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Countries in Emerging Europe and Central Asia have done relatively well in ensuring that their populations have shared in overall prosperity, but progress has been uneven and its long-term sustainability is under question, according to a new World Bank report launched today during the World Bank / International Monetary Fund Spring Meetings.
Shared Prosperity: Paving the Way in Europe and Central Asia says that the average income of the bottom 40 percent of the income scale across the entire region increased by 3.8 percent, about 20 percent more than average income growth at the national level, between 2005 and 2010. However, this growth was not distributed equally across countries.
"Since the turbulent transition period of the 1990s, the countries of Emerging Europe and Central Asia have made remarkable overall economic progress, but nevertheless, many people have been left behind in terms of income growth, said Laura Tuck, World Bank Vice President for Europe and Central Asia, at the report launch. "A combination of new analytical thinking followed by appropriate policy action will be required if we are to effectively boost shared prosperity for future generations in the region.
In countries such as Albania, Croatia, Georgia, the former Yugoslav Republic of Macedonia, and Serbia, many people in the bottom 40 percent have not only been excluded from income growth, but they have seen their income levels decline.
"To better inform the policy agenda, we need a deeper understanding of the range of factors that influence growth opportunities for the bottom 40 percent, Tuck added. "This report sets the stage for an ambitious new approach to analyzing complex issues such as income generation, distribution and access to education, employment, and markets in countries across Emerging Europe and Central Asia.
The report highlights several countries in the region where the bottom 40 percent have had contrasting experiences. Kazakhstan and Georgia, for example, experienced income growth of about 4 percent from 2005 to 2010, yet the bottom 40 percent in Kazakhstan saw positive income growth of 6 percent, while the bottom 40 percent in Georgia saw negative income growth of -1 percent.
"The reasons behind this disparity are complex, but our report looks in particular at access to and ownership of assets such as human, financial, and social capital, said Hans Timmer, World Bank Chief Economist for Europe and Central Asia. "The lack of opportunity or the inability to earn a steady income, own property or land, or gain a better education often characterize people who do not experience sustained increases in their incomes. Our report analyses the fundamental factors affecting shared prosperity and proposes a framework to develop appropriate policies.
The framework is based on an asset approach to measuring the capacity of the bottom 40 percent to generate income. This approach looks at the accumulation and use of assets, such as financial capital, property, and education, the yields on those assets, and transfers.
The opportunity to acquire, build up, and use assets, along with increased access to markets and more effective public and private transfers can enable individuals in the bottom 40 percent to both benefit from and contribute to economic growth, argues the report.
Ultimately, the report offers a framework that encourages a more balanced approach to development policy - combining the pursuit of economic growth with a concern for equity - and it argues that policy design viewed through the lens of shared prosperity will enable more inclusive and sustainable growth for the bottom 40 percent in countries across Emerging Europe and Central Asia and beyond.
Read more about the report and the seminar: http://www.worldbank.org/eca/sharedprosperity
The World Banks work in Emerging Europe and Central Asia: http://www.worldbank.org/eca

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