

African strategies to boost growth and combat poverty and inequality

By Daouda Sembene

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Development for All”

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OUTLINE

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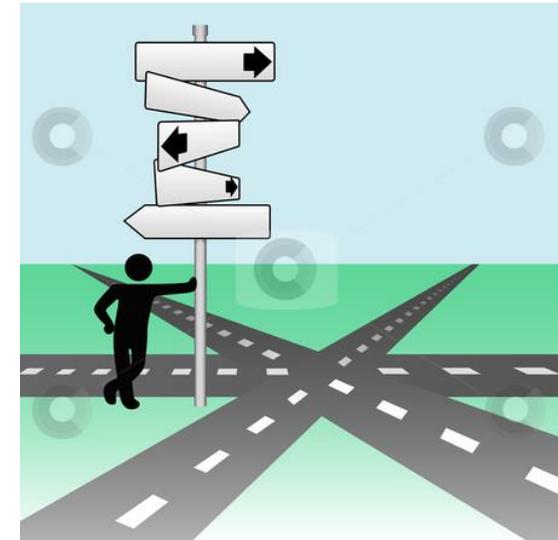
1. INTRODUCTION

- Growing interest in poverty reduction across Sub-Saharan African (SSA) countries in recent decades
- Adoption of the Poverty Reduction Strategy Paper (PRSP) initiative, soon after its launch in 1999.
- In the post-PRSP era, sustained, strong focus on poverty reduction even though official discourse in many countries shifted increasingly emphasized economic emergence
- More recently, adoption by SSA leaders of the 2030 Agenda, joining their peers around the world in pledging to “leave no one behind” and “reach the further behind first”
- In collaboration with bilateral and multilateral partners, SSA policymakers determined to overcome extreme poverty by boosting growth and combating inequality

2. TYPOLOGY OF POVERTY REDUCTION STRATEGIES IN SUB-SAHARAN AFRICA

A selective survey in Sembene (2015) identified the following pro-poor interventions in Sub-Saharan African countries:

- Unconditional cash-transfers
- Conditional cash-transfers
- In-kind Transfer Schemes
 - Agricultural subsidies
 - Food and energy price subsidies
 - School feeding programs
- Public Works Programs



2. TYPOLOGY OF POVERTY REDUCTION STRATEGIES IN SUB-SAHARAN AFRICA (CONT.)

Unconditional cash-transfers



- For long, social security systems the main form of state-sponsored social protection programs and key providers of contributory cash-transfers
- But coverage of mandatory social security less than one-tenth of the labor force in the region (Kalusopa, Dicks, and Osei-Boateng, 2012)
- As part of social safety nets, growing interest in social assistance programs, without conditionality, exclusively targeted at the poor, and untied with formal sector employment
- Now most cash-transfer programs in the region unconditional (three out of four according to Garcia and Moore, 2012)

Conditional cash-transfers



- Most recently, renewed interest of domestic and external stakeholders in strengthening social safety nets through conditional cash-transfer programs
- Many such programs usually designed to improve school attendance and health conditions for children—but their size still very small.
- Limited empirical evidence about the effectiveness of cash transfer programs work in Africa—albeit rapidly growing
- Some obstacles to the introduction and effectiveness of conditionality, including supply-side constraints, weaknesses in implementation capacities, and cost-benefit considerations (Schubert and Slater, 2006)

2. TYPOLOGY OF POVERTY REDUCTION STRATEGIES IN SUB-SAHARAN AFRICA (CONT.)

In-kind Transfer Schemes



Agricultural subsidies

Introduction of agricultural subsidies in many African countries after the 2008 global food price crisis in an attempt to stabilize prices and ensure food security (exp.: Ghana, Malawi, Nigeria, and Tanzania)



Food and energy price subsidies

Value-added tax cuts and suspension of customs duties on a range of food commodities to address potential social unrest in the crisis-aftermath
Recourse to energy price subsidies in several countries in the the form of fuel and/or electricity tariff subsidies.



School feeding programs

Among the most popular types of in-kind transfers around the world
In Sub-Saharan Africa, promoted by a number of domestic and external stakeholders, including the NEPAD, the World Food Program (WFP), the World Bank, and some UN agencies.

2. TYPOLOGY OF POVERTY REDUCTION STRATEGIES IN SUB-SAHARAN AFRICA (END)

Public Works Programs:

- Public works and employment guarantee schemes featuring many pro-poor programs implemented in Sub-Saharan Africa
- Most public works programs set up in the region aim at overcoming chronic poverty and unemployment by providing social protection or creating jobs
- Mostly supported by the donor community, with only a few of them government funded
- For instance, South Africa's Expanded Public Works Programme (EPWP) introduced in 2004; an innovative job creation scheme aimed at fostering social inclusion and economic empowerment.



3. IMPACT OF PRS IMPLEMENTATION IN SUB-SAHARAN AFRICA

Empirical evidence in Sembene (2015) compiled from a broad sample described below

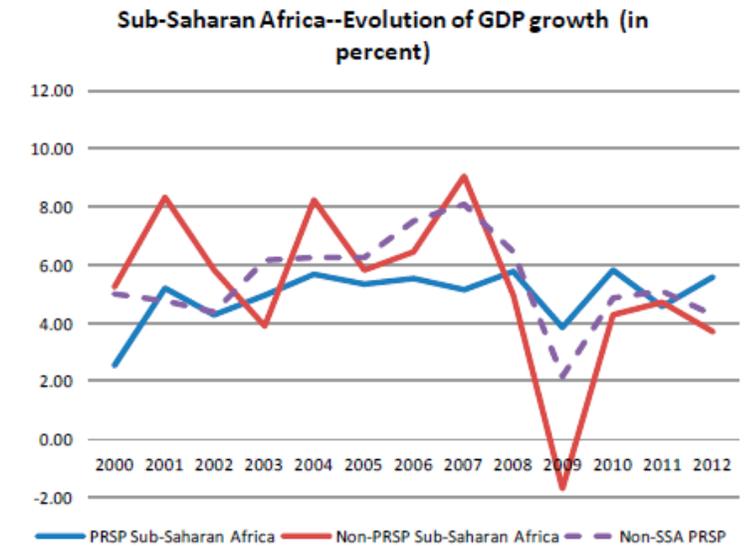
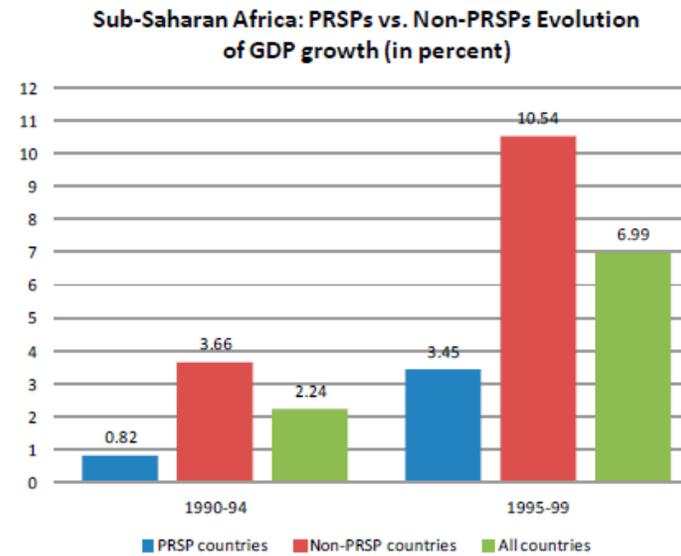
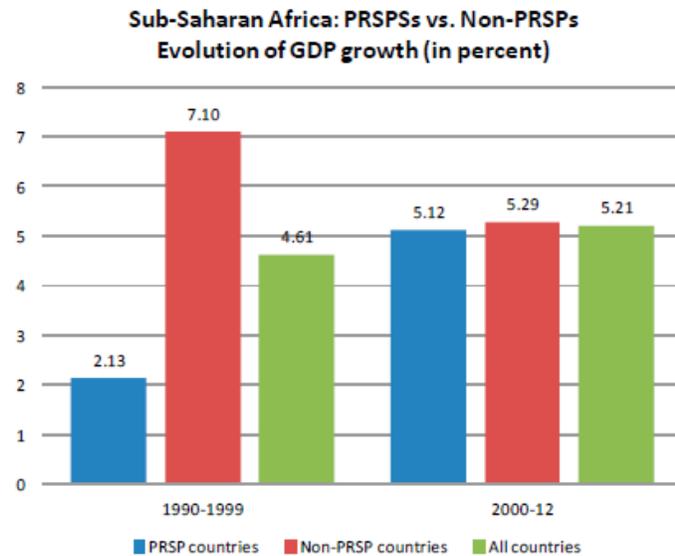
- Typical pillars of growth strategies in PRSP SSA countries: developing human capital and infrastructure, improving competitiveness, fostering economic diversification, strengthening governance, and promoting private sector and rural development
- Additional insights about the evolution of growth, poverty and inequality in Sub-Saharan Africa before and after the launch of the PRSP Initiative as well as the poverty impact of PRSP implementation



3. IMPACT OF PRS IMPLEMENTATION IN SUB-SAHARAN AFRICA

Evolution of Growth in SSA Countries with Explicit Poverty Reduction Strategies

- Uneven growth performance among PRSP and non-PRSP countries across Sub-Saharan Africa
- Higher growth rates in non-PRSP countries than PRSP countries before the launch of the PRSP initiative and until the global financial crisis

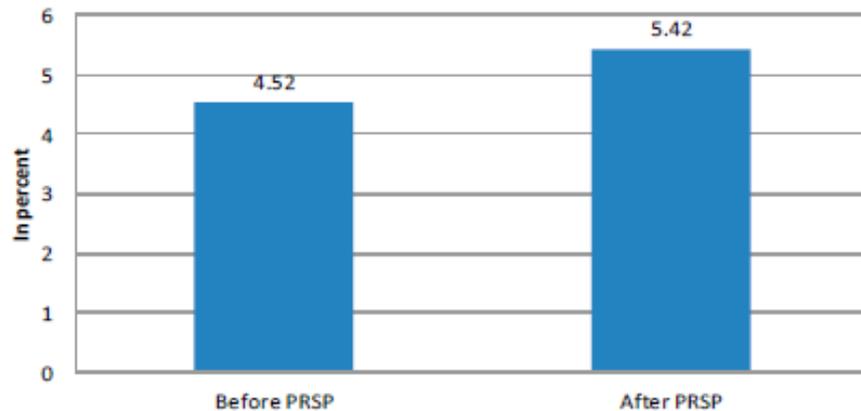


3. IMPACT OF PRS IMPLEMENTATION IN SUB-SAHARAN AFRICA

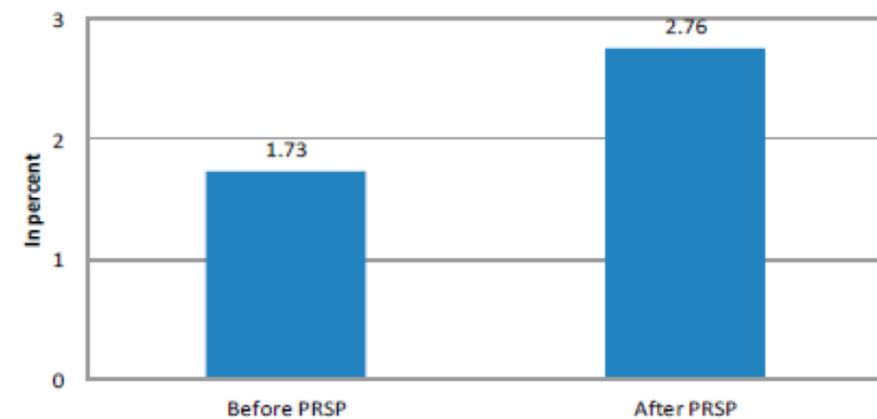
Growth Impact of Poverty Reduction Strategies

- Slightly higher growth in 23 out of 35 PRSP countries in the region within 5 years after PRSP adoption

Evolution of 5-year average GDP growth in PRSP countries



Evolution of 5-year average per capita GDP growth in PRSP countries

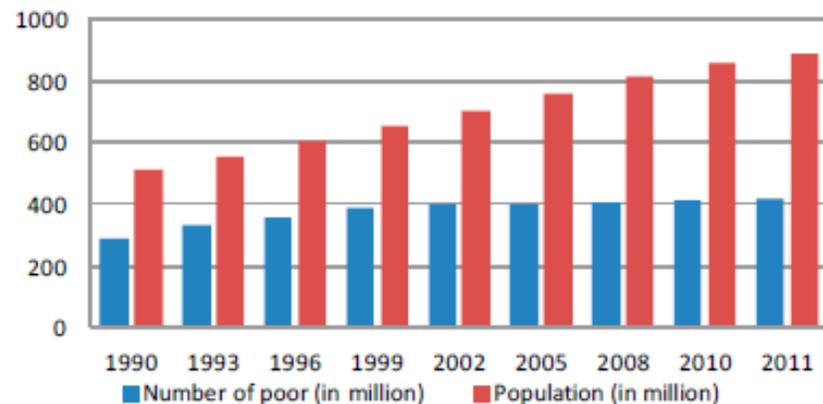


3. IMPACT OF PRS IMPLEMENTATION IN SUB-SAHARAN AFRICA

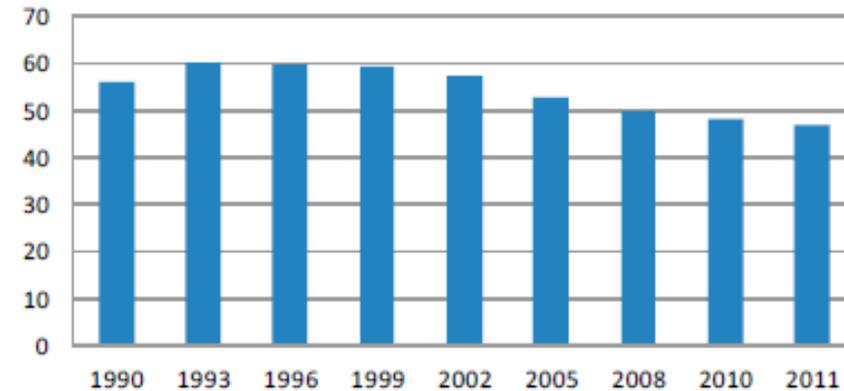
Evolution of Poverty in Sub-Saharan Africa since 1990

- Number of poor living in extreme poverty increased by 100m in 1990-99 and less than 30m in 1999-2011
- At the same time, increase in total population by little less than 150m in 1990-99 and 250m in 1999-2011
- According to available data, increase in inequality in both PRSP and non-PRSP countries in SSA after PRSP launch, but associated with more significant effects on poverty incidence in PRSP countries

Sub-Saharan Africa--Evolution of number of poor (in million)



Sub-Saharan Africa--Evolution of poverty headcount (in percent)



3. IMPACT OF PRS IMPLEMENTATION IN SUB-SAHARAN AFRICA

Econometric Evidence:

Effects of PRSP Implementation on Poverty

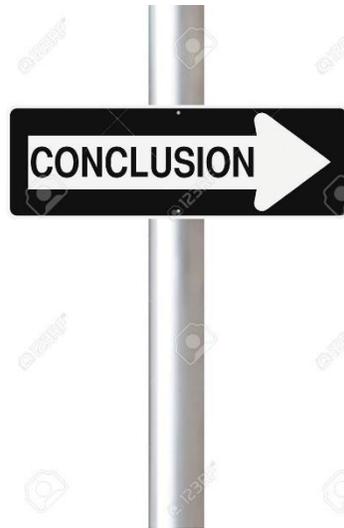
- Positive impact of growth on the pace of poverty reduction, with a 1 percent increase in per capita income resulting in about a 2 percent decline in the incidence of poverty if inequality is kept unchanged.
- By contrast, inequality found to have damaging effects on poverty, with the potential to more than offset the pro-poor aspects of growth
- Overall, income growth associated with poverty reduction, while higher inequality correlated with increased poverty headcount
- However, no significant evidence that PRSP implementation helped reduce poverty in Sub-Saharan Africa

Effects of PRSP Implementation on the Income Share of the Poor

- Growth less than proportionately benefiting people locked in the bottom quintile, but raising the share of the top quintile.
- Neither higher average income share for the poorest quintile nor lower share for the richest quintile during PRSP implementation in Sub-Saharan Africa
- The presence of a PRSP in other regions found to be associated with an increased share for the poor and a lower share for the richest quintile although unclear if PRSP policies played a role in shaping these outcomes

4. LESSONS LEARNT AND POLICY RECOMMENDATIONS

Three main conclusions by Sembene (2015):



1

Raise further awareness about the need to mitigate the damaging effects of inequality

2

Improved targeting of pro-poor programs and policies could be of critical importance

3

Heterogeneous political landscape in Sub-Saharan Africa should preclude any temptation for a "one-size-fits-all"

4. LESSONS LEARNT AND POLICY RECOMMENDATIONS (CONT.)

Additional Insights beyond Sembene (2015):

Preconditions for effective poverty-reducing policymaking

- Ensuring strong country ownership of poverty reduction strategies
- Securing adequate and sustainable funding for PRS
- Addressing idiosyncratic factors undermining poverty reduction efforts



4. LESSONS LEARNT AND POLICY RECOMMENDATIONS (CONT.)

Improve Focus of pro-poor policies and interventions in Sub-Saharan Africa on:

1. Fostering inclusive growth by:

- Strengthening economic resilience to sustain episodes of high growth rates to be critical

- Increasing growth inclusiveness by:
 - Stimulating the contribution to growth of sectors in which the poor operate, including agriculture;
 - Implementing growth-friendly redistributive fiscal policy.



4. LESSONS LEARNT AND POLICY RECOMMENDATIONS (CONT.)

2. Addressing inequality:

- A major impediment to progress toward poverty reduction in Africa even during times of strong growth;
- Need to promote social and financial inclusion of vulnerable segments of population, including by:
 - Overcoming gender inequality;
 - Addressing aggravating factors of exclusion of vulnerable groups such as illiteracy, healthcare, infrastructure, norms etc.;
 - Facilitating the use of mobile technology to improve targeting and expand the reach of pro-poor programs such as transfers and agricultural subsidies etc.



4. LESSONS LEARNT AND POLICY RECOMMENDATIONS (CONT.)

3. Enhancing the effectiveness of pro-poor policy interventions, notably by:

- Improving targeting of pro-poor spending;
- Strengthening public financial management, governance, and institutions;
- Promoting transparency and accountability in the delivery of pro-poor public services;
- Increasing the efficiency of public spending in general not only to make more space for pro-poor policies and programs, but also to make it more pro-poor.
- Strengthening implementation capacities of social welfare services



4. LESSONS LEARNT AND POLICY RECOMMENDATIONS (CONT.)

4. Taking into account political economy considerations:

- Important for improving targeting of pro-poor policies and programs.
- When special interest groups scramble for a bigger share of the pie, the poor likely to lose.

5. Further improving donor coordination:

- Ample scope for improving further donor coordination to prioritize anti-poverty policy intervention and increase their effectiveness
- In terms of resource allocation, need for both governments and donors to do a better job to maximize its poverty impact
- For governments, importance of securing adequate budgetary allocations
- On the donor side, merit in harmonizing own pro-poor interventions and correcting internal budget dynamics that may distort their prioritization and implementation



RECOMMENDED

THANK YOU

