

African strategies to boost growth and combat poverty and inequality

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Expert Group Meeting on
“Strategies for Eradicating Poverty to Achieve Sustainable
Development for All”

United Nations Headquarters
New York

May 8-11, 2017



OUTLINE

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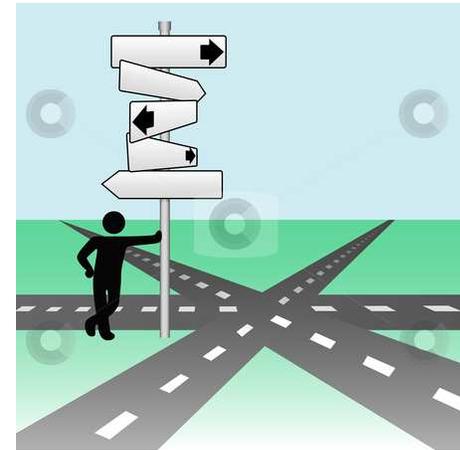
1. INTRODUCTION

- In recent decades, there has been a growing interest in poverty reduction across Sub-Saharan African (SSA) countries.
- These countries promptly embraced the Poverty Reduction Strategy Paper (PRSP) initiative, soon after it was launched in 1999.
- In the post-PRSP era, the strong focus on poverty reduction was sustained even though official discourse in many countries shifted increasingly its focus toward achieving economic emergence.
- More recently, SSA leaders adopted 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 have sought to overcome extreme poverty through a renewed emphasis on 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



- Most cash-transfer programs implemented in Sub-Saharan Africa tend to be unconditional (three out of four according to Garcia and Moore, 2012).
- Social security systems have long been the main form of state-sponsored social protection programs and key providers of contributory cash-transfers.
- But mandatory social security covers less than one-tenth of the labor force in the region (Kalusopa, Dicks, and Osei-Boateng, 2012).
- As part of social safety nets, a number of countries in the region began to introduce, without conditionality, social assistance programs exclusively targeted at the poor and untied with formal sector employment.

Conditional cash-transfers



- Most recent cash-transfer programs in Sub-Saharan Africa have increasingly tended to introduce conditionality, reflecting the renewed interest of domestic and external stakeholders in strengthening social safety nets.
- Many such conditional cash-transfer programs are usually designed to improve school attendance and health conditions for children.
- Still the size of these programs is very small.
- Empirical evidence that cash transfer programs work in Africa is still limited—albeit rapidly growing.
- Constraints include supply-side constraints, weaknesses in implementation capacities of social welfare services, and cost-benefit.

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

In-kind Transfer Schemes



Agricultural subsidies

Many African countries including Ghana, Malawi, Nigeria, and Tanzania introduced agricultural subsidies in a number of countries after the 2008 global food price crisis in an attempt to stabilize prices and ensure food security.



Food and energy price subsidies

Many governments cut value-added taxes and suspending customs duties on a range of food commodities in order to address social unrest triggered by the crisis. Furthermore, several countries have also had recourse to energy price subsidies in the the form of fuel and/or electricity tariff subsidies.



School feeding programs

These programs are among the most popular types of in-kind transfer around the world, particularly in Sub-Saharan Africa. In this region, their use is 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 are featured among pro-poor programs implemented in Sub-Saharan Africa.
- Most public works programs set up in the region aim to overcome chronic poverty and unemployment by provide social protection or create jobs.
- However, only a few of these programs are government funded, with the majority being supported by the donor community.
- Often cited among public works programs implemented in Africa is also South Africa's Expanded Public Works Programme (EPWP) introduced in 2004 which is an innovative job creation scheme aimed at fostering social inclusion and economic empowerment.



3. IMPACT OF PRS IMPLEMENTATION IN SUB-SAHARAN AFRICA

The empirical evidence provides the following insights about the impact of poverty reduction strategies on growth, inequality and poverty in SSA countries:

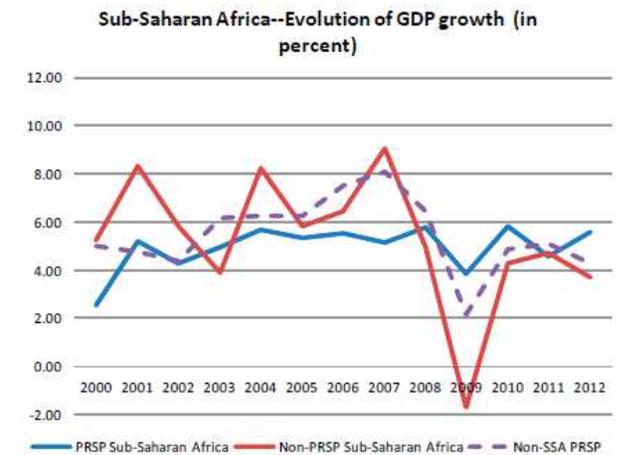
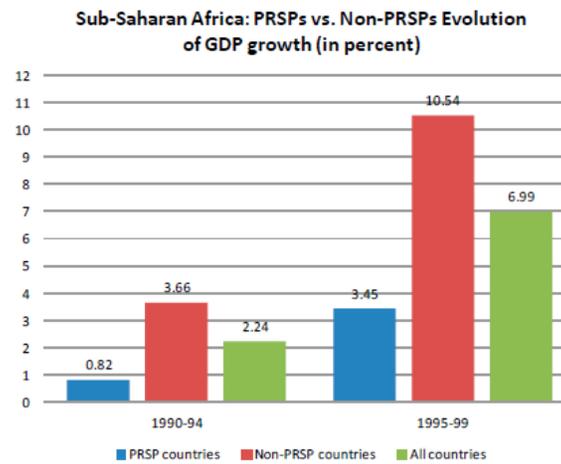
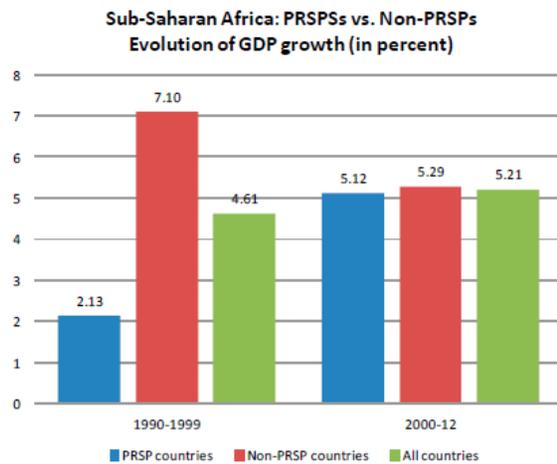
- Evolution of Growth in SSA Countries with Explicit Poverty Reduction Strategies
- Growth Impact of Poverty Reduction Strategies
- Evolution of Poverty and Inequality after the Launch of PRSP Initiative
- Effects of PRSP Implementation on Poverty in Sub-Saharan Africa
- Effects of PRSP Implementation on the Income Share of the Poor in Sub-Saharan Africa



3. IMPACT OF PRS IMPLEMENTATION IN SUB-SAHARAN AFRICA

Evolution of Growth in SSA Countries with Explicit Poverty Reduction Strategies

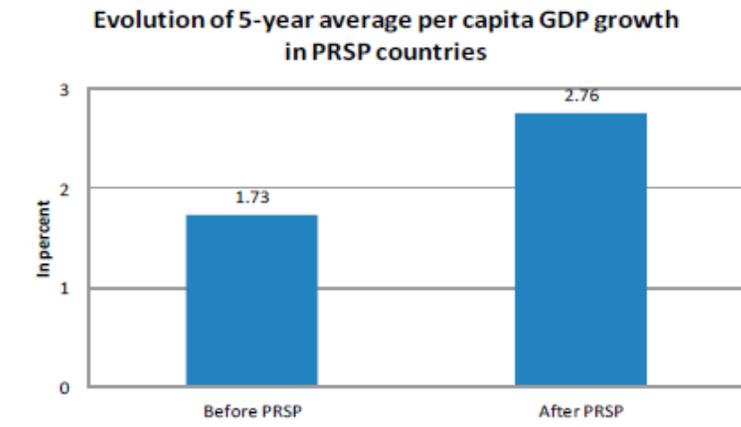
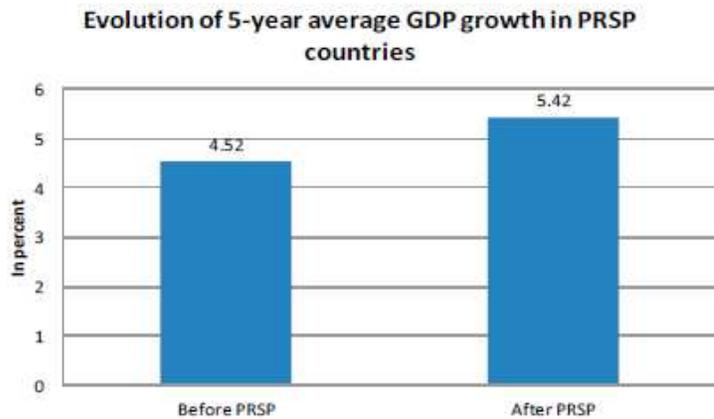
- Across Sub-Saharan Africa, growth performance has been uneven among PRSP and non-PRSP countries.



3. IMPACT OF PRS IMPLEMENTATION IN SUB-SAHARAN AFRICA

Growth Impact of Poverty Reduction Strategies

- It appears that PRSP implementation did not immediately lead to growth acceleration in Sub-Saharan Africa.

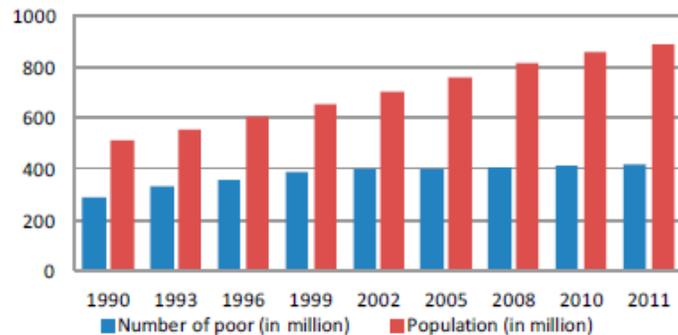


3. IMPACT OF PRS IMPLEMENTATION IN SUB-SAHARAN AFRICA

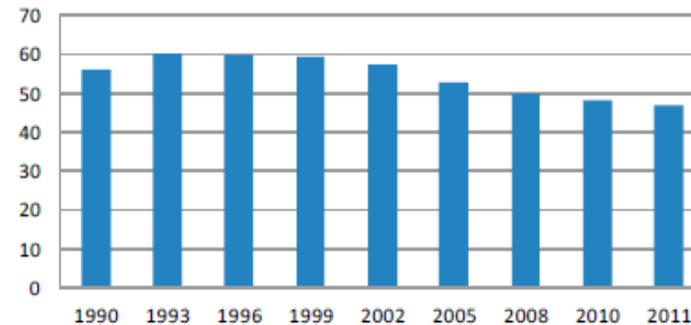
Evolution of Poverty and Inequality after the Launch of PRSP Initiative

- Across Sub-Saharan Africa, non-PRSP countries grew faster than PRSP countries before the launch of the PRSP initiative and this pattern continued until recent global crisis broke out.
- Moreover, it appears that inequality increased in both PRSP and non-PRSP countries, with higher inequality being 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

Effects of PRSP Implementation on Poverty in Sub-Saharan Africa

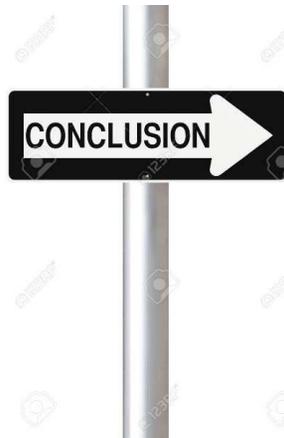
- Sembene (2015) finds that income growth exerts a positive impact on the pace of poverty reduction, as a 1 percent increase in average per capita income leads to about a 2 percent decline in the incidence of poverty if inequality is kept unchanged.
- By contrast, inequality is found to have damaging effects on poverty, with the potential to more than offset the pro-poor aspects of growth.
- Overall, income growth is found to be associated with a reduction of poverty, while higher inequality correlates with increased poverty headcount. However, the empirical evidence fails to support claims that PRSP implementation has helped reduce poverty in Sub-Saharan Africa.

Effects of PRSP Implementation on the Income Share of the Poor in Sub-Saharan Africa

- Overall growth less than proportionately benefits people locked in the bottom quintile, while raising the share of the top quintile.
- However, the results also suggest that Sub-Saharan African countries experienced neither higher average income share for the poorest quintile nor lower share for the richest quintile during PRSP implementation.
- By contrast, the presence of a PRSP in other regions is found to be associated with an increased share for the poor and a lower share for the richest quintile even though there is no evidence that PRSP policies played a role in shaping these outcomes.

4. LESSONS LEARNT AND POLICY RECOMMENDATIONS

Three main conclusions:



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.)

Preconditions for effective poverty-reducing policymaking

- Ensuring strong country ownership of poverty reduction strategies;
- Securing adequate and sustainable funding;
- Addressing regional factors that undermine poverty reduction initiatives.



4. LESSONS LEARNT AND POLICY RECOMMENDATIONS (CONT.)

Policies and interventions for poverty reduction in Sub-Saharan Africa should be geared toward:

1. Fostering strong and inclusive growth:

- As weak growth makes poverty reduction more challenging, sustained episodes of high growth rates will be critical.

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



4. LESSONS LEARNT AND POLICY RECOMMENDATIONS (CONT.)

Policies and interventions for poverty reduction in Sub-Saharan Africa should be geared toward:

2. Addressing inequality:

- Inequality has significantly impeded progress toward poverty reduction in Africa even during times of strong growth;

- Promote social and financial inclusion of vulnerable segments of population, notably by:
 - Overcoming gender inequality;
 - Addressing aggravating factors of exclusion of vulnerable groups;
 - 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.)

Policies and interventions for poverty reduction in Sub-Saharan Africa should be geared toward:

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.)

Policies and interventions for poverty reduction in Sub-Saharan Africa should be geared toward:

4. Taking into account political economy considerations:

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



4. LESSONS LEARNT AND POLICY RECOMMENDATIONS (CONT.)

Policies and interventions for poverty reduction in Sub-Saharan Africa should be geared toward:

5. Further improving donor coordination:

- There is ample scope for improving further donor coordination to prioritize anti-poverty policy intervention and increase their effectiveness.
- In terms of resource allocation, both governments and donors will need to do a better job to maximize its poverty impact.
- On the donor side a key challenge is how to harmonize own pro-poor interventions. For multilateral partners in particular, internal budget dynamics often provide disincentives to act alone to each of their different units involved in fighting poverty.



THANK YOU