

# Strategies for: Pro-Poor Growth; Pro-Poor; Pro-Growth or Both?



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Africa Region, The World Bank  
October 2004**

**“When I use a word...”**

*Pro-poor growth... is a major departure from the trickle-down development concept.*

*Promoting pro-poor growth requires a strategy that is deliberately biased in favor of the poor so that the poor benefit proportionally more than the rich.*

– GTZ website

*An IDS study sought to establish and test a clear and simple definition of pro-poor growth. A measure called the 'poverty bias of growth' (PBG) was calculated. It was derived by subtracting changes in the poverty headcount that occurred between any two periods under actual circumstances, from the change in poverty that would have occurred if all had gained equally.*

– IDS website

*The World Bank advocates a larger allocation for fiscal resources to pro-poor targeted expenditures, whereas discontented recipients with better development performances stress the need for broad-based growth expenditures.*

– Shigeru Ishikawa  
“Growth Promotion versus Poverty Reduction”

*The most important problem in the fight against poverty in the era of globalization, is the one of the growing inequalities both between and within states. ... A successful way of achieving the poverty reduction goal is to promote a more pro-poor growth. More pro-poor growth needs more pro-poor national policies...*

– The Vatican

# Why All The Fuss?

- Aid policies and allocations in the 1990's stressed poverty reduction and social expenditures.
- Poverty Reduction Strategy Papers (PRSPs) resulted in the new and sharper focus on poverty and human development at the national level in low income countries.
- The MDG's provided an international benchmark for comparing development performance.

# What is pro-poor growth?

- Pro-poor growth is growth that is good for the poor - two definitions:
  - Under the relative definition, growth is pro-poor if the incomes of poor people grow faster than those of the population as a whole, i.e., inequality declines.
  - Under the absolute definition, growth is considered pro-poor if and only if poor people benefit in absolute terms, as reflected in some agreed measure of poverty.



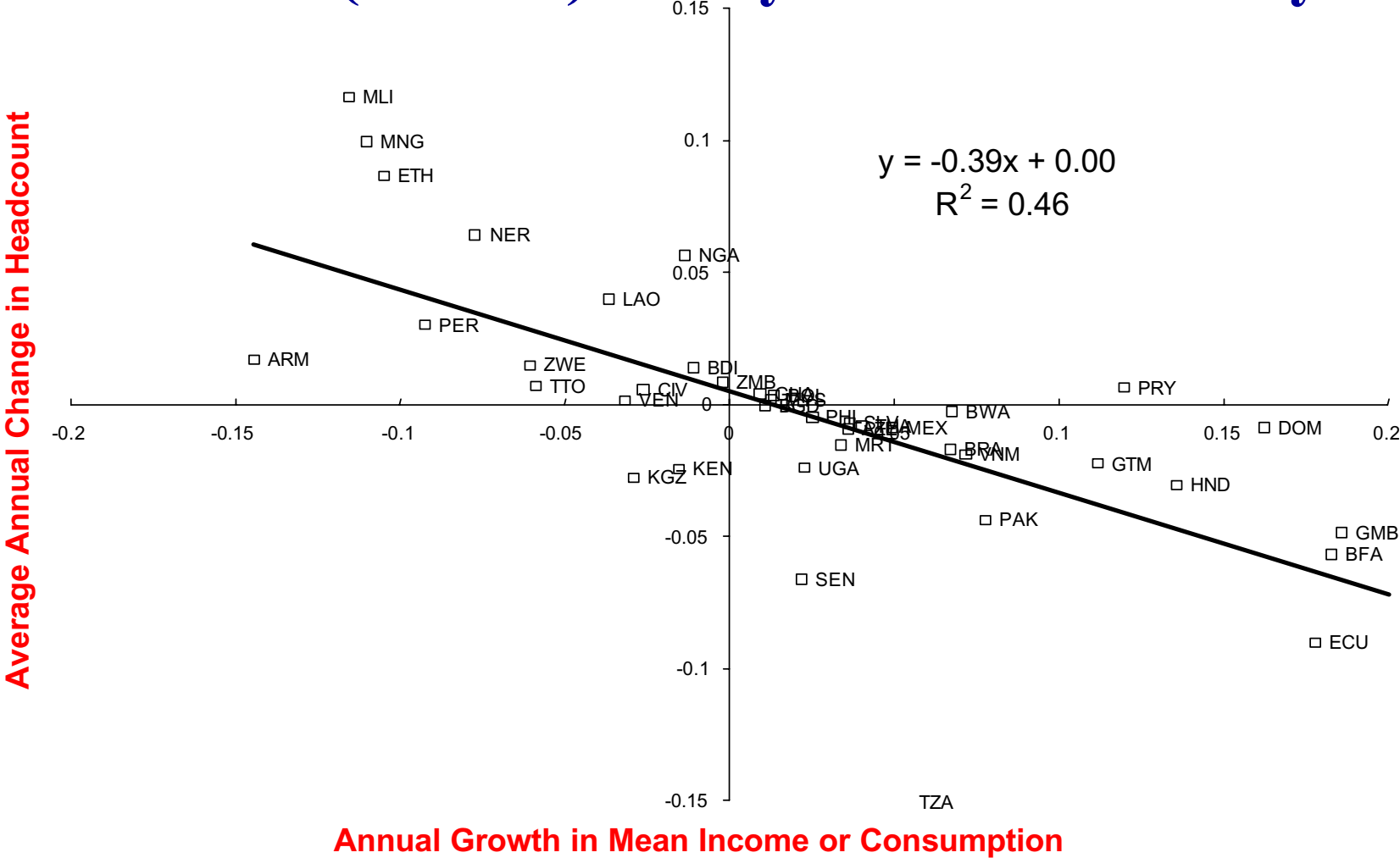
# Does the Definition Matter?

## Yes, for Public Policy

- **Intuitive preference for pro-poor biased growth (option 1). However, it:**
  1. ignores overall economic performance and the fortunes of the non-poor.
  2. is inconsistent with applied welfare economics
  3. can lead to undesirable public choices
    - Which is preferable?
      - An average rate of growth of 2%, where the poorest quintile grows at an average rate of 3%, or,
      - an average rate of growth of 6%, where the poorest quintile grows at 4%?

# Why Growth?

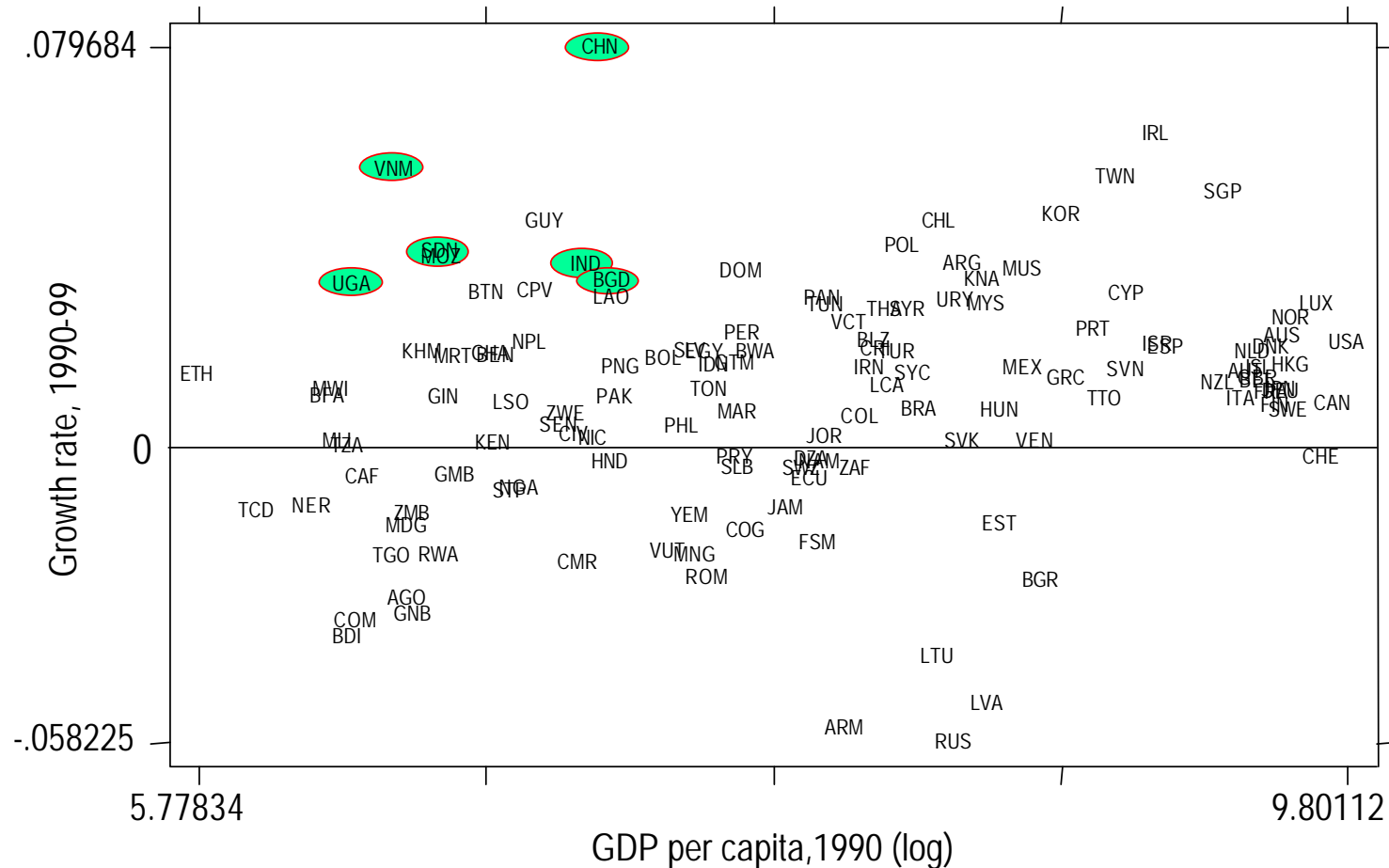
## Growth (Almost) Always Reduces Poverty



Source: Dollar and Kraay

# Why Growth?

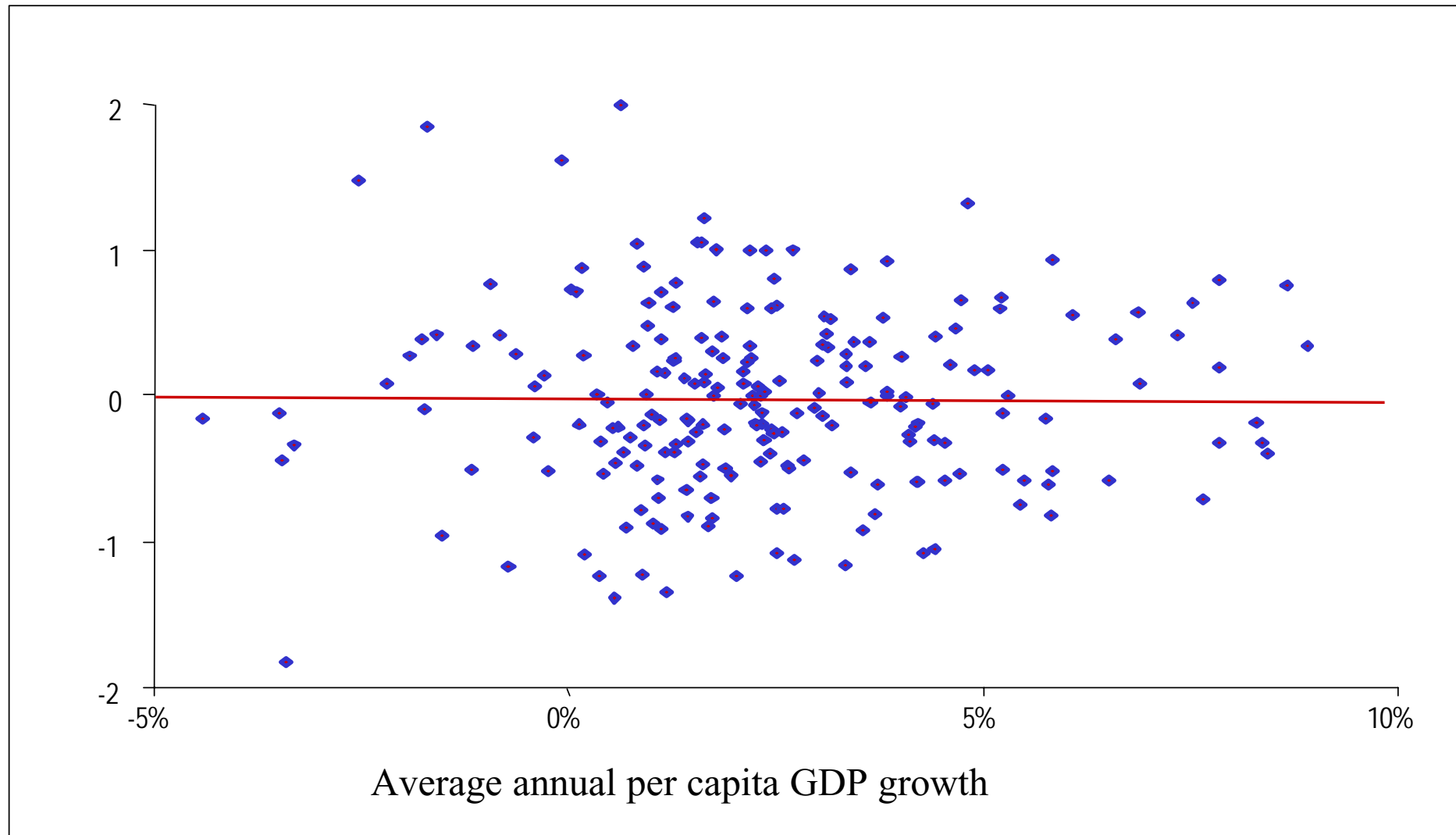
While we debate how to make growth pro-poor  
most poor countries are not growing



## Why Growth?

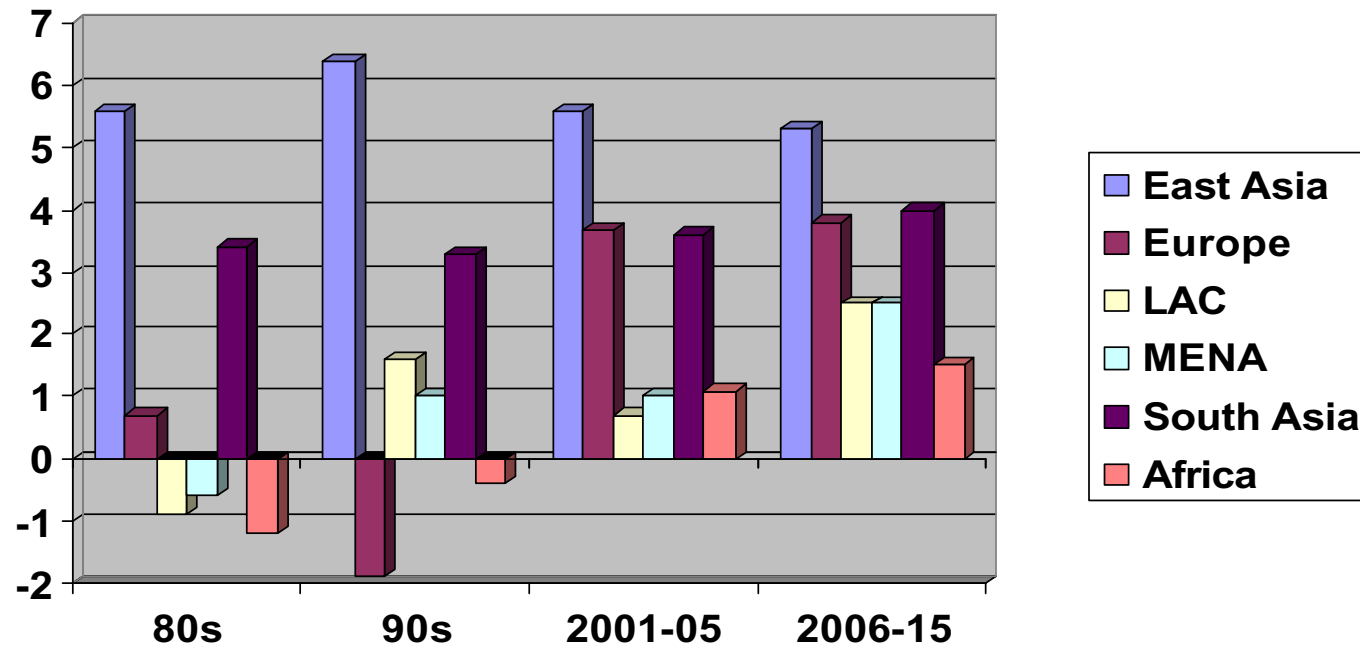
# Growth Does not Raise Inequality

Average annual change in Inequality



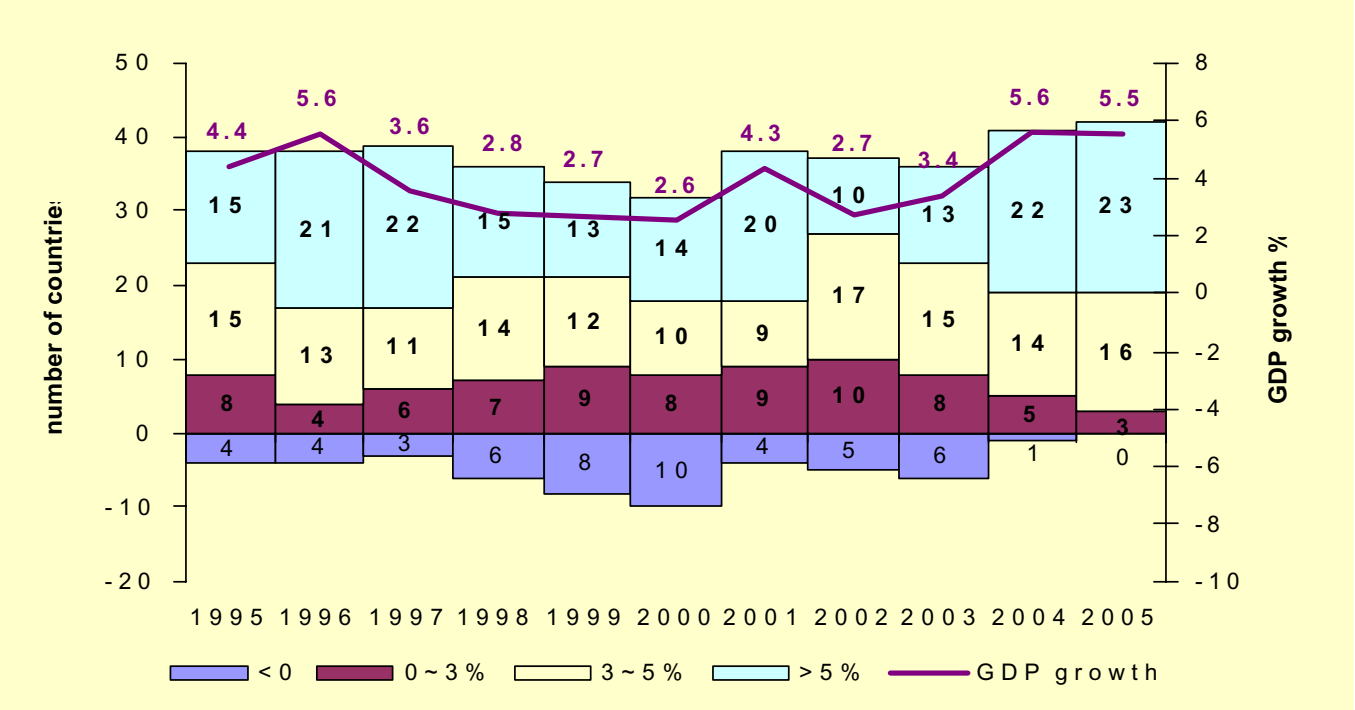
## Why Growth?

# AFRICA IS NOT GROWING ROBUSTLY



# Why Growth?

Country growth performance varies  
risks are underestimated



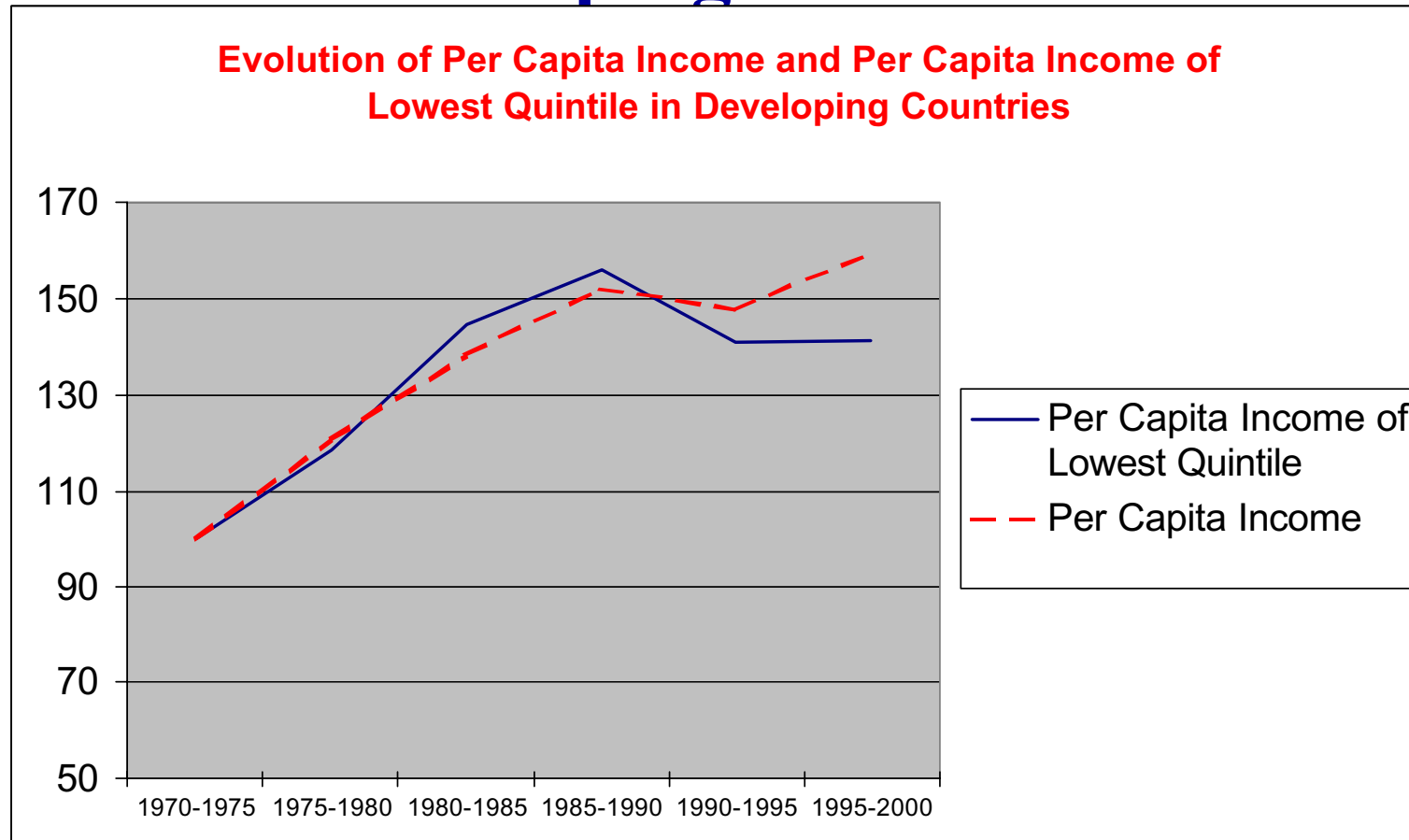
Data sources: SPA data sheets, growth rate is population weighted

# Why Bother With Distribution?

- “on average over time” conceals striking regional and country variation
- Time periods matter a lot
- Distribution changes “more than we thought”

## Why bother with Distribution?

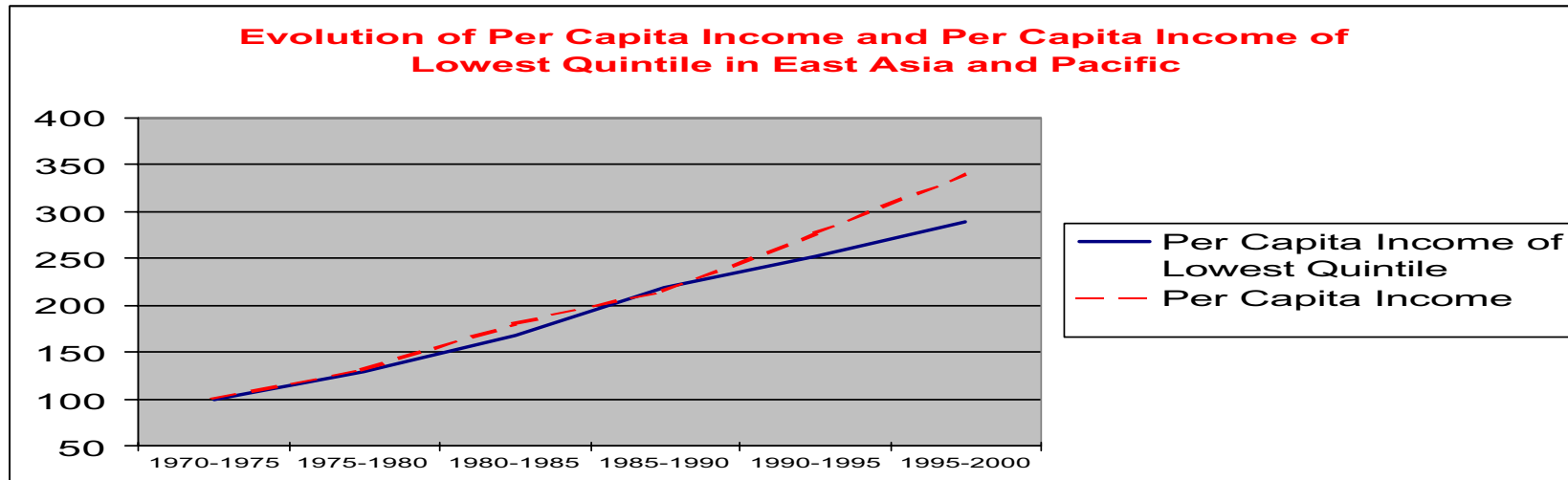
# Growth and Distribution 1970-2000: Developing Countries



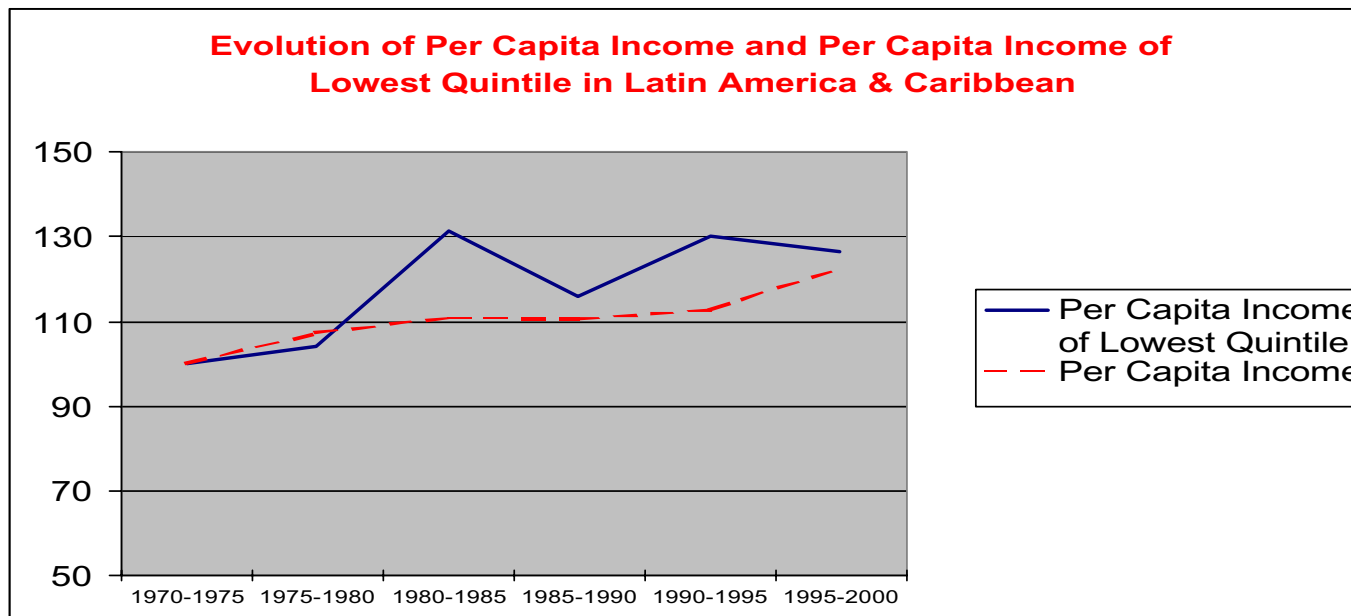


# Why bother with Distribution?

## East Asia

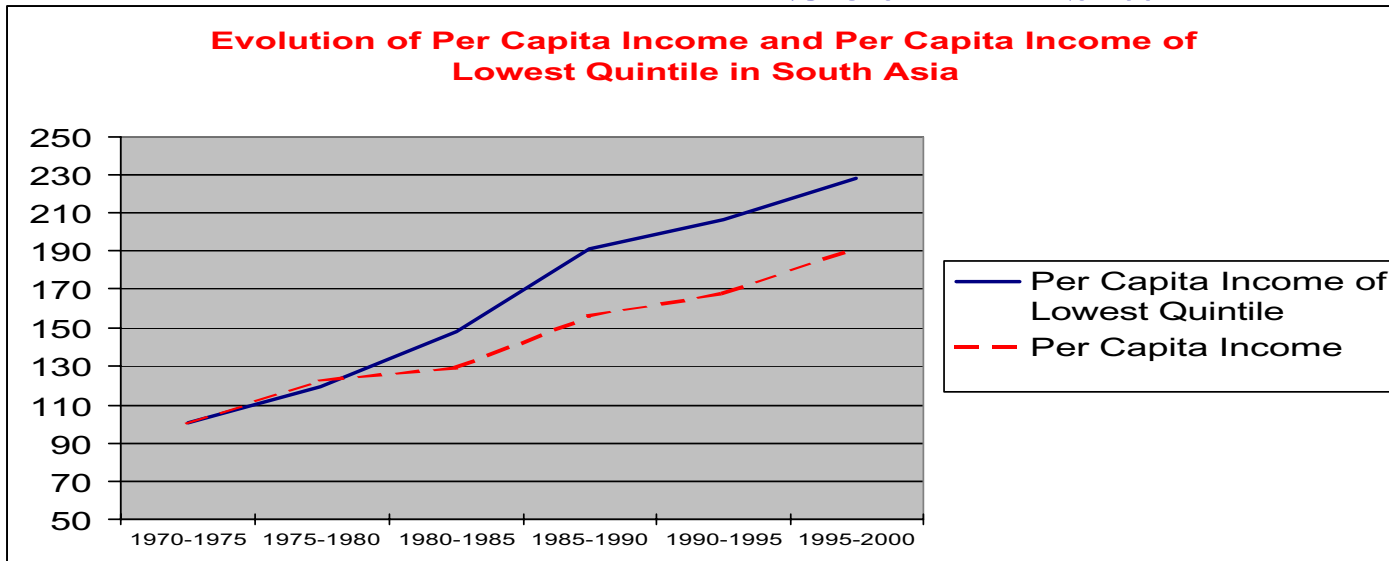


## Latin America & Caribbean

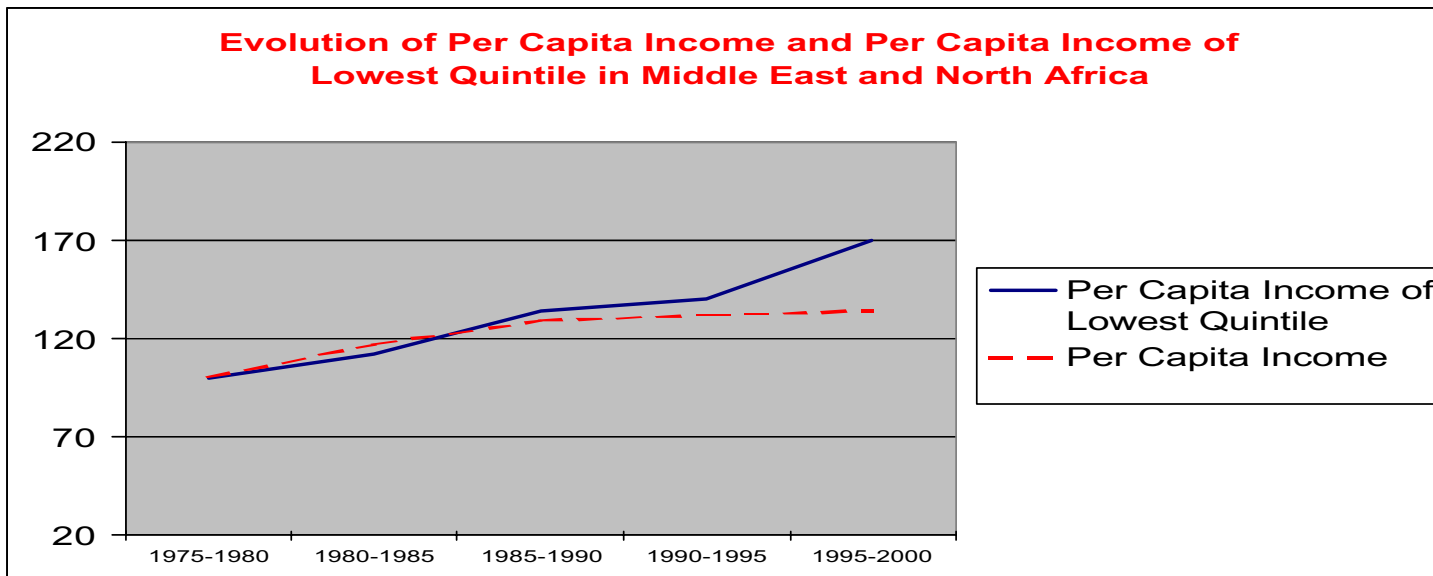


# Why bother with Distribution?

## South Asia

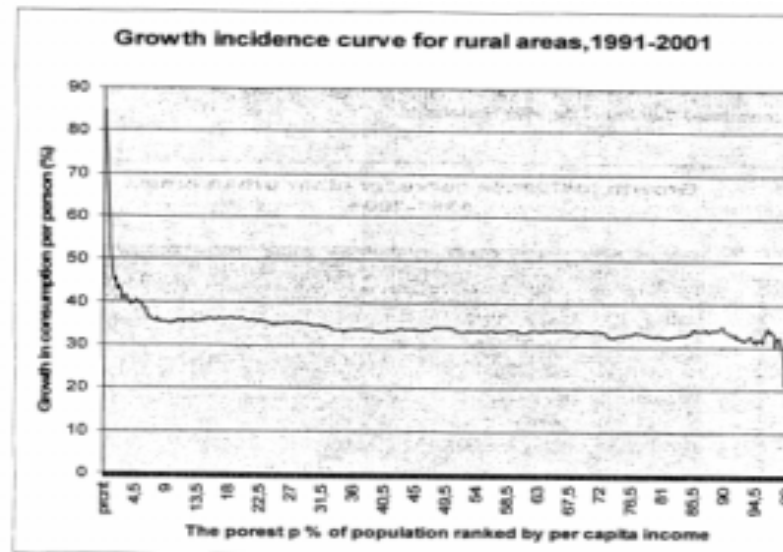
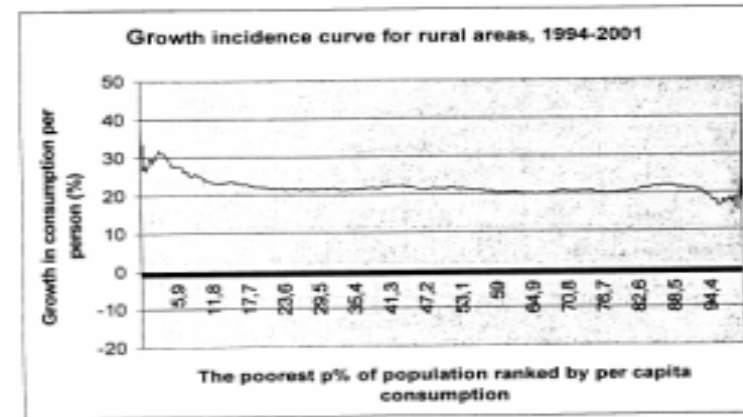
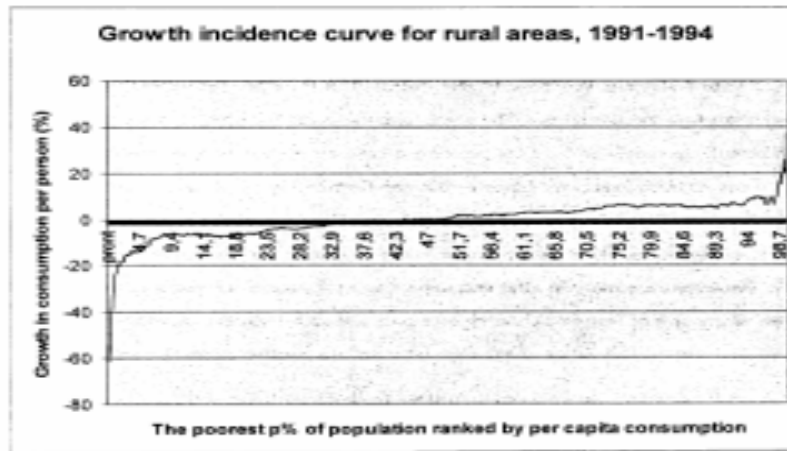


## Middle East & North Africa



# Why bother with Distribution?

## Time Periods Matter A Lot



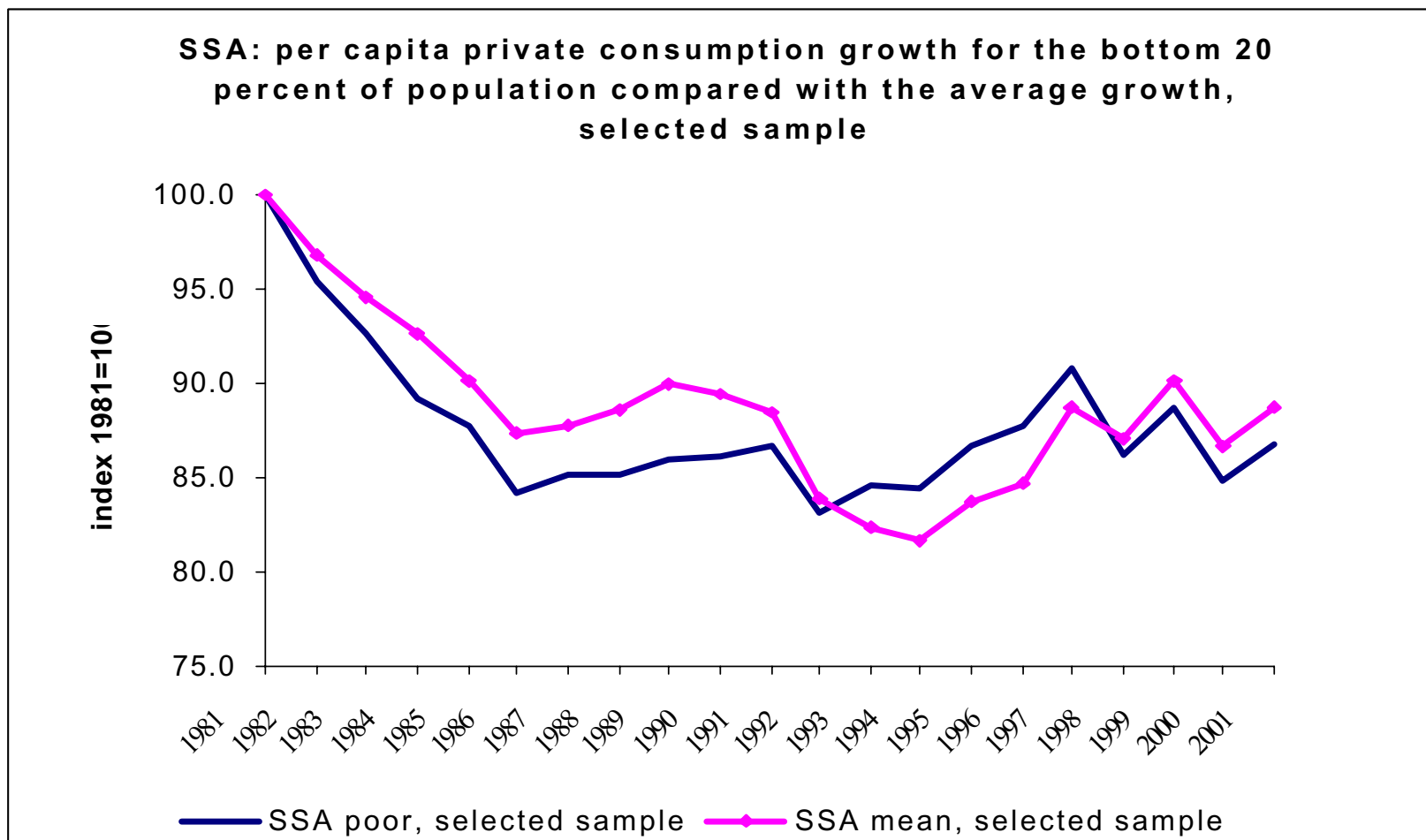
# Why bother with Distribution?

## Cross country evidence on pro-poor growth

Negative Growth Inequality Rises				Positive Growth/Inequality Rises							
Anti-Poor Recession	Yrs	g	g20	Broadly Shared Growth	Yrs	g	g20	Not Pro-poor By Any Definition	Yrs	g	g20
Poland	20	-0.2	-1.4	Korea, Rep	32	6.7	6.6	Costa Rica	35	1.6	-0.1
Iran, Islamic Rep	15	-0.4	-0.7	Taiwan, China	31	6.3	6.2	Tanzania	27	1.5	-2.1
Slovak Republic	10	-0.4	-0.5	Hong Kong China	20	5.8	5.2	Bulgaria	10	1.5	-3.5
Niger	32	-0.6	-1.3	Singapore	20	5.4	5.2	Panama	26	1.4	-2.3
Sierra Leone	21	-0.8	-7.7	China	15	5.0	1.6	Nigeria	38	1.2	-0.5
Zambia	37	-1.0	-2.7	Malaysia	25	4.7	4.1	Dominican Republic	20	1.0	-0.2
Estonia	10	-1.7	-6.2	Thailand	36	4.2	3.1	El Salvador	30	0.7	-1.2
Latvia	10	-4.2	-7.4	Mauritius	11	3.7	1.6	Senegal	31	0.2	-0.5
Russian Federation	10	-5.6	-14.3	Brazil	33	2.5	0.3	Ethiopia	14	0.2	-1.2
				Colombia	31	2.3	2.1				
				Mexico	38	2.1	0.9				
				Ecuador	26	1.7	0.3				
				Philippines	40	1.5	0.5				
				Chile	24	1.4	1.1				
				Peru	33	0.4	0.1				
Negative Growth/Inequality Falls				Positive Growth/Inequality Falls							
Pro-Poor Recession	Yrs	g	g20	Pro-Poor Biased Growth	Yrs	g	g20		Yrs	g	g20
Guyana	37	-0.4	-0.1	Gabon	15	7.7	9.0	Trinidad & Tobago	31	1.8	2.1
Jordan	17	-0.6	1.0	Indonesia	35	3.7	4.4	India	34	1.8	2.2
Belarus	10	-1.8	-1.1	Tunisia	25	3.4	3.6	Bangladesh	32	1.3	1.5
Madagascar	33	-2.1	-1.7	Egypt, Arab Rep	32	2.8	4.5	Nepal	18	1.2	3.9
				Ghana	10	2.4	4.3	Jamaica	35	1.1	1.5
				Sri Lanka	32	2.3	3.4	Honduras	28	0.5	1.3
				Hungary	31	2.2	2.7	Bolivia	22	0.3	1.0
				Turkey	26	2.2	2.9	Venezuela, RB	31	0.1	0.1
				Pakistan	32	2.2	2.8				

## Why bother with Distribution?

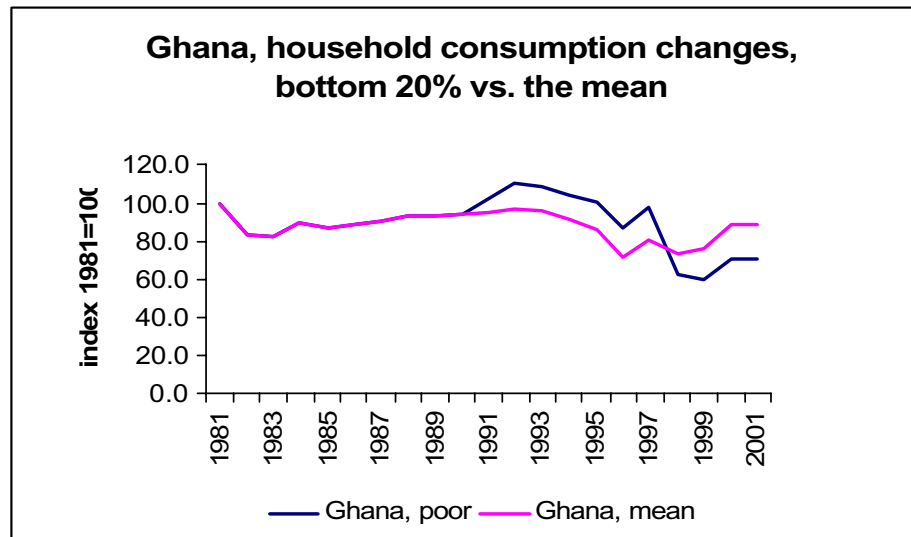
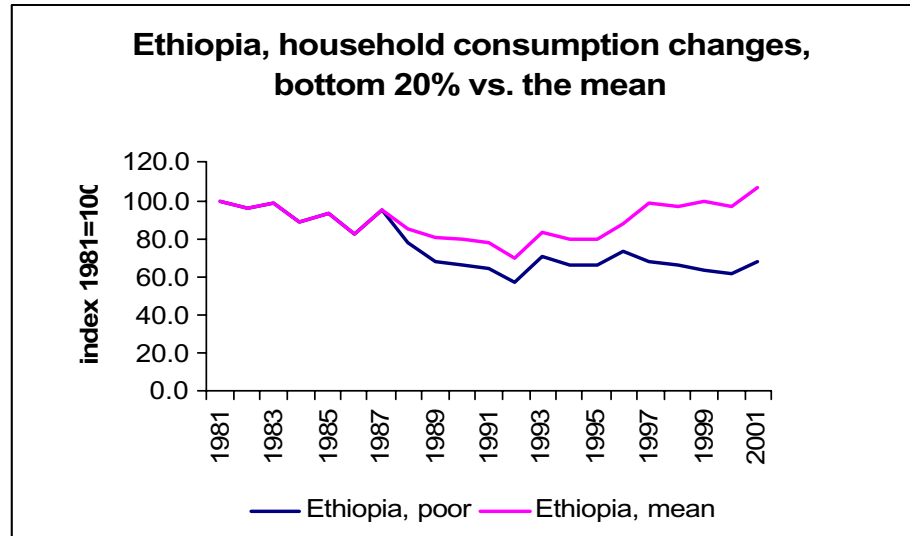
### In Africa the Fortunes of Poor Have Changed over Time



Data sources: Shaohua Chen and Martin Ravallion poverty data and GDF and WDI database. Selected sample include Ethiopia, Ghana, Kenya, Lesotho, Madagascar, Mali, Mauritania, Niger, Nigeria, Senegal, South Africa, Tanzania, Uganda, Zambia, and Zimbabwe.

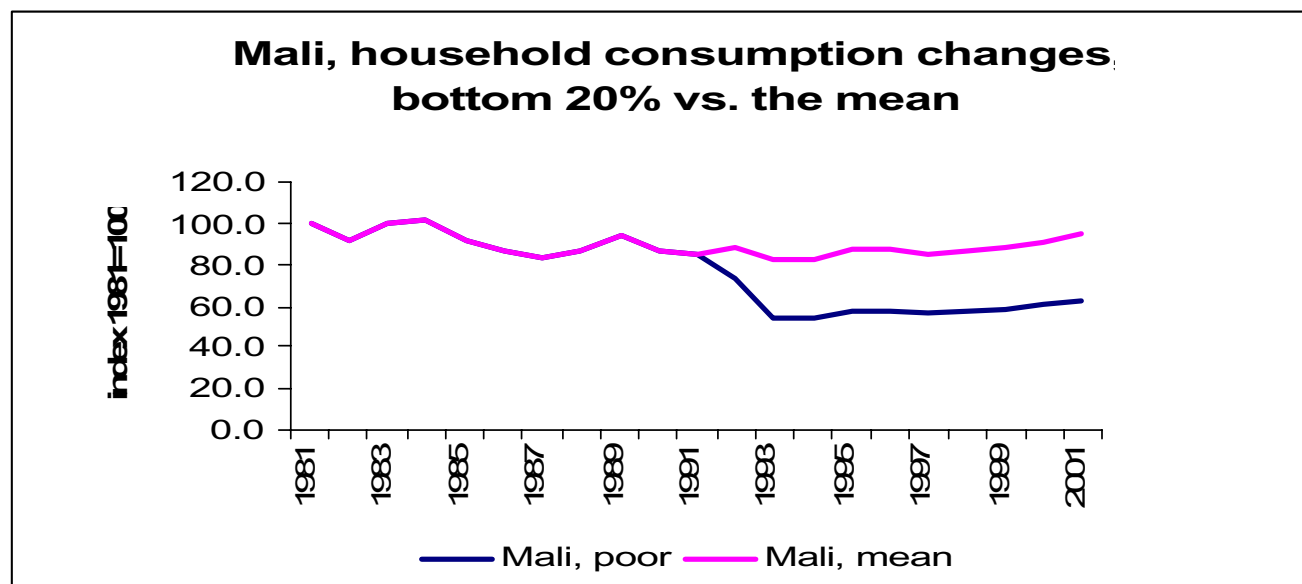
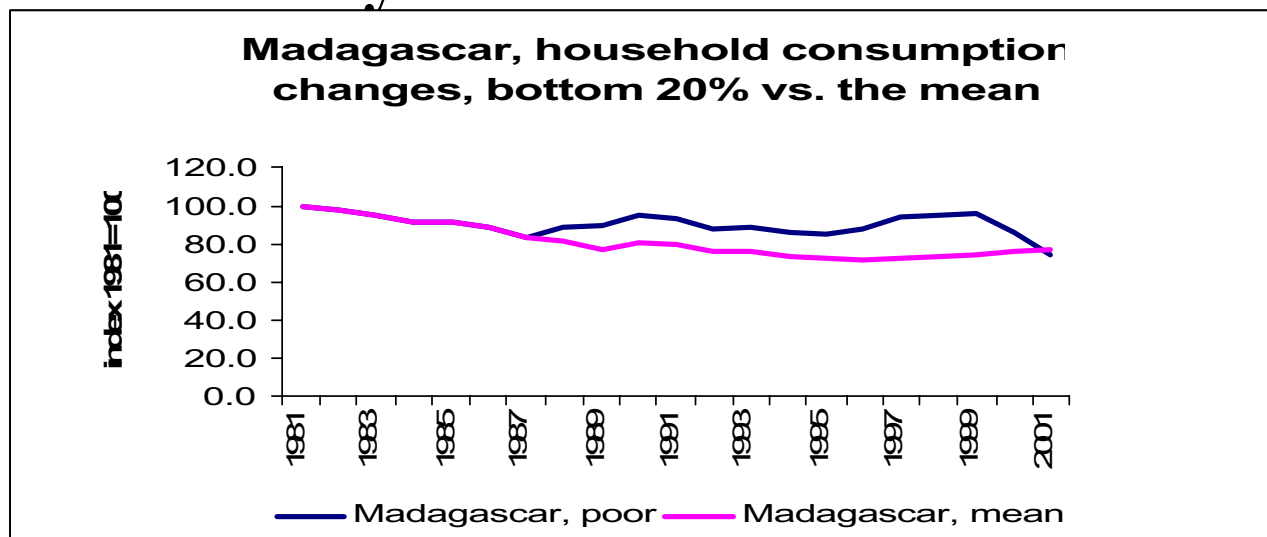
## Why bother with Distribution?

# Country Patterns in Africa



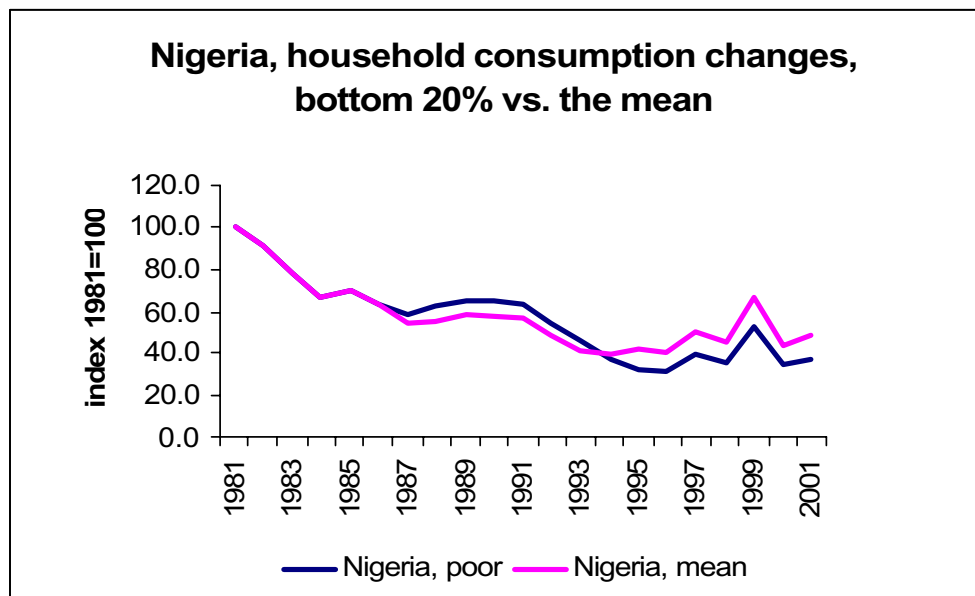
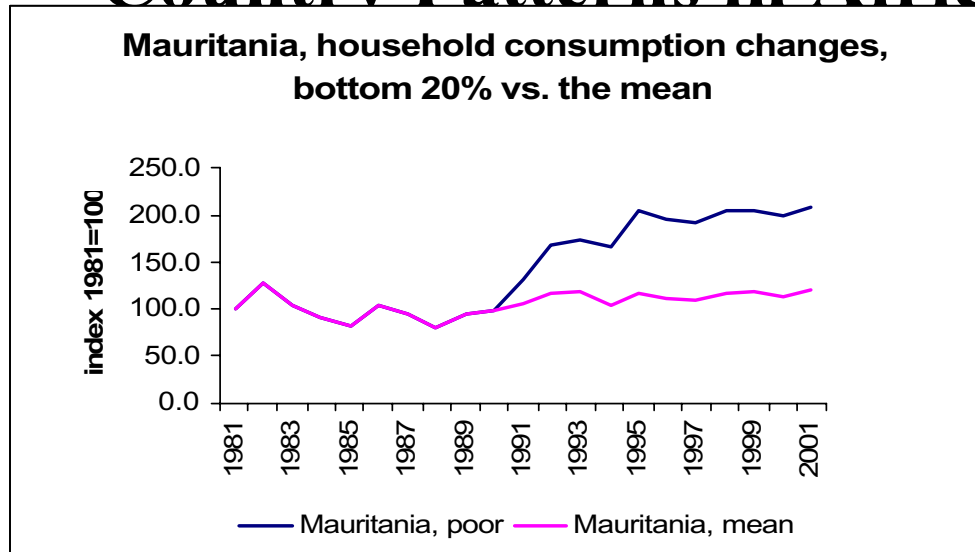
# Why bother with Distribution?

## Country Patterns in Africa



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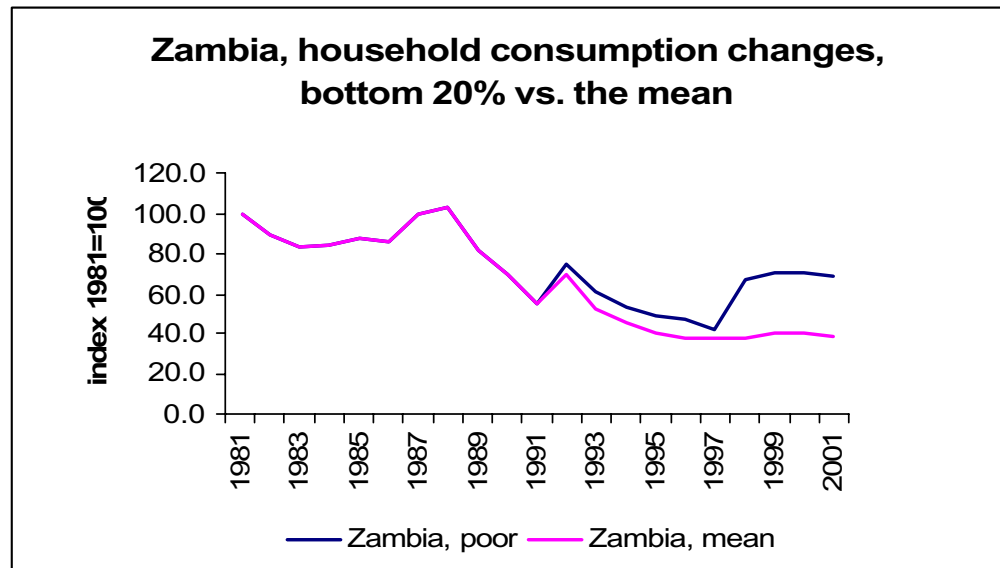
# Country Patterns in Africa





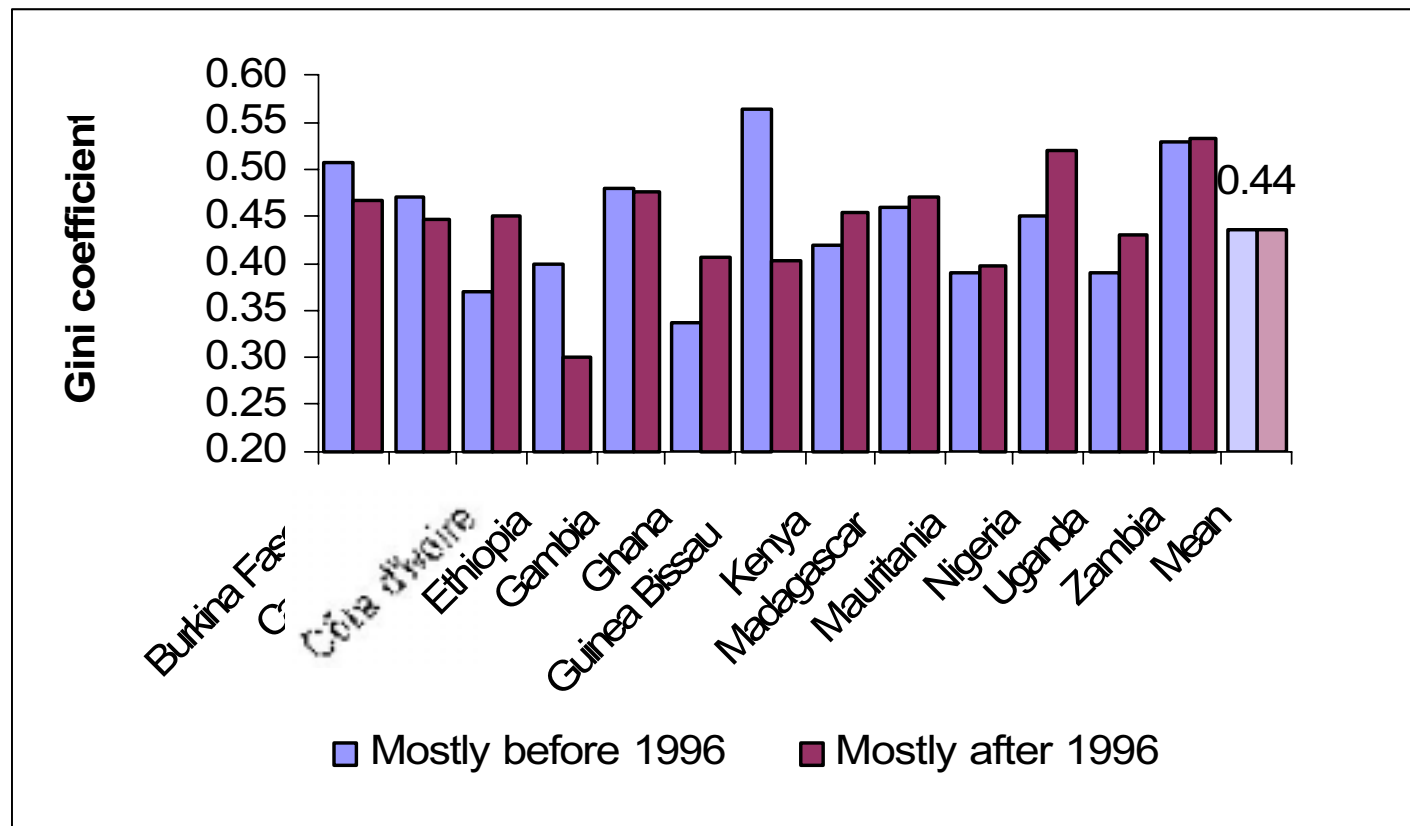
## Why bother with Distribution?

# Country Patterns in Africa



# WHY BOTHER WITH DISTRIBUTION?

## INEQUALITY CHANGE “more than we thought”



Data sources: Africa Region Standardized Files

**“...The Question is, Who is to be the master? That is all”**

- Definitional debates are interesting but not useful for public policy.
- Africa needs a sharper focus on growth without abandoning the poor.

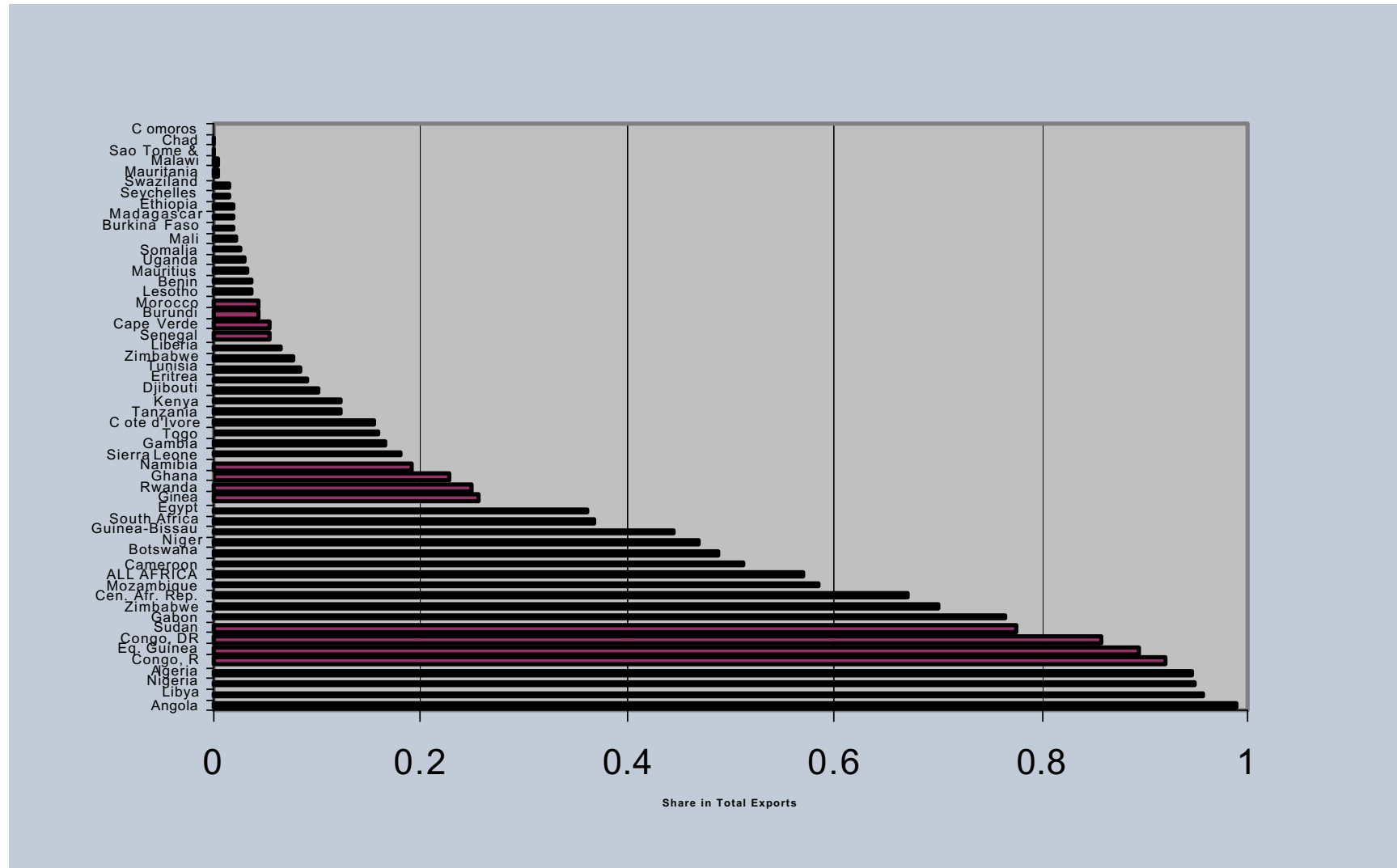
- **“Shared growth” strategies are needed:**
  1. **Over the long run growth must benefit the poor**
  2. **Governments should seek out & adopt policies & public actions that increase the benefits of growth to the poor**
  3. **Care needs to be given to understanding the distributional consequences of growth oriented policies**
- **Shared growth strategies focus on growth & on public expenditures/services aimed at all the population as objectives of public policy**

# **Three Elements of Shared Growth in Africa**

- Managing natural resource rents;
- An “export push” in Agriculture;
- Getting Serious about (sub) regional integration.

# Managing Resource Rents

## Resource Based Rents are Widespread and Growing



- 65% of all FDI during the 1990's was concentrated in oil, gas and mining
- Between 2000-2010, \$200 billion in oil revenue will accrue to African Governments;
- The 2004 oil windfall ranges from 9 percent of Government Revenues in Gabon to 56 percent in Equatorial Guinea (and average 21 percent);

# Managing Resource Rents

... But management of Rents has not generally been effective

Figure 1: Impact of Oil and Mineral Dependence on Infant and Child Mortality (deaths per thousand)

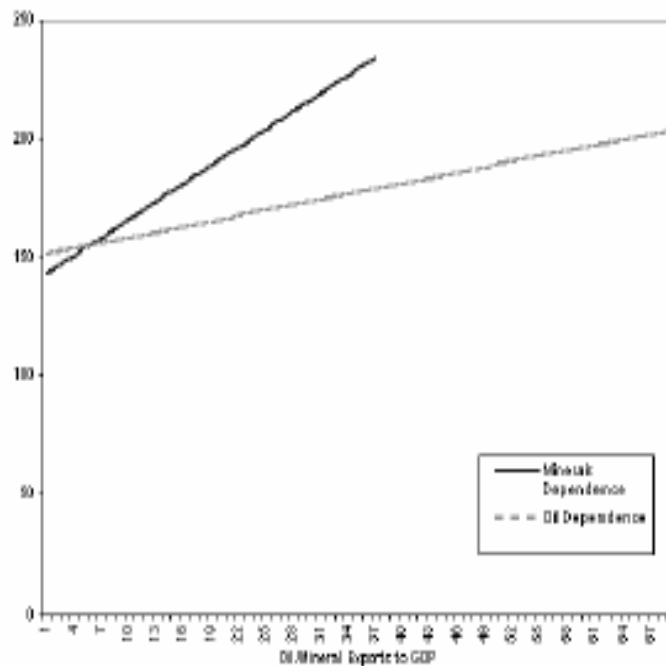
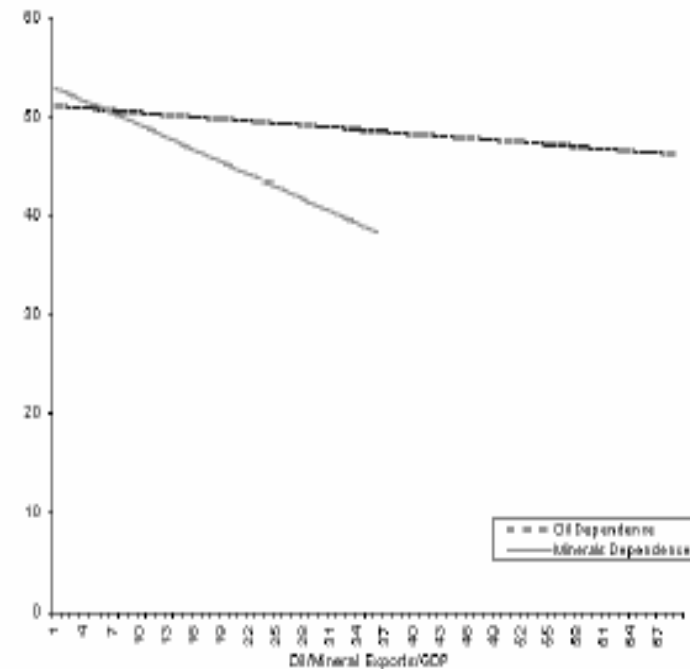


Figure 2: Impact of Oil and Mineral Dependence on Life Expectancy at Birth





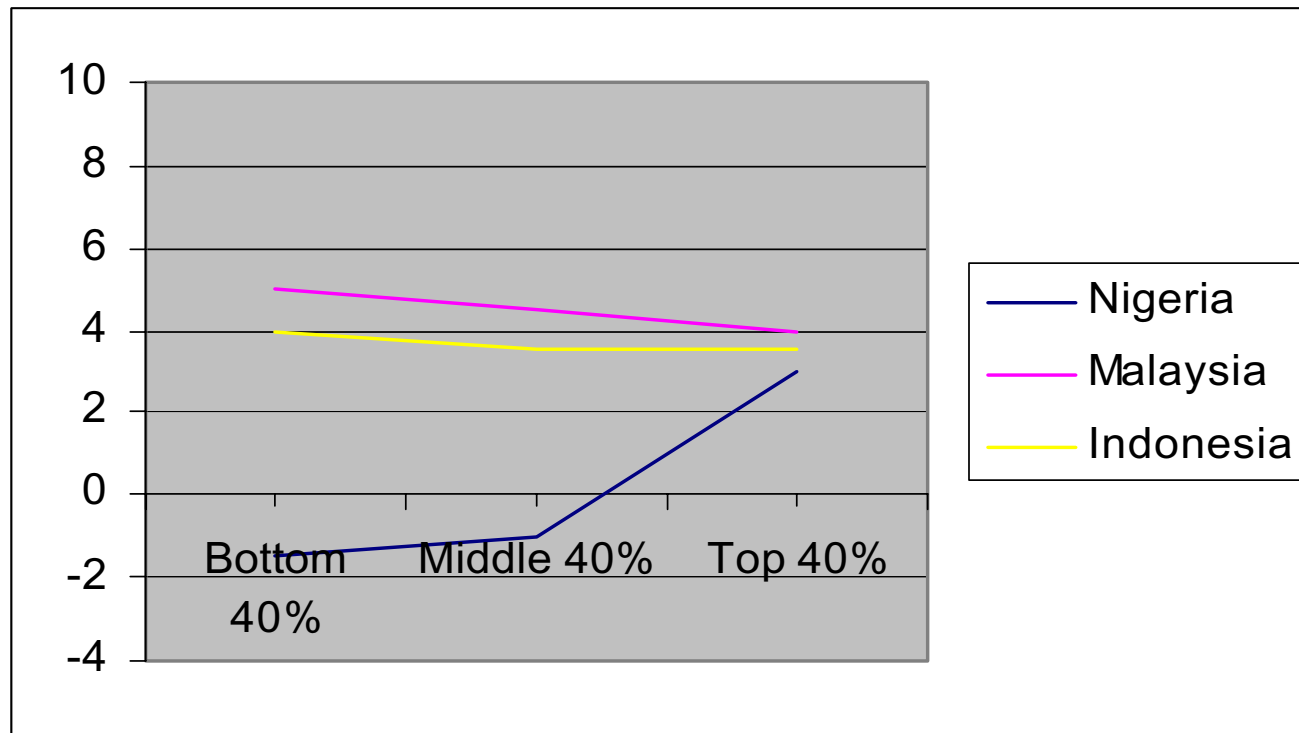
## Managing Resource Rents

# Mineral Dependent Economies in Africa tend to have:

- Higher poverty rates
- Greatly income inequality
- Less spending on health care
- Higher child malnutrition
- Lower literacy and school enrollments
- More than non-mineral economies at the same income level.

## Managing Resource Rents

But other Mineral Exporters Have Achieved Shared Growth



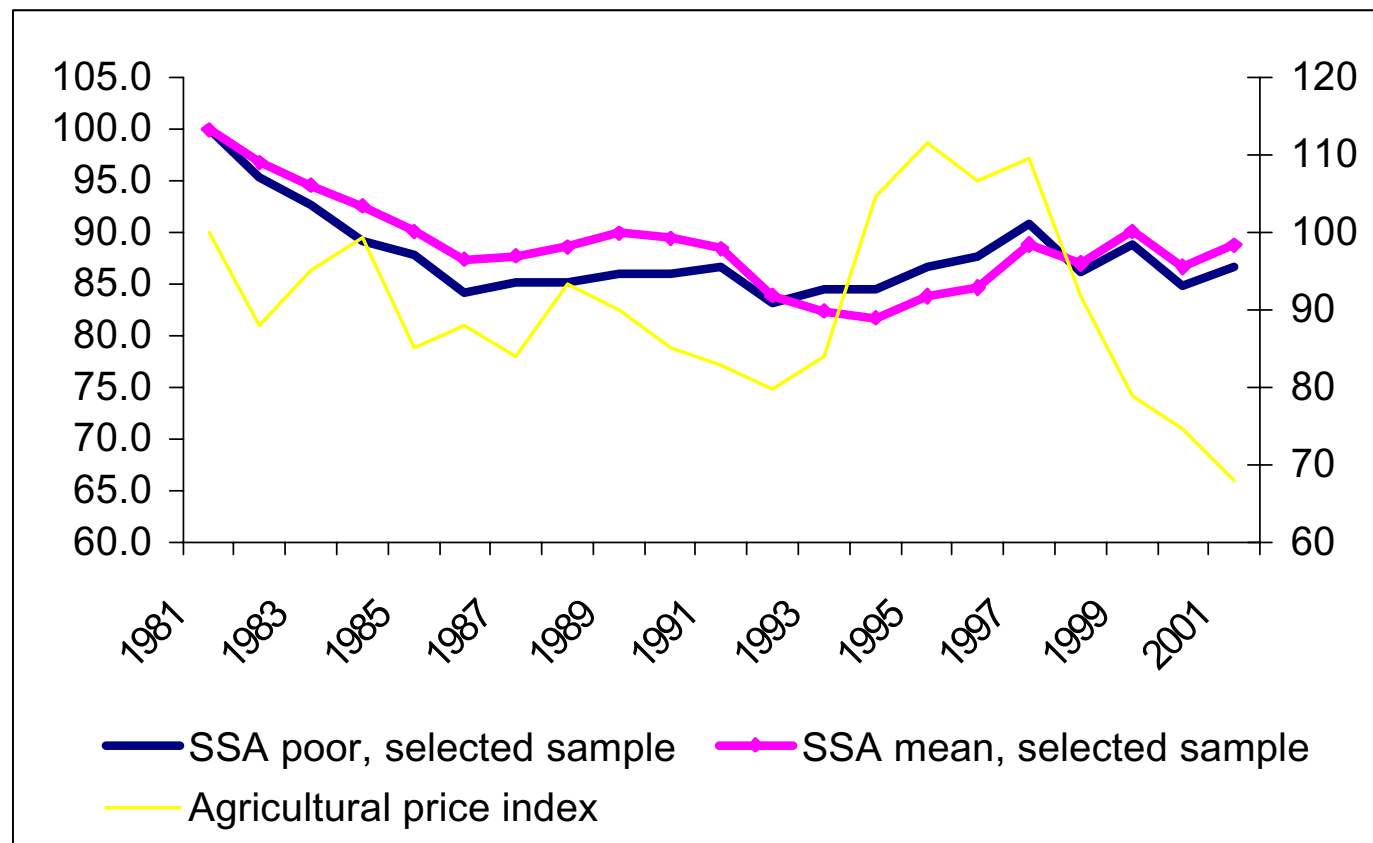
## Managing Resource Rents

# ELEMENTS OF STRATEGY FOR MINERAL REVENUE MANAGEMENT

- Transparency in accounting for revenues (EITI; “Publish What You Pay”)
- Fiscal Rules (Savings and Fiscal federalism)
- Strengthening Public finances (PRSPs and the MTEF);
- Monitoring and Evaluation.

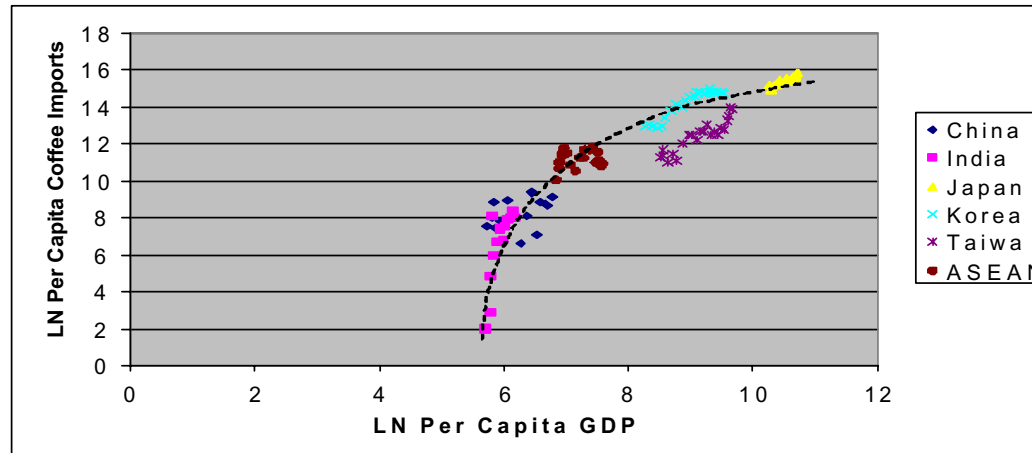
# An “Export Push” in Agriculture

The fortunes of Africa’s poor Reflect Agricultural Prices

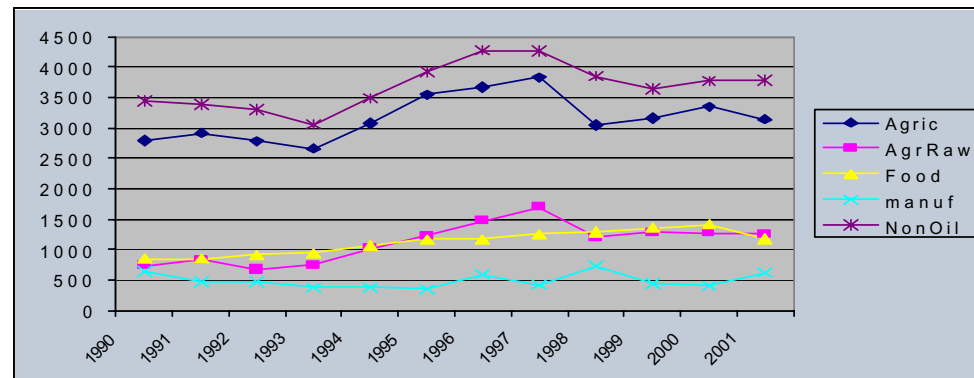


# An “Export Push” in Agriculture

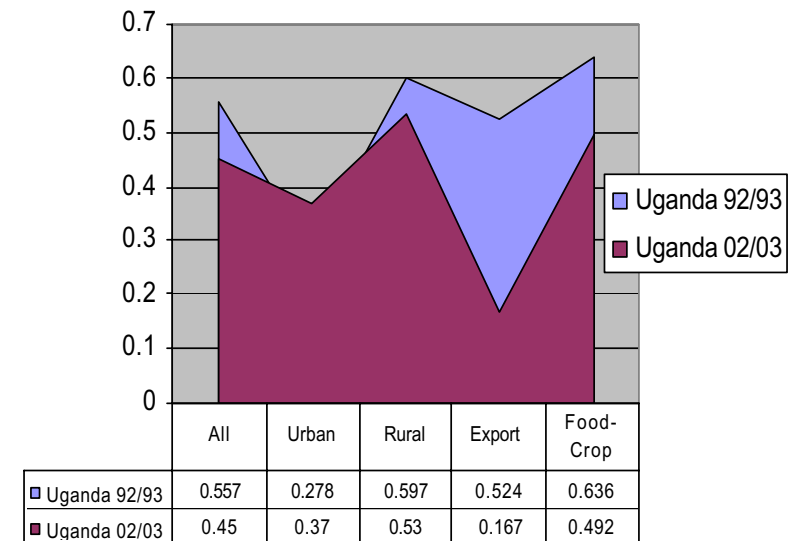
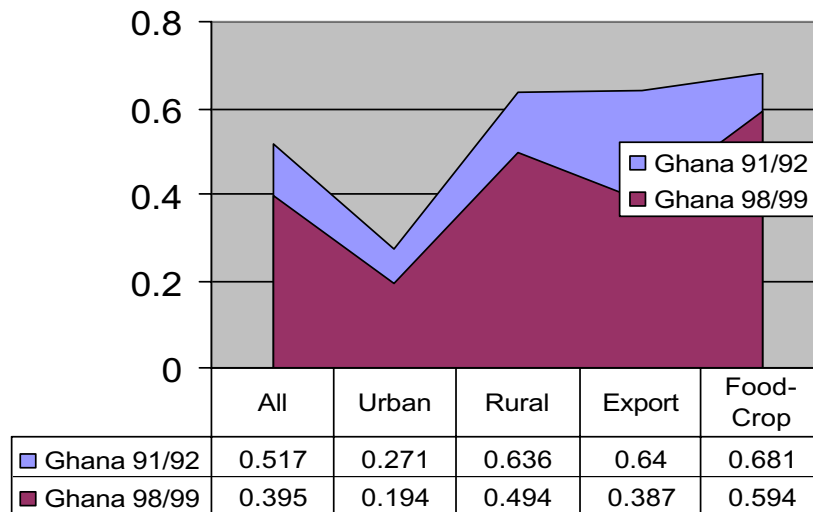
## Growth in Asia will provide an Expanding Market for Agricultural Exports



## Trend in Non-Oil Exports to Asia from Sub-Sahara Africa (Excl. S. Africa)



# EXPORT AGRICULTURE HAS A STRONG PRO-POOR IMPACT



**Growth of the Export Agricultural Sector May also lead to increased productivity in Food Crop Agriculture**

# Some Elements of an Export Push Strategy in Agriculture

## Improve Market Access Globally

SITC	Product	China	India	Indonesia	Japan	Korea	Asia Average
263	Cotton	90.00	5.06	0.02	0.00	1.00	2.73
6513	Cotton yarn	9.12	20.00	5.00	2.88	8.00	8.43
652	Cotton fabrics,woven	17.00	34.06	10.00	4.68	10.00	19.21
84512	Jerseys,etc.of cotton	25.00			8.11	13.00	2.86
8462	Under garments,knitted	21.76	35.00		10.02	13.00	8.29
211	Raw hides/skins (except furs)	14.00	0.04	0.00	0.00	2.00	0.86
212	Raw furskins						
611	Leather	11.44	25.00	1.28	0.96	5.00	9.22
612	Manufactures of leather	23.26	35.00	5.00	6.18	8.00	2.86
613	Tanned furskin	20.00			7.00	5.00	8.60
222	Oil seeds	7.00	35.00	4.87	0.77	40.00	0.88
423	Vegetable oil	74.92	44.94		0.00	8.00	42.59
0721	Cocoa beans	9.60	35.00	5.00	0.00	5.00	4.07
0722	Cocoa powder	19.00	35.00				15.77
07111	Unroasted Coffee	15.00		3.33	0.00	2.00	0.06
07112	Roasted Coffee	31.00		5.00	8.59	8.00	8.12
333	Crude oil			0.00	0.00	5.00	3.98
334	Oil products	8.82	35.00	1.96	2.12	5.72	3.45

## Some Elements of an Export Push Strategy in Agriculture

- Improve Market access locally
- Address Land Tenure Issues Equitably
- Focus on Trade Logistics

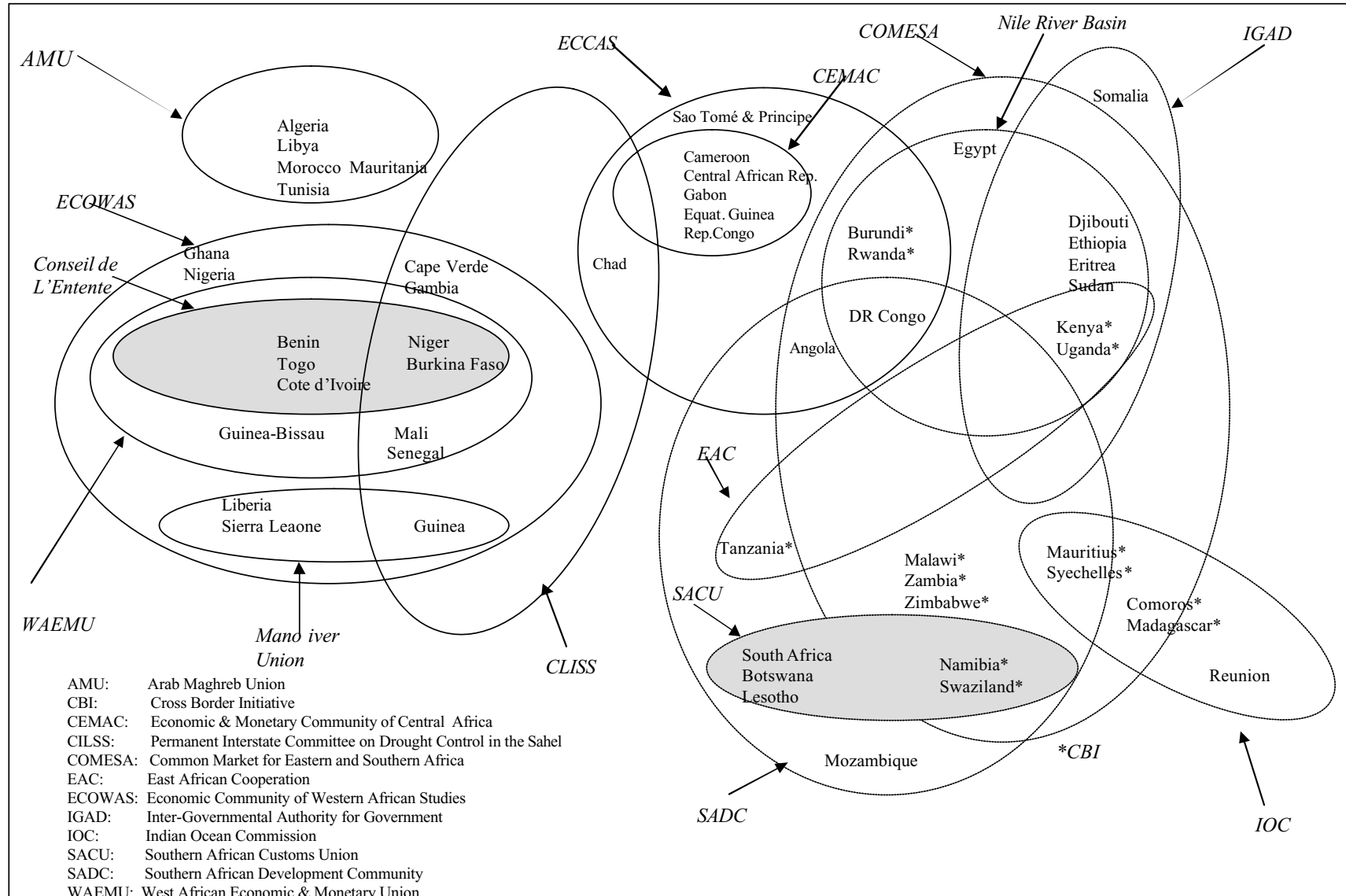


# Get Serious About Regional Integration

- Define the scope and purpose of Regional Agreements;
- Use Regional Agreements to facilitate Trade with global system;
- Start managing migration.

# Strengthen Regional integration

## Spaghetti and Rigatoni: Overlapping Partnership Trade Agreements



# Strengthen Regional integration

## Define the Scope of Africa Regional Agreements

	East Asia	ECA	LAC	MENA	S. Asia	Africa	North	Total
<b>North-South bilateral</b>	<b>32</b>	<b>36</b>	<b>39</b>	<b>21</b>	<b>8</b>	<b>48</b>	<b>26</b>	<b>209</b>
<b>Countries belonging to at least one PTA</b>	<b>4</b>	<b>22</b>	<b>6</b>	<b>11</b>	<b>0</b>	<b>2</b>	<b>10</b>	<b>55</b>
<b>Average number of PTAs per country</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>5</b>	<b>2</b>
<b>Maximum number of PTAs per country</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>34</b>	<b>34</b>
<b>All others</b>								
<b>Countries belonging to at least one PTA</b>	<b>24</b>	<b>30</b>	<b>33</b>	<b>20</b>	<b>8</b>	<b>47</b>	<b>9</b>	<b>171</b>
<b>Average number of PTAs per country</b>	<b>2</b>	<b>8</b>	<b>8</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>9</b>	<b>6</b>
<b>Maximum number of PTAs per country</b>	<b>3</b>	<b>22</b>	<b>17</b>	<b>12</b>	<b>9</b>	<b>9</b>	<b>23</b>	<b>23</b>
<b>Total</b>								
<b>Countries belonging to at least one PTA</b>	<b>26</b>	<b>34</b>	<b>36</b>	<b>21</b>	<b>8</b>	<b>48</b>	<b>10</b>	<b>183</b>
<b>Average number of PTAs per country</b>	<b>2</b>	<b>8</b>	<b>7</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>13</b>	<b>6</b>
<b>Maximum number of PTAs per country</b>	<b>27</b>	<b>23</b>	<b>19</b>	<b>14</b>	<b>9</b>	<b>9</b>	<b>38</b>	<b>38</b>

## Strengthen Regional integration

### .... **BORDER DELAYS TAX TRADE...**

- Delays at the Zimbabwe – South Africa Crossing (Beit Bridge) were six days (in Feb 2003) leading to an estimated loss of earnings per vehicle of \$1750 (equal to the cost of a shipment from Durban to the US).
- Crossing a border in Africa can be equivalent to the cost of more than 1000 miles of inland transport (in Western Europe – the equivalent is 100 miles)

### .. **As can National Regulations**

- Axel load regulations differ in Namibia, Botswana and Zambia
- Bilateral transport treaties in West Africa Impede Regional Arrangements

# Strengthen Regional integration

## Managing Migration

