

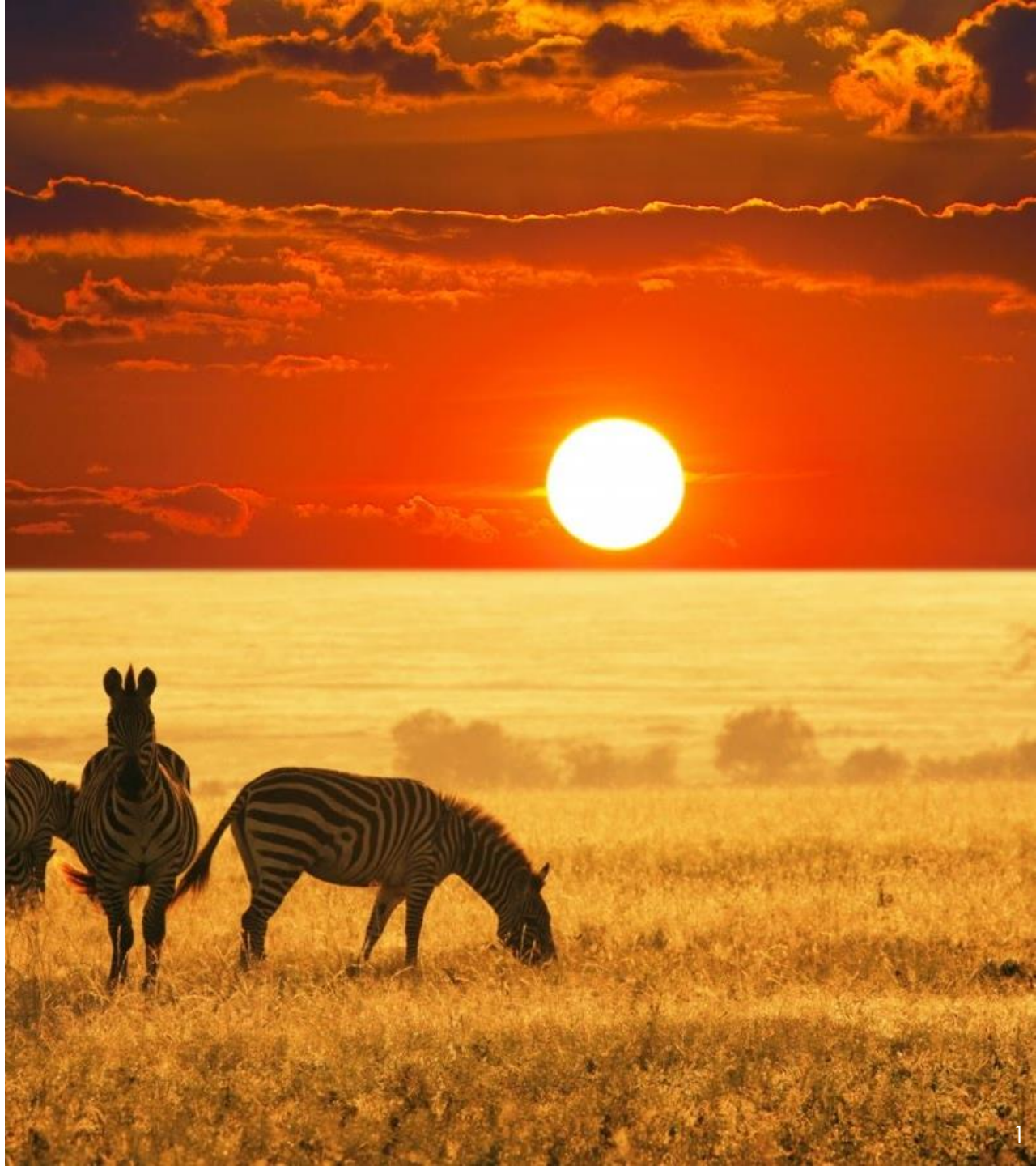
# African strategies to boost growth and combat poverty and inequality

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

**United Nations Headquarters  
New York**

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# OUTLINE

1. Introduction
2. Typology of Poverty Reduction Strategies in Sub-Saharan Africa
3. Impact of PRS Implementation in Sub-Saharan Africa
4. Lessons Learnt and Policy Recommendations

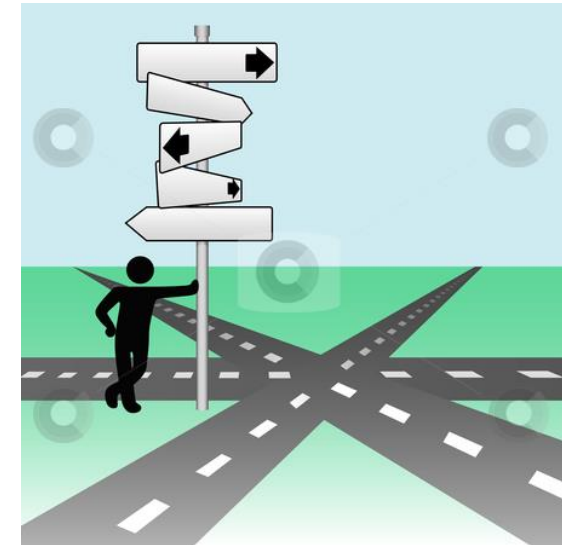
# 1. INTRODUCTION

- 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

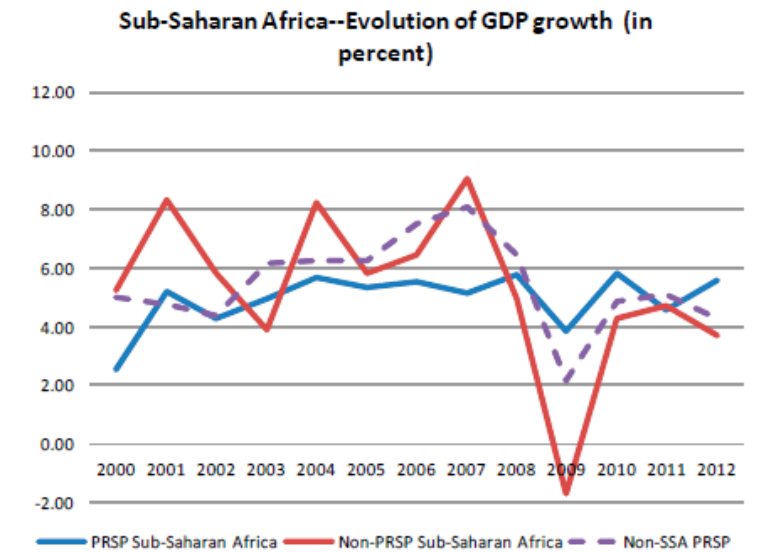
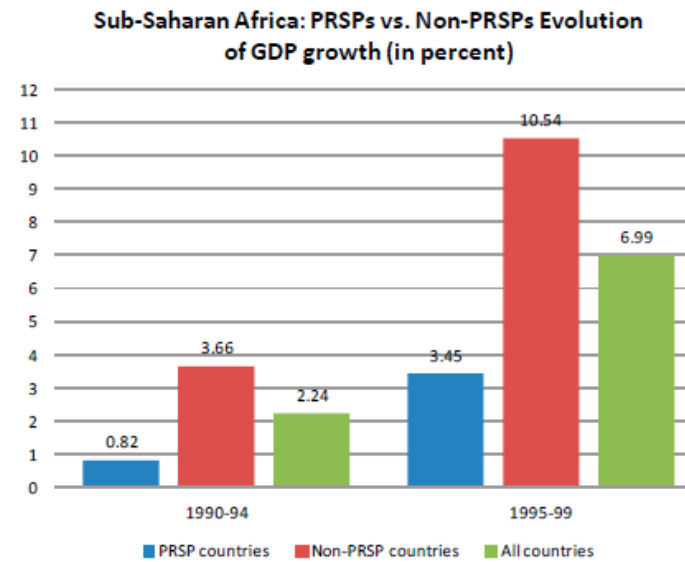
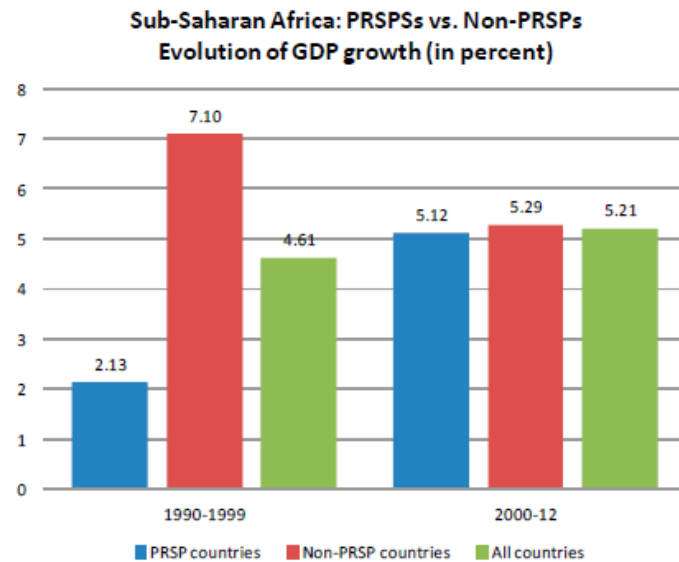




# 3. IMPACT OF PRS IMPLEMENTATION IN SUB-SAHARAN AFRICA

## 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

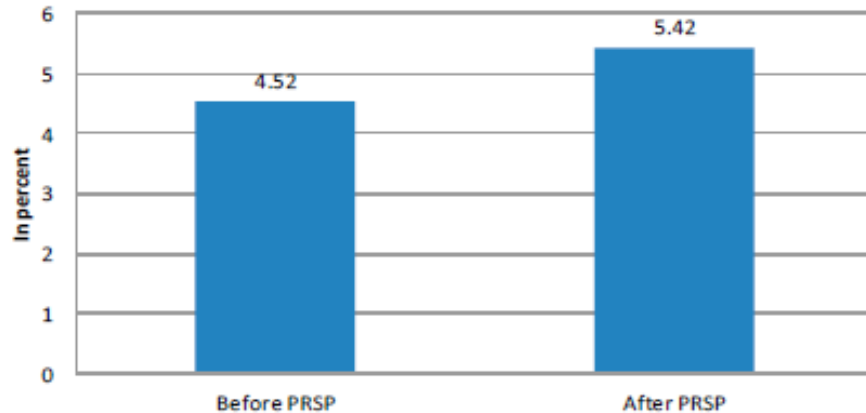


# 3. IMPACT OF PRS IMPLEMENTATION IN SUB-SAHARAN AFRICA

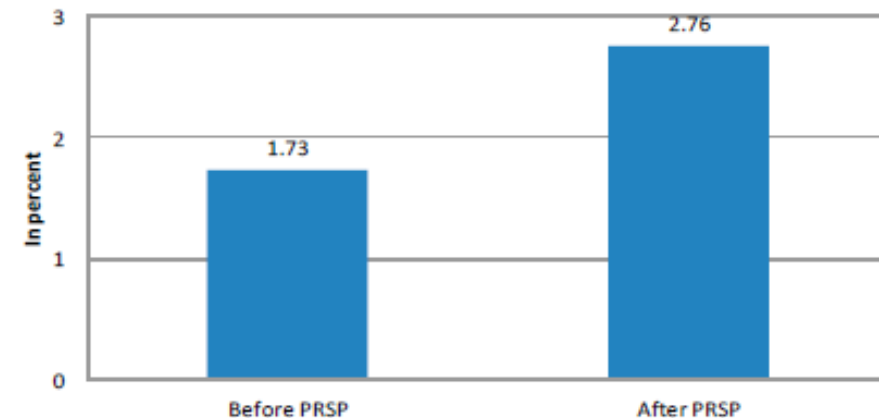
## Growth Impact of Poverty Reduction Strategies

- 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

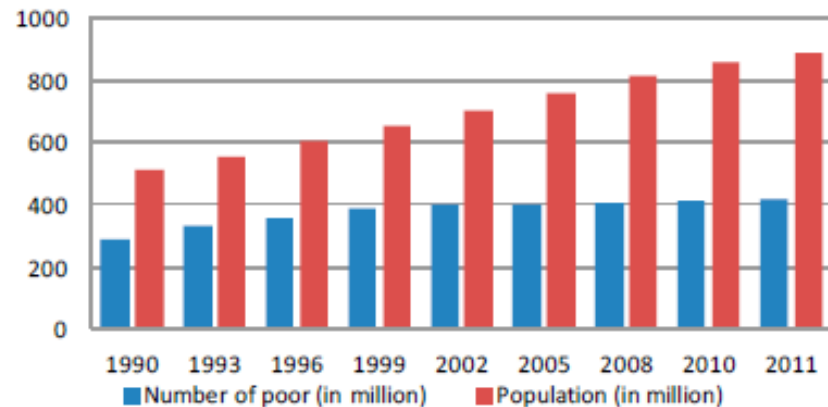


### 3. IMPACT OF PRS IMPLEMENTATION IN SUB-SAHARAN AFRICA

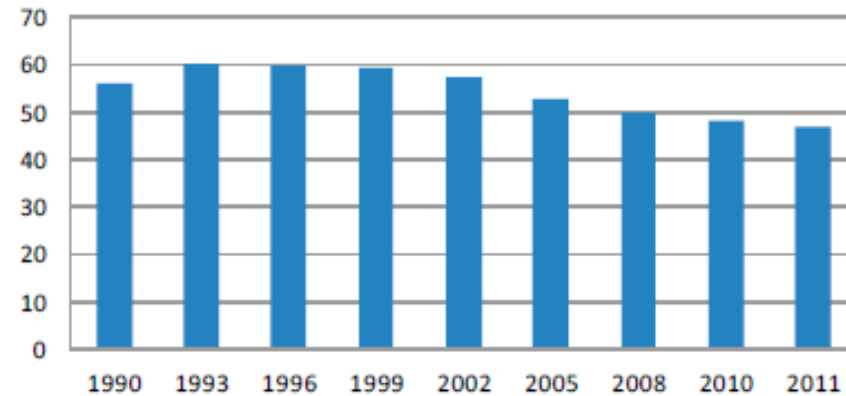
#### Evolution of Poverty in Sub-Saharan Africa since 1990

- 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**

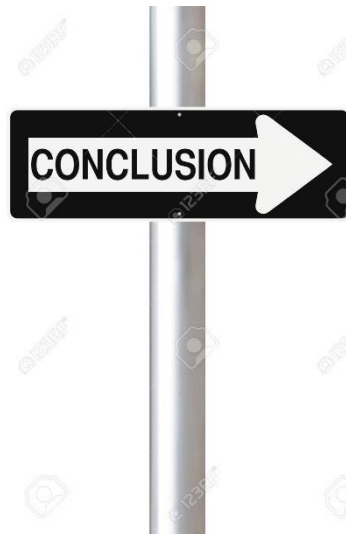
- Positive impact of growth on the pace of poverty reduction, with a 1 percent increase in per capita income resulting in about a 2 percent decline in the incidence of poverty if inequality is kept unchanged.
- By contrast, inequality found to have damaging effects on poverty, with the potential to more 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

