

Eradicating Poverty Through Productive Activities – Lessons Learned

Expert Group Meeting

“Strategies for Eradicating Poverty to Achieve Sustainable Development for All”

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11 May, 2017



UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

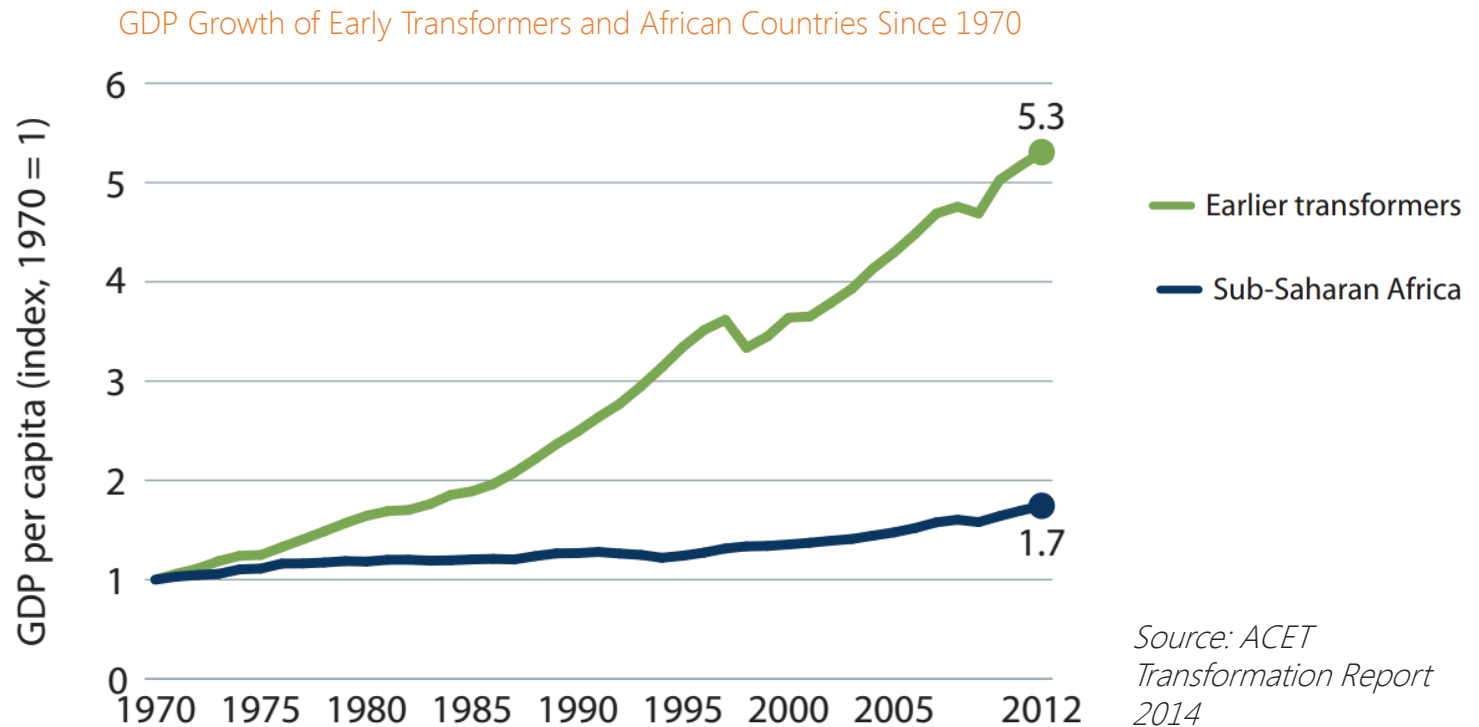
Sustainable Development, Poverty Reduction, and Productive Activities

- Great strides have been made in the reduction of poverty and there are 1.1 billion fewer poor people today than there were in 1990.
- But some regions have experienced greater reductions in poverty than others.
- What can we learn from countries that have reduced poverty at higher rates than others?

		East Asia & Pacific	South Asia	Sub-Saharan Africa	Latin America & Caribbean	Middle East & North Africa	Eastern Europe & Central Asia ³	Total 6 regions
Poverty headcount ratio (%) ¹	1990	60.2%	44.6%	54.3%	15.8%	6.0%	1.9%	42.0%
	2013	3.5%	15.1%	41.0%	5.4%	2.1%	2.2%	12.6%
	Change	-56.7	-29.5	-13.3	-10.4	-4.0	0.2	-29.5
Poverty (millions of people)	1990	966	505	276	71	14	9	1,840
	2013	71	256	389	34	ND	10	766
	Change	-895	-249	113	-38	ND	1	-1,074
Share of manufacturing in total employment (%)	1990	13.8%	10.8%	5.4%	15.6%	14.3%	26.5%	14.2%
	2012	16.7%	11.3%	6.0%	13.0%	12.8%	15.3%	13.6%
	Change	2.9	0.6	0.6	-2.6	-1.5	-11.2	-0.6

What Can We Learn and Apply?

- The countries that have reduced poverty more than others turn out to also be countries that focus on **structural transformation**. 'Early transformers,' shown here, had much higher growth rates than countries in Africa that didn't focus on structural change.



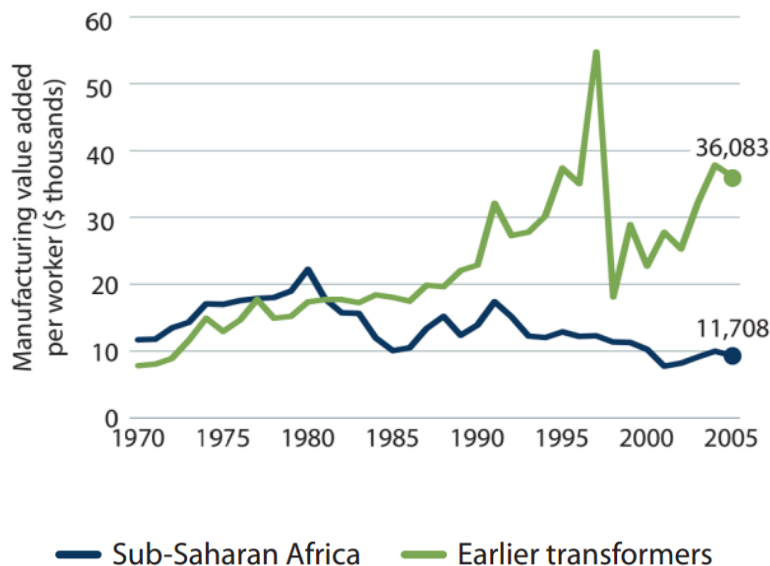
Earlier Transformers:

Brazil, Chile, Indonesia, Malaysia, Singapore, South Korea, Thailand, and Vietnam.

The Type of Growth Matters – Structural Transformation Has Been the Key

What is transformation? Successful countries focused on productivity in manufacturing, diversified production, upgraded technologically, and other related drivers. The result has been long-term and sustained poverty reduction relative to those that did not focus on these factors.

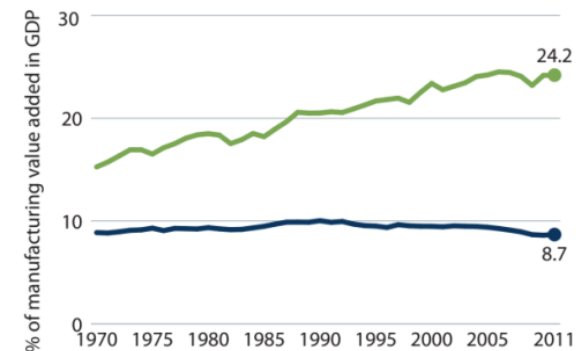
Productivity in manufacturing



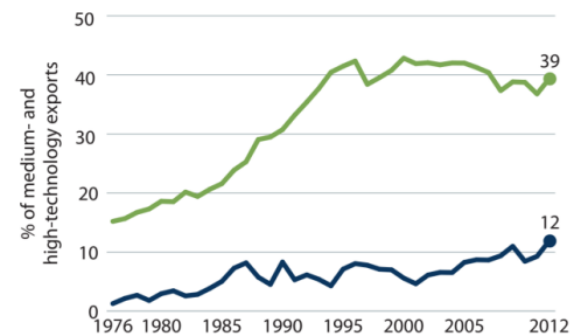
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Diversity in production

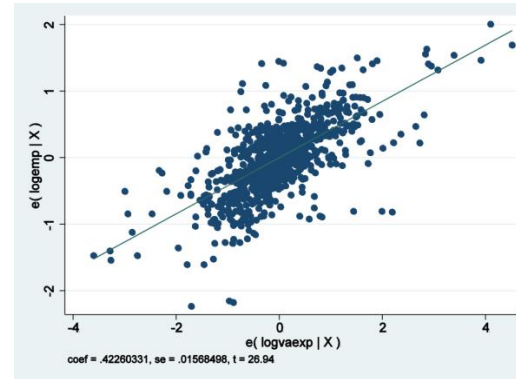


Technological upgrading



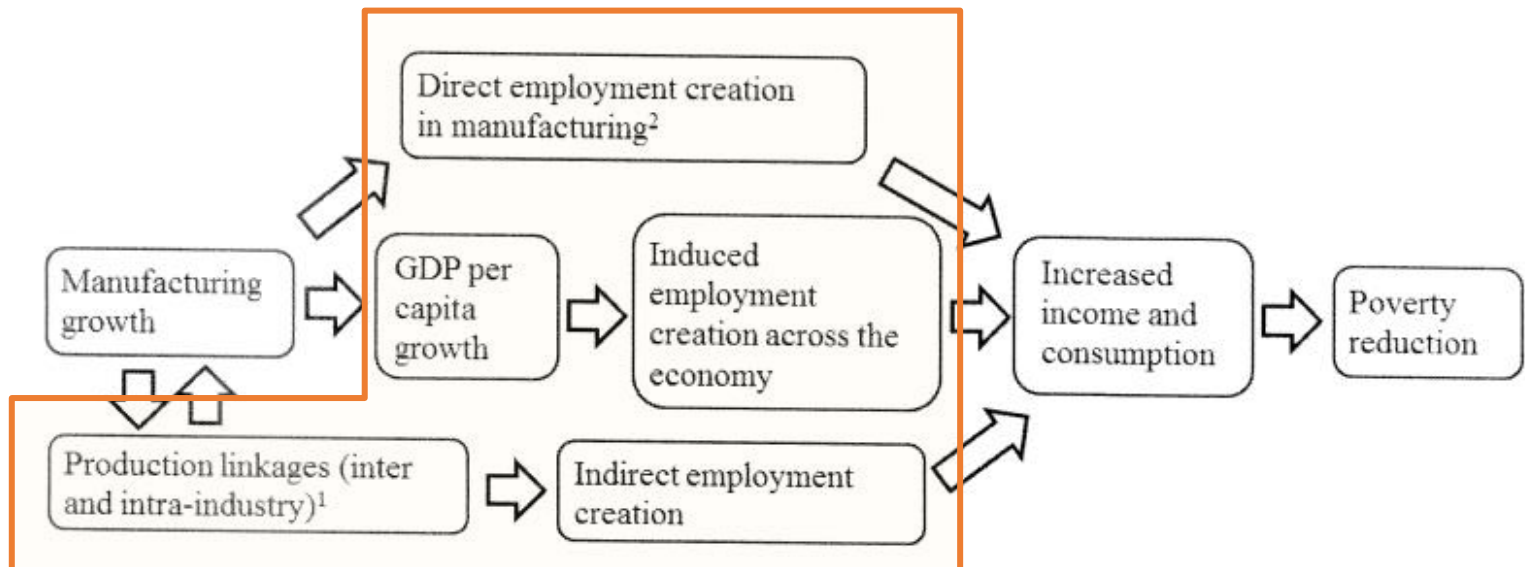
How Transformation Reduces Poverty

- The primary way in which manufacturing reduces poverty is through job creation.
- This is particularly effective with export-led, labor intensive manufacturing. And these jobs have higher skill transfer than other sectors.



High Causation Between Manufacturing As a Share of Employment, and Job Creation

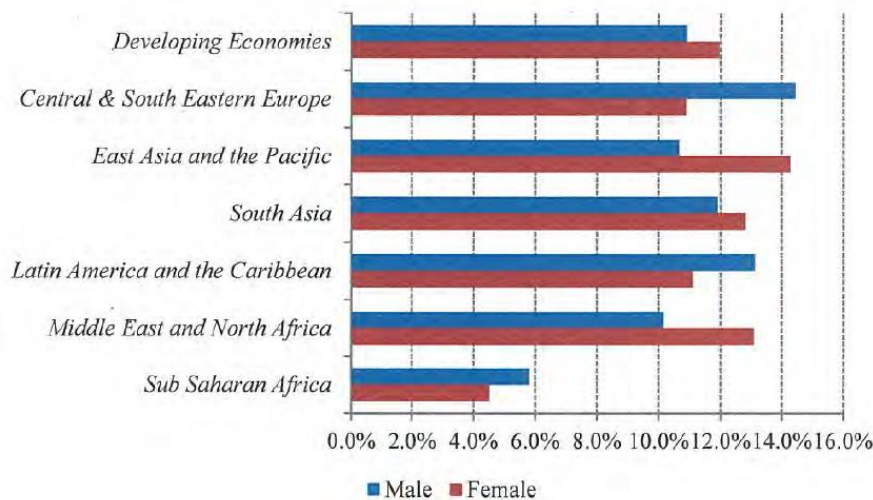
This occurs through the following mechanisms:



Further, Industrialization Has Proven to Be Particularly Pro-Poor and Inclusive

Industrialization has positive, causal links with numerous measures of human development, gender equality, and income equality.

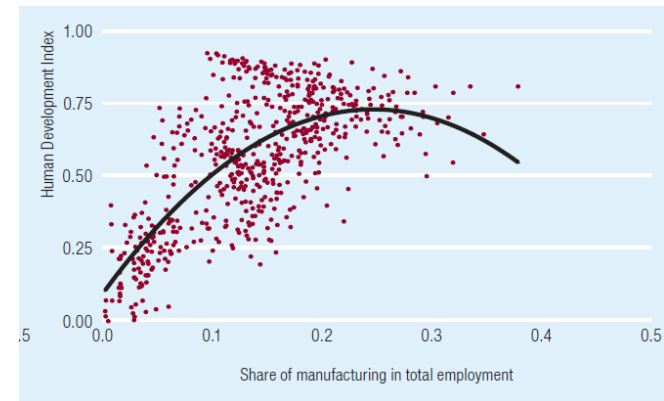
Job Creation Disproportionately Employs Women Relative to Other Industries



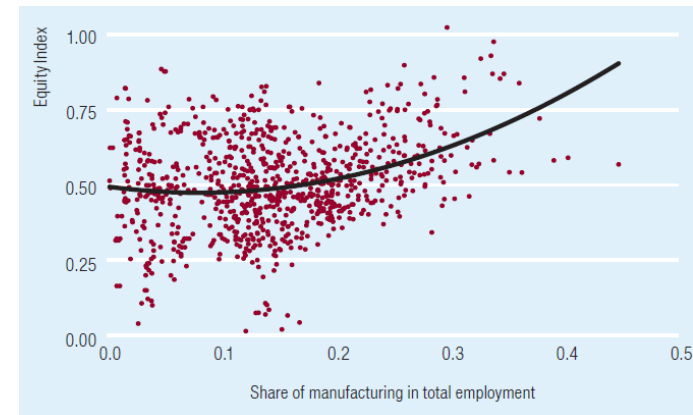
Source: UNIDO elaboration based on ILO (2015).

Source: UNIDO
IDR 2016

Human Development



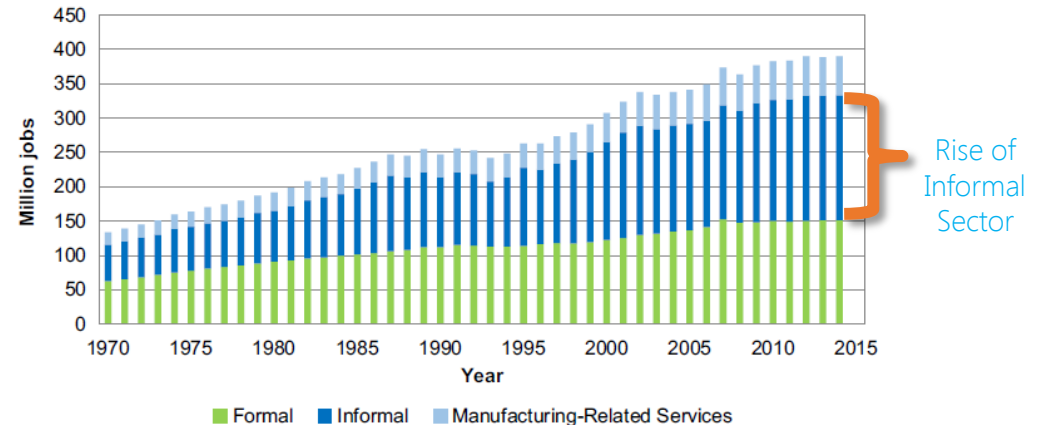
Equity Index



Emerging Issues Likely to Affect Poverty Reduction from Industrialization

- Increase in informal employment, particularly in services, is threatening countries' capacity to upgrade along the value chain and government's abilities to gain revenue.

Manufacturing Jobs by Type



- Technology change – rising rates of automation in manufacturing and changes in the types of jobs are on the rise.
- Global income inequality is on the rise and may be exacerbated by these changes in informality and technology.

Policy Recommendations

1. Developing countries should build sustainable industrial policy and strong development institutions that coordinate with macroeconomic policies and address failures in labor and capital markets.
2. These institutions should focus on formal job creation.
3. Quality of employment should be facilitated through labor and quality control standards to ensure the benefits of manufacturing are shared.
4. Policies will need to account for displacement that may arise from technological progress, while facilitating progress and innovation.
5. Policymakers should target industries with higher rates of transformative growth, supporting innovation, skill transfer, and technology upgrading. Export-oriented processing zones are a proven, effective method to quickly build such industries.
6. Governments should target SMEs to improve their position in the global value chain and introduce formality into the small business sector.

UNIDO Projects and Interventions



- **Armenia: Productive Work for Young People- Supporting Young Entrepreneurs.**
 - 300 potential and existing entrepreneurs (50% women) have benefitted from the program.
 - 80 youth-led business and start-ups are being assisted.



- **Peru: Industrial Clusters and Consortia – Promoting Typical Products to Fight Poverty.**
 - Ten origin consortia, integrating over 1450 rural producers have been set up.
 - More than 2,000 families have improved their living conditions



- **Pakistan: One-UN Joint Program – “Towards Gender Parity in Pakistan” UNIDO’s assistance towards economic empowerment through enabling women entrepreneurs in creative industries**
 - Over 700 master trainers were instructed.
 - Over 38,000 beneficiaries directly and indirectly assisted through the project.



- **Iran: Enterprise creation, access to finance and investment promotion**
 - Four Enterprise Development Centers (EDCs) provided capacity building to more than 600 Iraqi entrepreneurs
 - More than 189 Iraqi SMEs have been created (111) or expanded (78). The estimated cumulative employment impact of these projects is at least 1040 jobs



- **Ethiopia - Technical Assistance Project for the Upgrading of the Ethiopian Leather and Leather Products Industry**
 - Between 2006 and 2012, the total value of Ethiopia’s exports of leather and leather products grew from US\$ 66 million to US\$ 112.
 - Major foreign shoe manufacturers such as ARA of Germany, GEOX of Italy and China’s Hua Jian Industrial Holdings, which pledged recently to invest US\$2 billion and create 100,000 jobs over the next ten years, have started subcontracting operations in Ethiopia

UNIDO's Intervention – Programme for Country Partnership (PCP)

Accelerates, and customizes UNIDO technical assistance to country governments in rapidly scaling their industrial agendas:

- Channels public resources for large-scale infrastructure projects for industrial development.
- Mobilizes additional investment from private sector industrial activities and multi-stakeholder partnerships.
- Solutions catered to specific country and specialization.





Thank You!