

ANALYZING PRO-POOR GROWTH IN SOUTHERN AFRICA: LESSONS FROM MAURITIUS AND SOUTH AFRICA



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Outline

- Framework for Pro-Poor Growth Analysis
- Case studies of Mauritius and South Africa
- Conclusions

Framework for Pro-Poor Growth Analysis

Debate on Absolute or Relative Pro-Poor Growth

- Absolute Approach: Growth must reduce poverty i.e. increase the income of the poor by a positive amount. (Ravallion and Chen, 2003)
- Relative Approach: Growth must benefit the poor proportionately more than the non-poor. It should therefore reduce inequality. (Kakwani and Pernia, 2000)

Framework for Pro-Poor Growth Analysis

Methodology for Pro-Poor Growth Analysis

- Calculation of Poverty Indices or FGT indices (Foster, Greer and Thorbecke, 1984) -> Poverty incidence and intensity
- Growth Incidence Curves -> Impact of growth in the different quantiles of the population
- Lorentz Curves and Gini Index -> Importance of inequality
- Indices of Pro-Pooriness -> Relative or Absolute pro-pooriness
- Growth-Redistribution Decompositions -> “Growth” and “inequality” components of poverty change.

Framework for Pro-Poor Growth Analysis

Data

- Compute daily *per capita* expenditures from the micro-data records and value them according to 2005 price levels using the consumer price indices
- Convert them into 2005 US dollars using the 2005 purchasing power parities (PPP)
- Mauritius Data: Mauritius' Central Statistics Office seventh and eighth *Household Budget Surveys* (6,710 households in 2001/2002 and 6,720 2005/2006) -
- South Africa Data: *Surveys on the income and expenditure of households* (29,582 households in 1995/1996 and 21,144 in 2005/2006) by Statistics South Africa
- Use of the DASP package (Araar and Duclos, 2007a)

Case studies of Mauritius and South Africa

Poverty Reduction Strategies

Mauritius

- Modernize its economy
- Expand employment opportunities
- Maintain an elaborate social safety net (subsidies and income support)
- Allocate significant resources to education and health
- Adopt Women Empowerment Programme

South Africa

- Market-based approach to foster growth and create jobs: trade liberalization and privatisation
- Land redistribution
- Development of socio-economic infrastructure
- Recent shift to fight deprivation and large inequalities (Formal vs. Informal economy)

Case studies of Mauritius and South Africa

Poverty incidence in Mauritius (Poverty line of USD 3)

	2001	2006	Comments
Mauritius	5.8%	4.1%	Reduction of poverty incidence
Rodrigues	30.3%	22.8%	Largest headcount but impressive fall
Rural	6.3%	4.8%	Ruralization of poverty
Urban	4.8%	2.8%	
Schooling	5.4%	3.8%	Less employment opportunities for the uneducated
No schooling	9.9%	8%	
Female-headed	9.2%	7.9%	Greater fall in male-headed households
Male-headed	5.3%	3.5%	

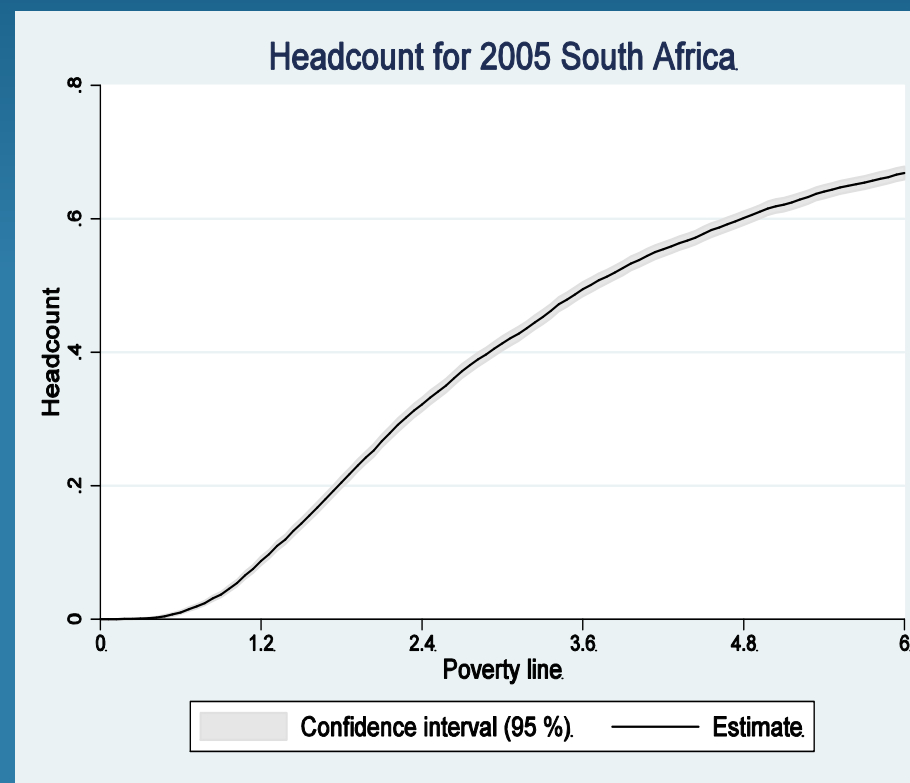
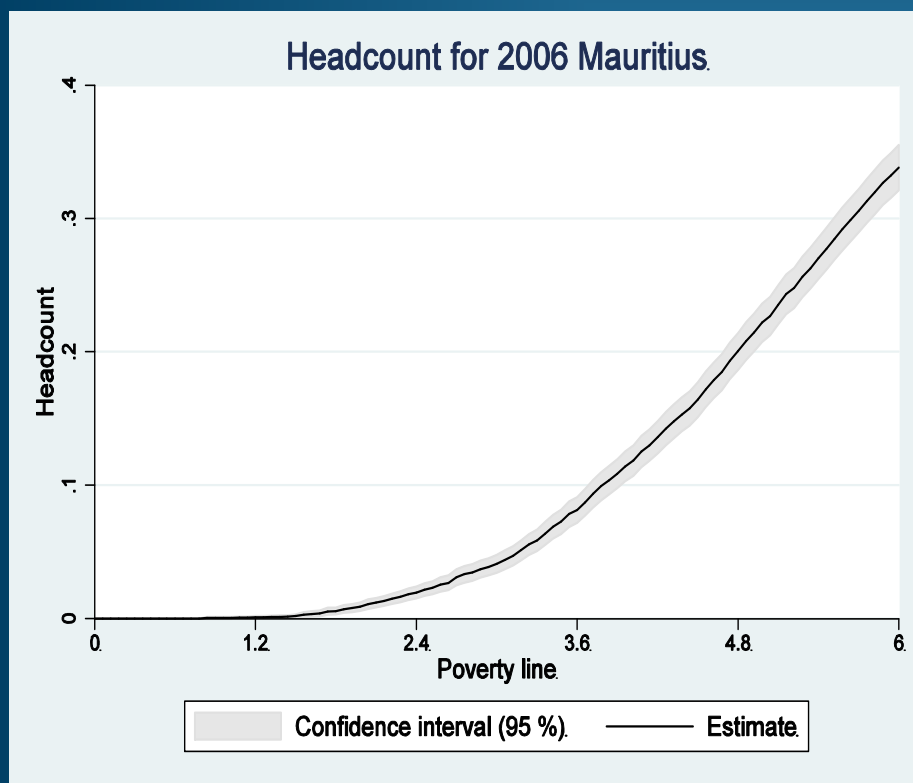
Case studies of Mauritius and South Africa

Poverty incidence in South Africa (Poverty line of USD 3)

	1995	2005	Comments
South Africa	41.9%	41.3%	No significant change
Gauteng	12.9%	19.3%	High geographical disparities Gauteng: Lowest headcount Free State: most important change
Free State	54.4%	33%	
Rural	61.3%	62.9%	Urbanization of poverty (related to migration process)
Urban	21.1%	26.3%	
Schooling	33.8%	34.6%	Increasing poverty among more educated people
No schooling	68.6%	70.4%	
Female-headed	54.1%	52.9%	Greater fall of poverty in male-headed households
Male-headed	36.1%	32.5%	
African/Black	51.7%	48.7%	Racial disparities
White	4.7%	3.1%	

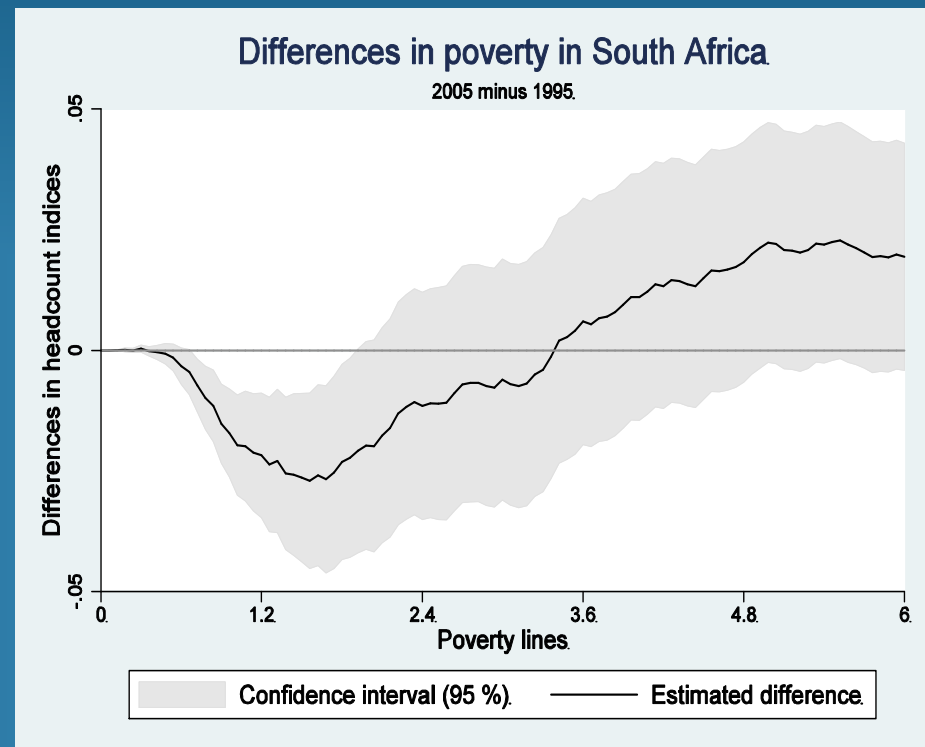
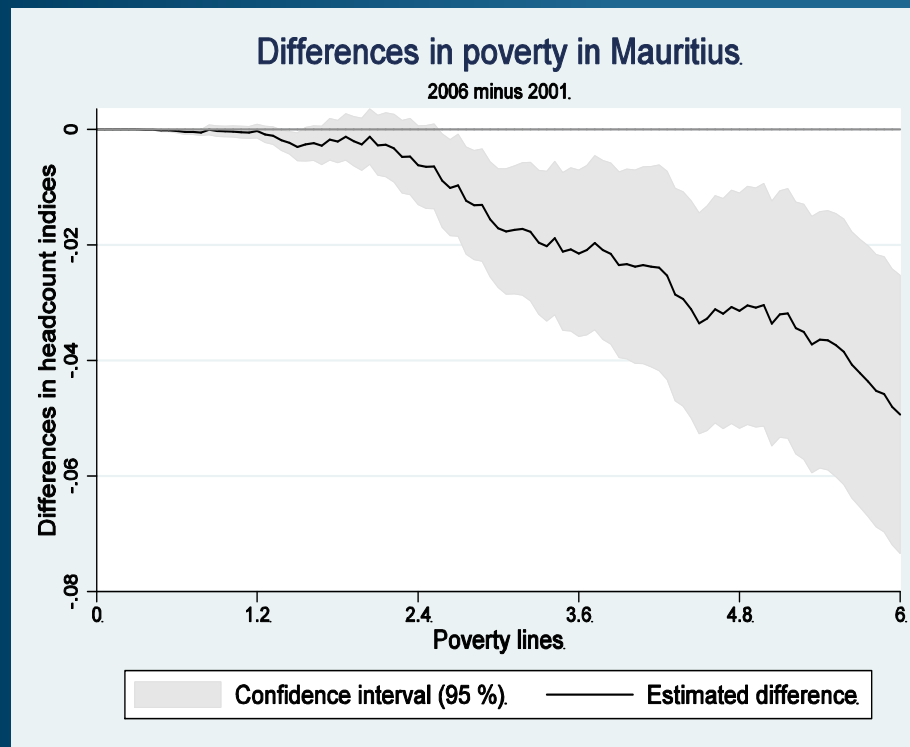
Case studies of Mauritius and South Africa

Sensitivity of the headcount to the choice of the poverty line



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Reduction of Poverty in Mauritius

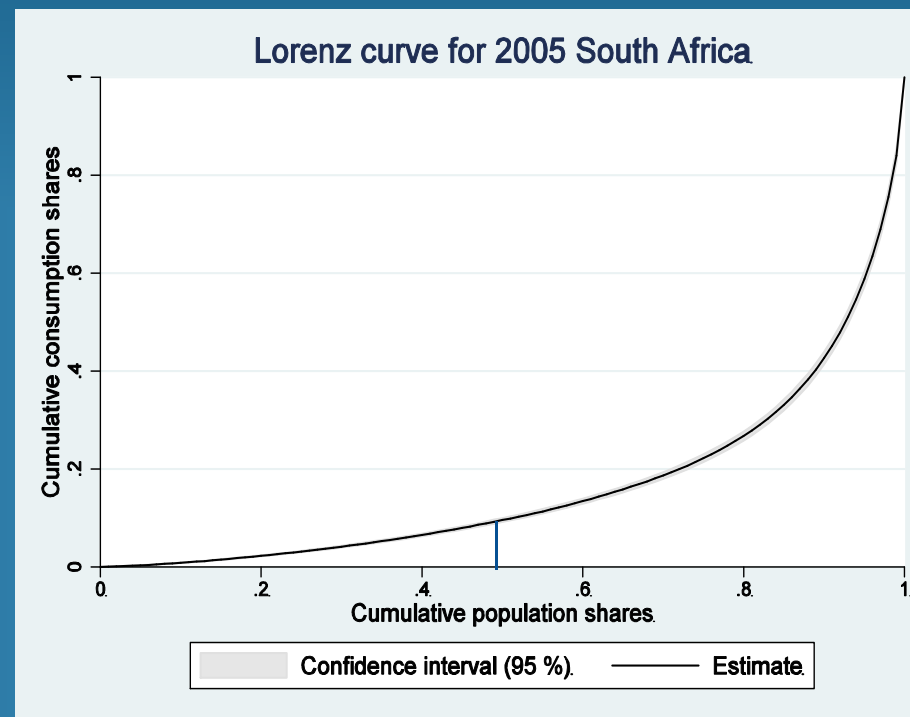
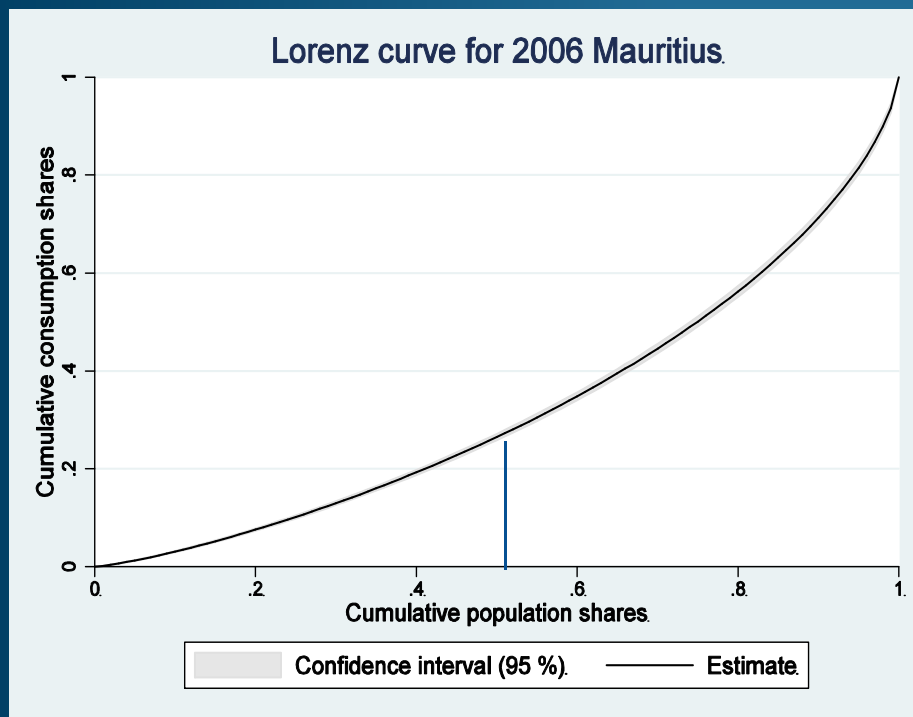


Case studies of Mauritius and South Africa

Analysis of Inequality

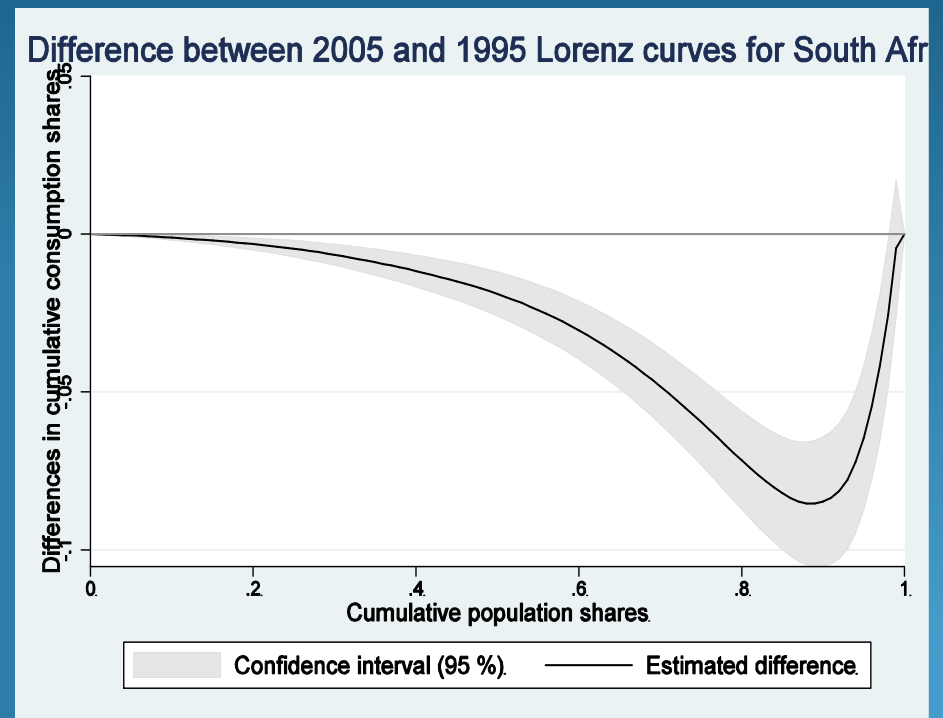
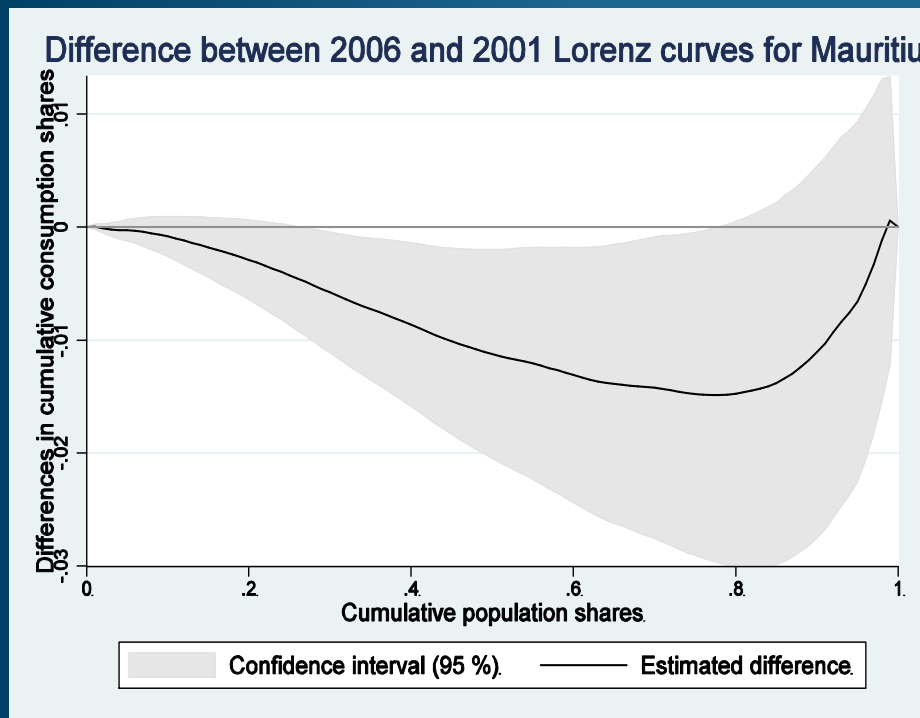
Gini = 0.34 in 2006

Gini = 0.62 in 2005



Case studies of Mauritius and South Africa

Deterioration of Inequality in South Africa



Case studies of Mauritius and South Africa

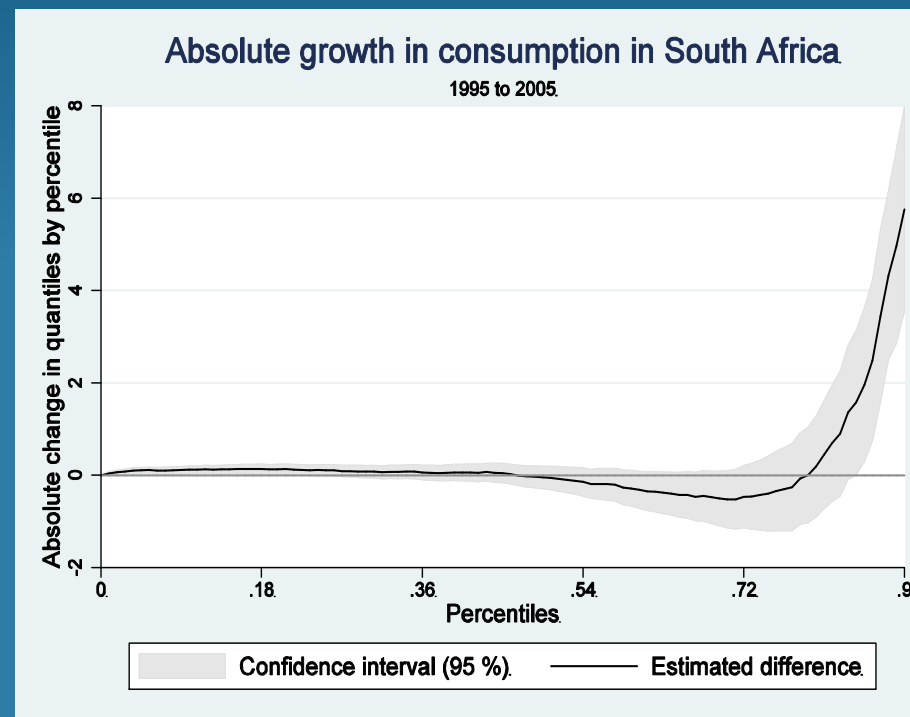
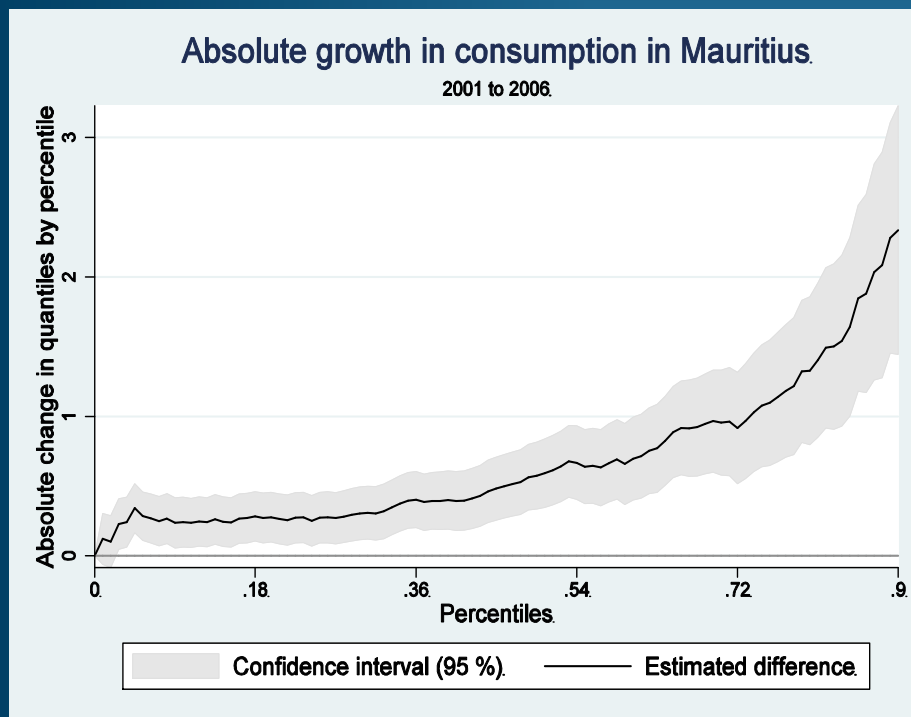
Growth Redistribution Decomposition

Effect on Poverty (percentage points)

	Mauritius (2001-2006)	South Africa (1995-2005)
Growth	-1.9	-9.3
Inequality	+0.2	+8.6
Total	-1.7	-0.7

Case studies of Mauritius and South Africa

Absolute Pro-poorness in Mauritius

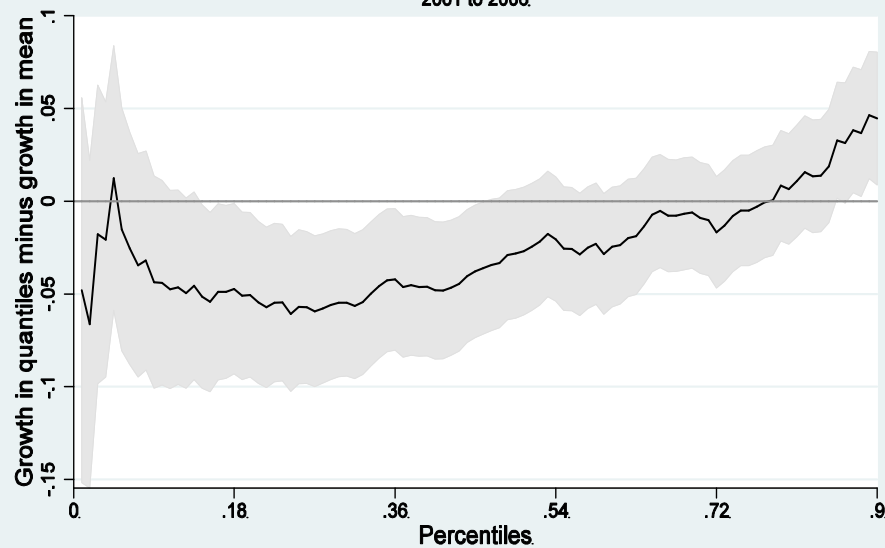


Case studies of Mauritius and South Africa

Relative Anti-poorness in South Africa

Growth in quantiles in Mauritius - relative to the mean.

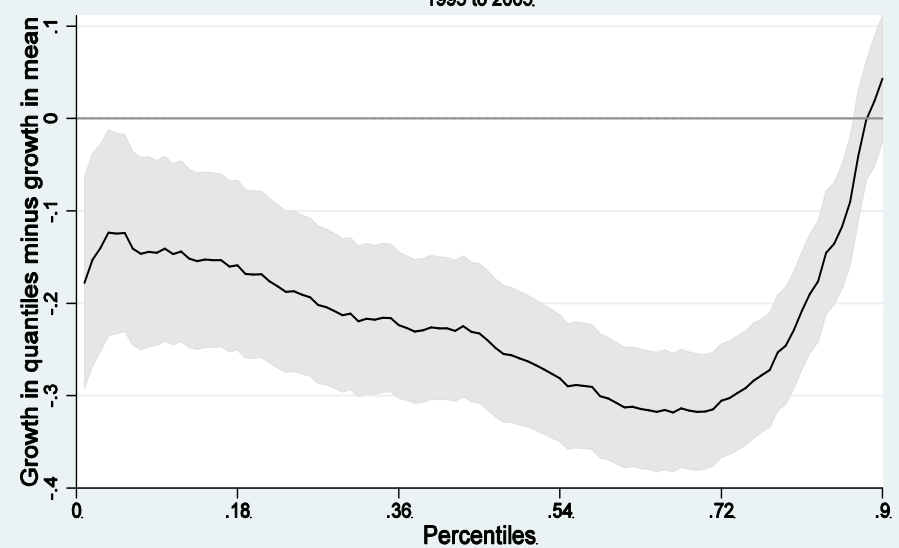
2001 to 2006.



Confidence interval (95 %). Estimated difference.

Growth in quantiles in South Africa - relative to the mean.

1995 to 2005.



Confidence interval (95 %). Estimated difference.

Conclusions

Summary

Mauritius (2001 – 2006)

- Increased employment opportunities to its large skilled and educated work force but not its unskilled population
- Reduction of poverty through growth at roughly no cost in terms of inequality

South Africa (1995 – 2005)

- No inclusive development
- Growth benefitted mostly the higher earners in urban areas
- Migration from rural to urban areas is associated with the urbanization of poverty
- Important increase of urban inequality

Conclusions

Policy Implications

- Alleviate the effect of migration on urban poverty (social integration, training and educational services, etc.)
- Address labor market issues (better functioning, integration of informal with formal labor)
- Foster human capital development (particularly for women)
- Empower women (as an effective driver of development and poverty reduction)
- Spur growth but take into account the possible impact of growth on inequality

THANK YOU

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“Overcoming poverty is not a gesture of charity. It is an act of justice. It is the protection of a fundamental human right, the right to dignity and a decent life . . .”

Nelson Mandela