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Growth, Poverty, and Inequality in Selected African Middle Income Countries

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Background

Most African countries continue to face challenges of persistent poverty and rising inequality, which potentially constitute a source of social conflicts and vulnerability. Poverty reduction strategies can be improved by deeper analysis and understanding of the triggers of economic growth and the relationships between growth, inequality and poverty reduction. In other words, this study examines the nature and distribution of additional wealth that derives from economic growth. It is in this context that the Bank sought to undertake case studies in some middle-income countries (MICs) in Africa, namely, Mauritius, South Africa, Morocco and Tunisia, to establish and explain the ability of poor people to participate in and benefit from economic growth. The study also examines the role of sectoral and redistributive policies in promoting equitable growth.

Objectives and Implementation Arrangements

Specifically, the study seeks to:

- describe poverty reduction strategies in African MICs, within the political, economic, and social contexts, and assess their degree of pro-poor-ness;
- understand the causes of persistent high poverty levels and inequalities;
- explore and quantify the gender dimensions of pro-poor growth, since women are recognised as the first victims of poverty; and
- draw policy recommendations for increasing growth and for reducing poverty and inequality.

The study is undertaken in collaboration with CIRPEE (Centre interuniversitaire sur le risque, les politiques, économiques et

l'emploi, University of Laval, Canada) and the national statistics offices in the countries covered – Mauritius, Morocco, South Africa, and Tunisia. Moreover, data and preliminary findings have been validated in a Bank-wide meeting at the end



of May 2009. Country-economists in Operation Departments for North Africa and Southern Africa agreed to work in close collaboration with the Development Research Department to discuss and provide field experiences.

Implementation Status

Data collection for the study has been concluded in Mauritius, Morocco, South Africa, and Tunisia. The methodology requires data on the distribution of income at the beginning and at the end of the study period, from two household surveys at five and 10 year-intervals.

In each of the countries, the analysis will consist of decomposing poverty changes between a growth component and an inequality component, and studying the sectoral, gender, and regional impact of growth. The estimation of Growth Incidence Curves (GICs), that is, the impact of growth and distributional changes on poverty, the poverty bias of growth (PBG), and poverty elasticity, will also help in drawing relevant policy recommendations for AfDB regional member countries (RMCs) and the African Development Bank towards the design and implementation of pro-poor and pro-distributional policies.

The output of this research will be a study report, an AfDB Board information note, and a book published by the institution. The findings will be disseminated in the selected four African middle-income countries (MICs) in collaboration with their respective relevant authorities. Workshops are also planned for broader dissemination, both within and outside the continent.



Preliminary Findings and Policy Implications

The analysis is in progress. It is scheduled to be concluded in December 2009. Preliminary findings underscore the im-

portance of results-oriented strategies with outcomes that can be measured and monitored in the same way as the MDGs. Poverty rates are generally higher in rural communities. Special attention should be paid to promoting and supporting rural development and employment-generation activities. Part of the strategy should involve investing in

infrastructure to connect poor households to economic opportunities, strengthening property rights of poor households, providing micro-credits, and reinforcing market institutions. In addition, for the poor to benefit from economic growth, they need support in order to take advantage of non-agricultural

and urban employment opportunities. This can be done through the improvement of the quality of investment climate, the provision of incentives for labour-intensive production, and the granting of better access to education. In this context, it is critical for countries to adopt full, productive, and decent

employment as a central objective of poverty reduction strategies. Policies to foster the participation of women in the labour force also make a significant difference in the distribution of family income. Empowered women can be some of the most effective drivers of development.



Comments and suggestions can be sent to:

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