

# Growth and poverty reduction in Africa in the last two decades

And how does Rwanda fare?

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# Outline

- *The Economist*
- Recent SSA growth experience
- Recent poverty reduction arguments
- The AERC collaborative project
- Evidence on change in monetary poverty in Africa
- Change in non-monetary poverty
- Tentative explanations
- And how does Rwanda fare?

# *The Economist* (January 2011)

- ◆ "Over the past decade the simple unweighted average of countries' growth rates was virtually identical in Africa and Asia"
- ◆ "*The Economist* finds that over the ten years to 2010, six of the world's ten fastest-growing economies were in sub-Saharan Africa"
- ◆ Great: so what about poverty reduction?

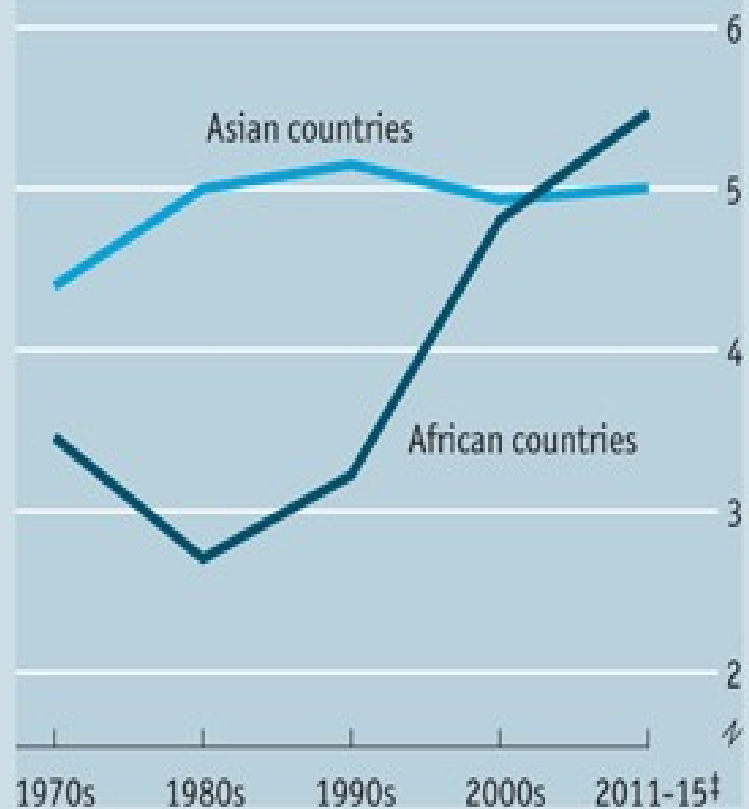
### World's ten fastest-growing economies\*

Annual average GDP growth, %

2001-2010†		2011-2015‡	
<b>Angola</b>	<b>11.1</b>	China	9.5
China	10.5	India	8.2
Myanmar	10.3	<b>Ethiopia</b>	<b>8.1</b>
<b>Nigeria</b>	<b>8.9</b>	<b>Mozambique</b>	<b>7.7</b>
<b>Ethiopia</b>	<b>8.4</b>	<b>Tanzania</b>	<b>7.2</b>
Kazakhstan	8.2	Vietnam	7.2
<b>Chad</b>	<b>7.9</b>	<b>Congo</b>	<b>7.0</b>
<b>Mozambique</b>	<b>7.9</b>	<b>Ghana</b>	<b>7.0</b>
Cambodia	7.7	<b>Zambia</b>	<b>6.9</b>
<b>Rwanda</b>	<b>7.6</b>	<b>Nigeria</b>	<b>6.8</b>

Sources: *The Economist*; IMF

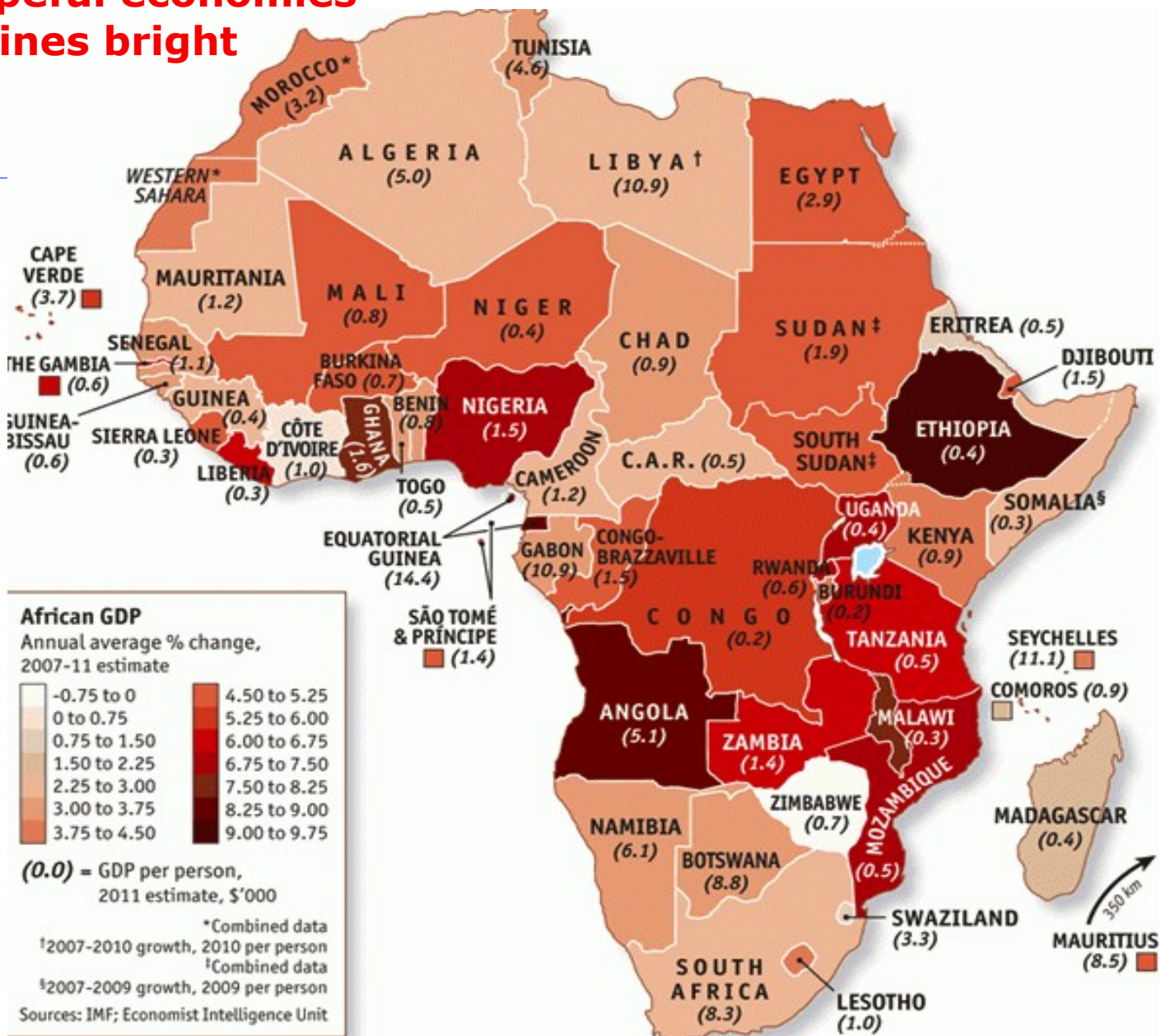
### GDP growth, unweighted annual average, %



\*Excluding countries with less than 10m population and Iraq and Afghanistan †2010 estimate ‡Forecast

# Africa's hopeful economies

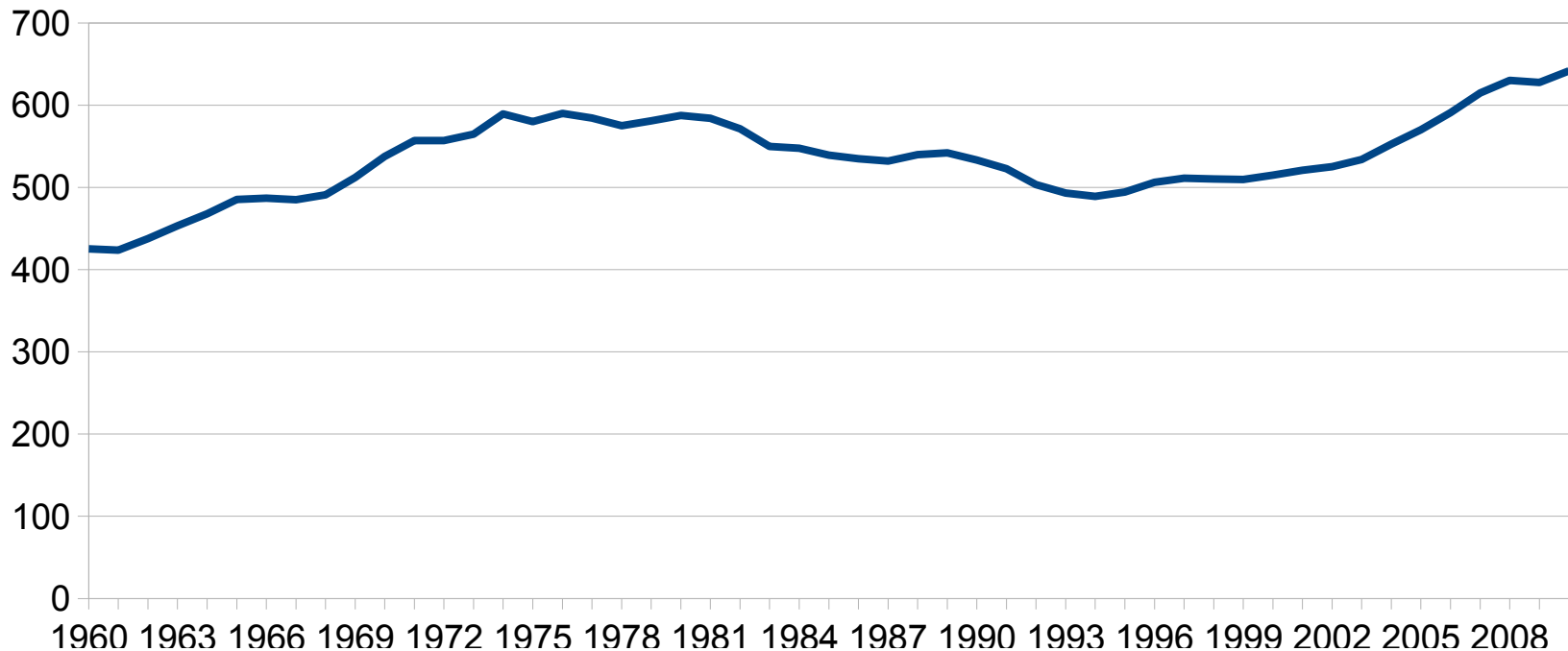
## The sun shines bright



# Recent SSA growth experience

- ◆ Substantial recovery in growth in Africa since mid 1990s (GDP increase c. 30%)

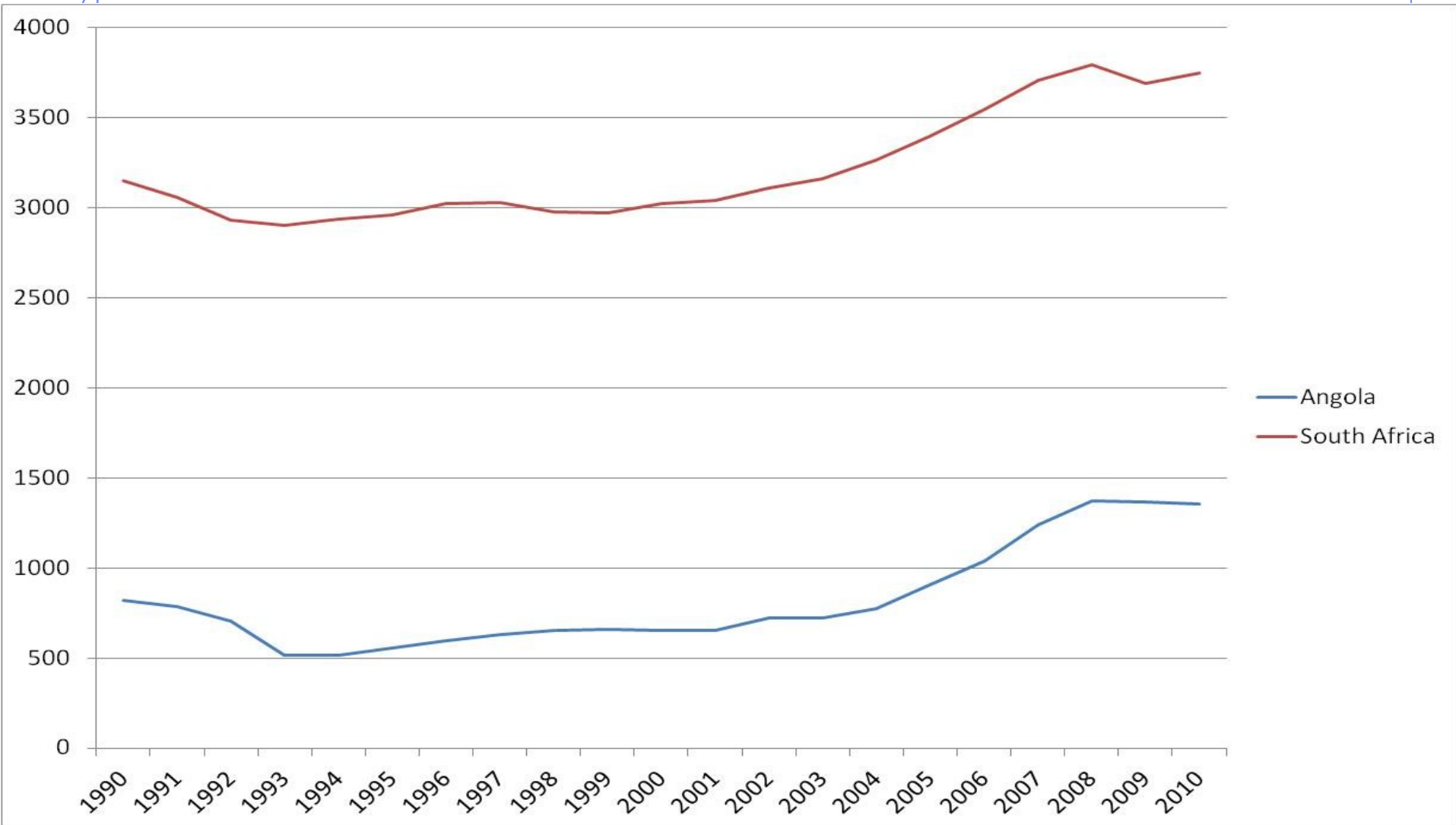
**Sub-Saharan Africa GDP, constant USD**



# Recent growth experience (2)

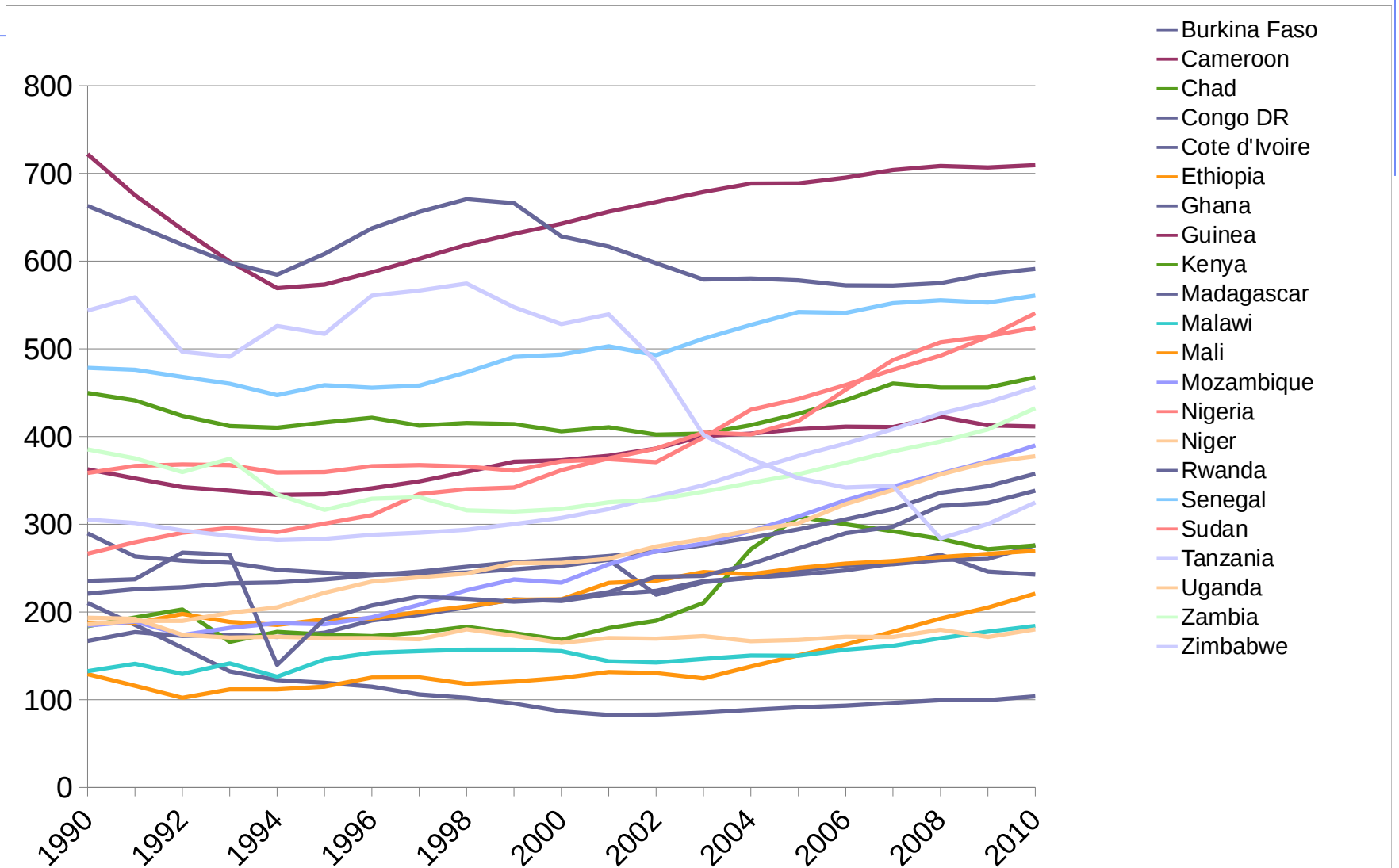
- ◆ Focus on biggest 24 SSA countries:  
91% of population
- ◆ WDI data, mostly local currency GDP
- ◆ Mixed experience
  - Some richer countries fared badly and some poorer ones quite well

# GDP in constant USD values





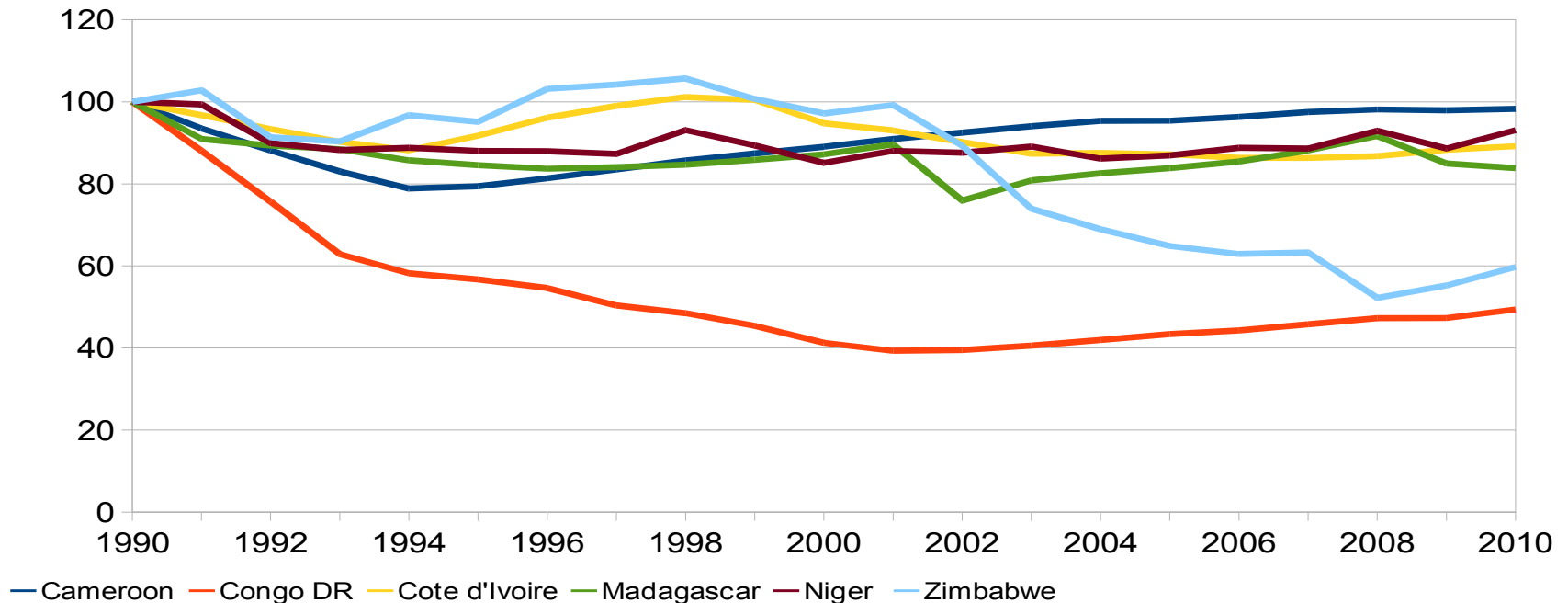
# GDP in constant USD values



# Recent growth experience (3)

◆ 6 cases GDP p.c. lower in 2010 than 1990, but only two disastrous cases

Per capita GDP since 1990: declining countries





# Recent growth experience (5)

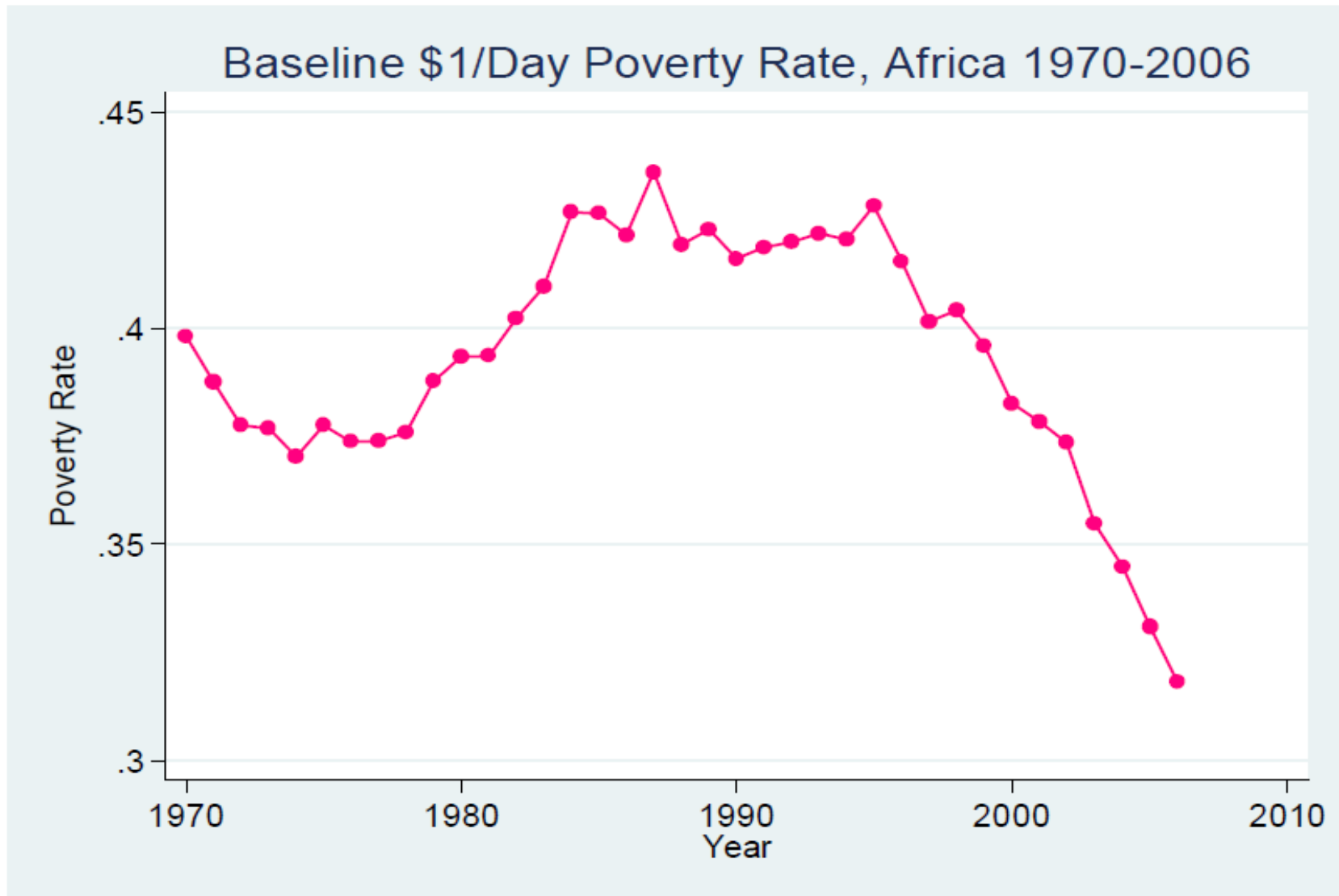
## ◆ Why growth recoveries in many cases?

- Commodities of course
- But many other factors
  - ◆ Growth in other sectors: trade, telecom, manufacturing
  - ◆ End of many conflicts
  - ◆ Greater macroeconomic stability
  - ◆ Foreign investment and other private inflows
  - ◆ Some microeconomic reforms (business environment)
  - ◆ Urbanisation
  - ◆ Fertility transitions etc.

# Recent arguments on poverty in Africa

- ◆ Sala-i-Martin and Pinhovskiy (2010) use national accounts data (GDP from PWT) to argue that “Poverty is falling in Africa ... much faster than you think” (NBER Working Paper)
  - Fast growth and falling inequality
  - But questions on reliability of underlying method

# Poverty reduction arguments (2)



# Recent arguments on poverty

(2)

- ◆ Young uses DHS data to show impressive progress in Africa
  - And argues for gross inconsistency of DHS data and PWT
  
- ◆ But what does comparable standard household survey data tell us?

# The AERC Growth-Poverty Nexus Project

- ◆ Collaborative AERC project from 2008-11
- ◆ Framework papers on specific themes: growth-poverty links, agriculture, labour markets, informality, social protection, spatial patterns, globalisation
- ◆ 13 country studies on 11 countries:
  - Benin, Burkina Faso, Cameroon (2), Chad, Ethiopia, Ghana, Guinea, Kenya, Malawi, Nigeria (2), Senegal



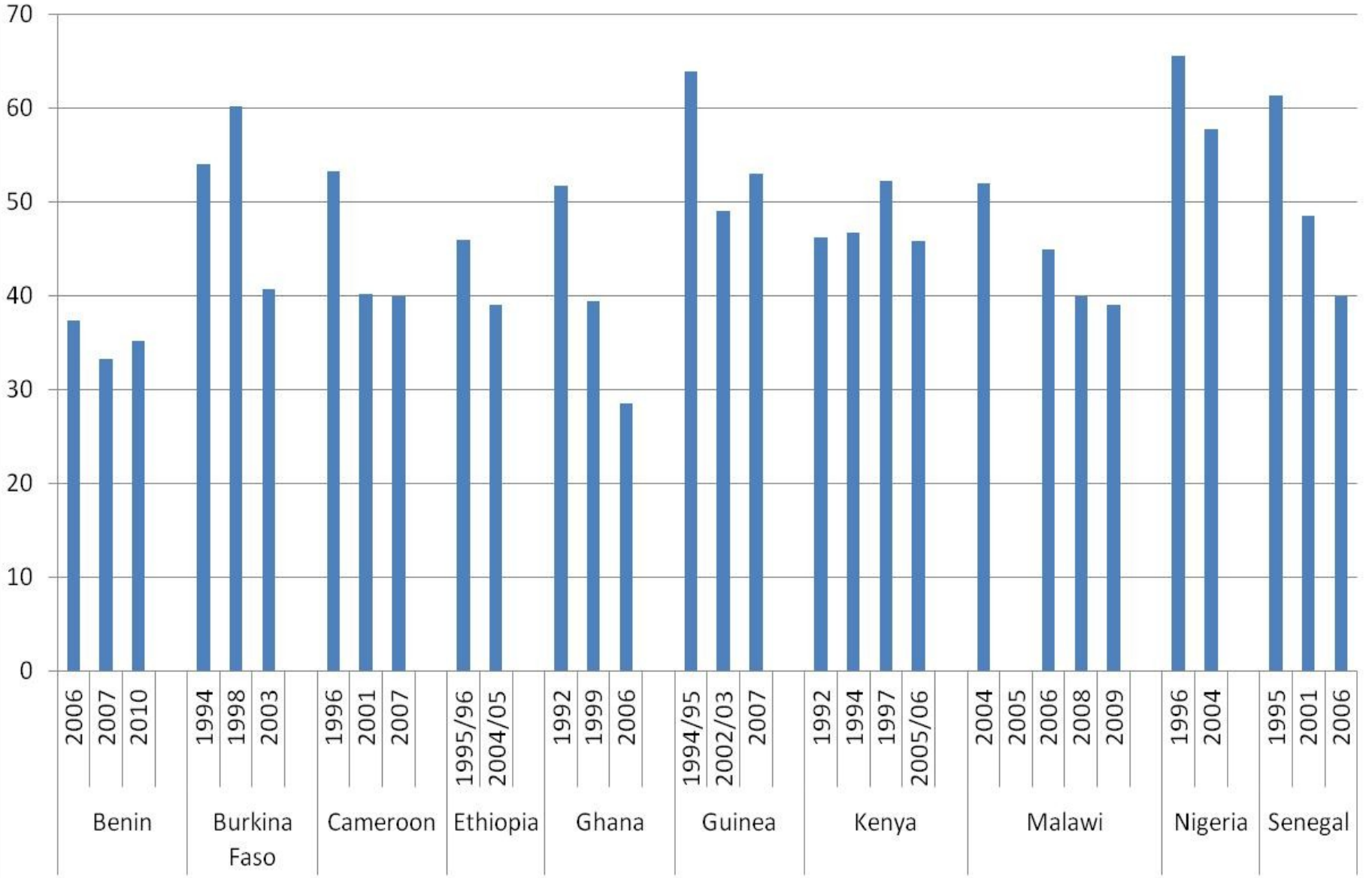
# AERC project (2)

- ◆ Final workshop May 2011, finalised papers summer 2011
- ◆ Country studies generally focused on one theme
- ◆ Required focus on consistent poverty data sets and measures
- ◆ National poverty lines, not dollar a day

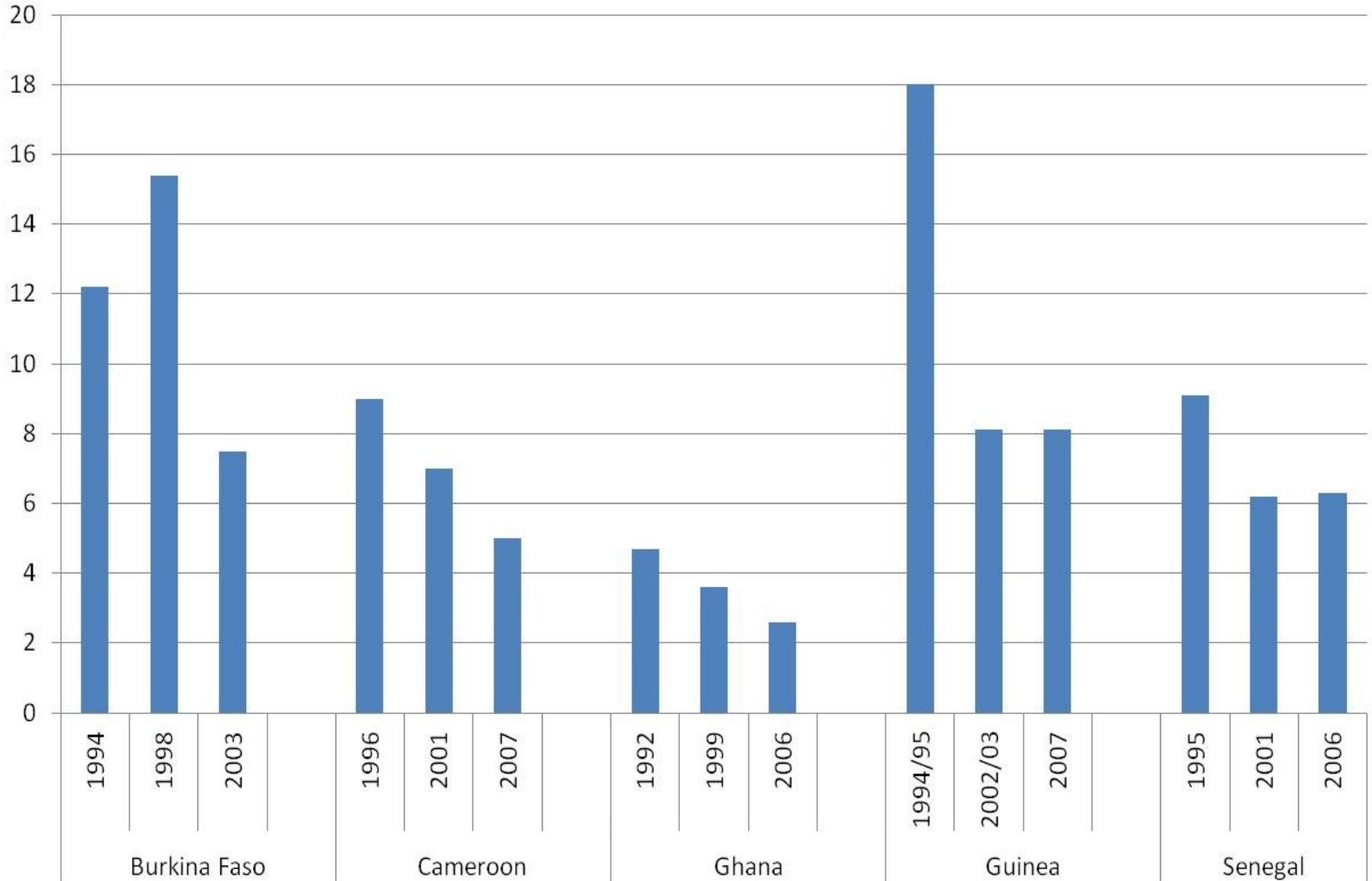
# Evidence on change in monetary poverty

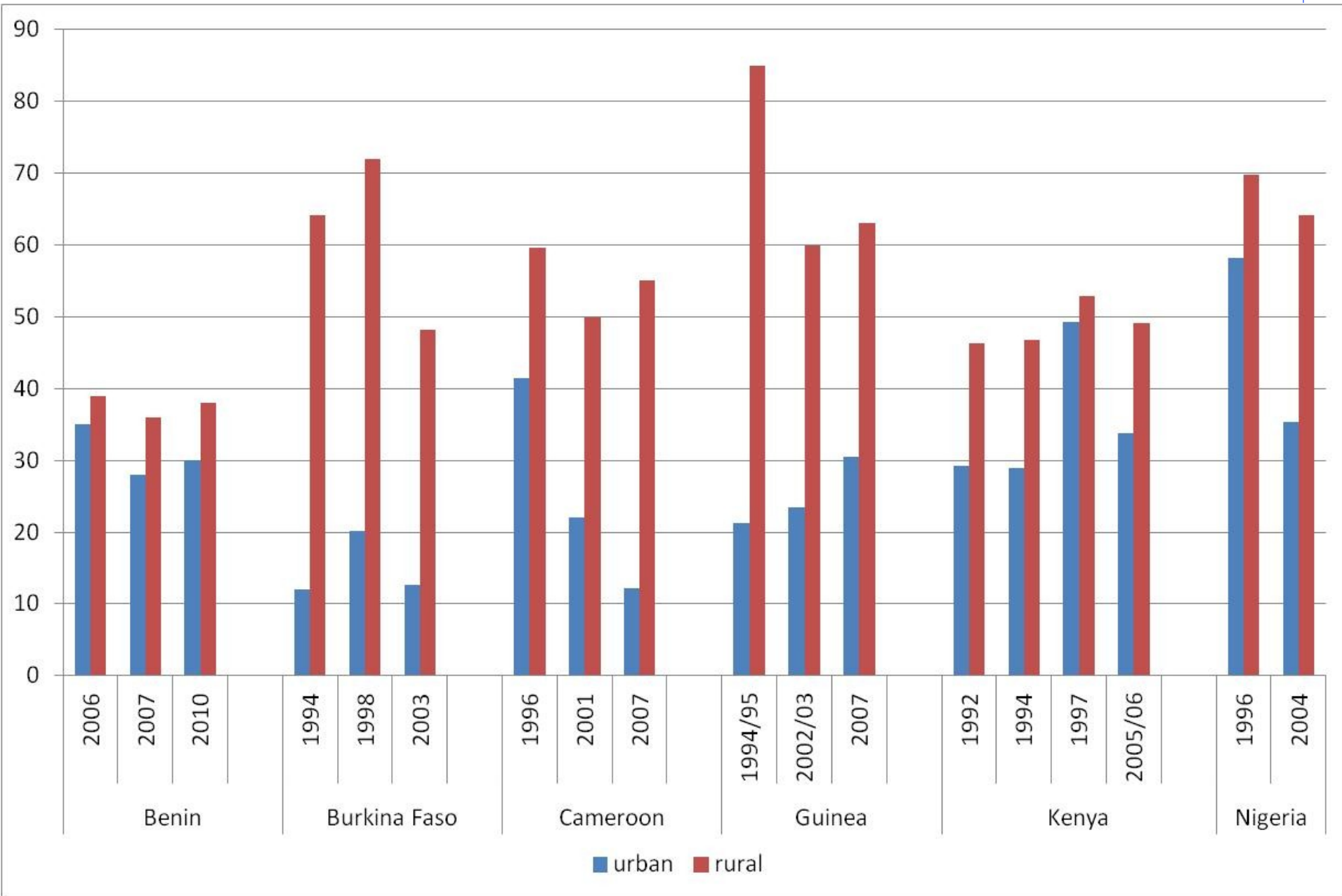
- ◆ Seek to synthesise some results from AERC project
  - Monetary data for 10 countries: poverty falls in all, not always monotonic
    - ◆ Big falls in Ghana and Senegal
  - Where we have severity, that falls (esp. Guinea)
  - Where we can disaggregate U-R, rural poverty falls, urban poverty often rises
  - Where we have inequality, it falls in most cases

### Incidence of national poverty, selected years

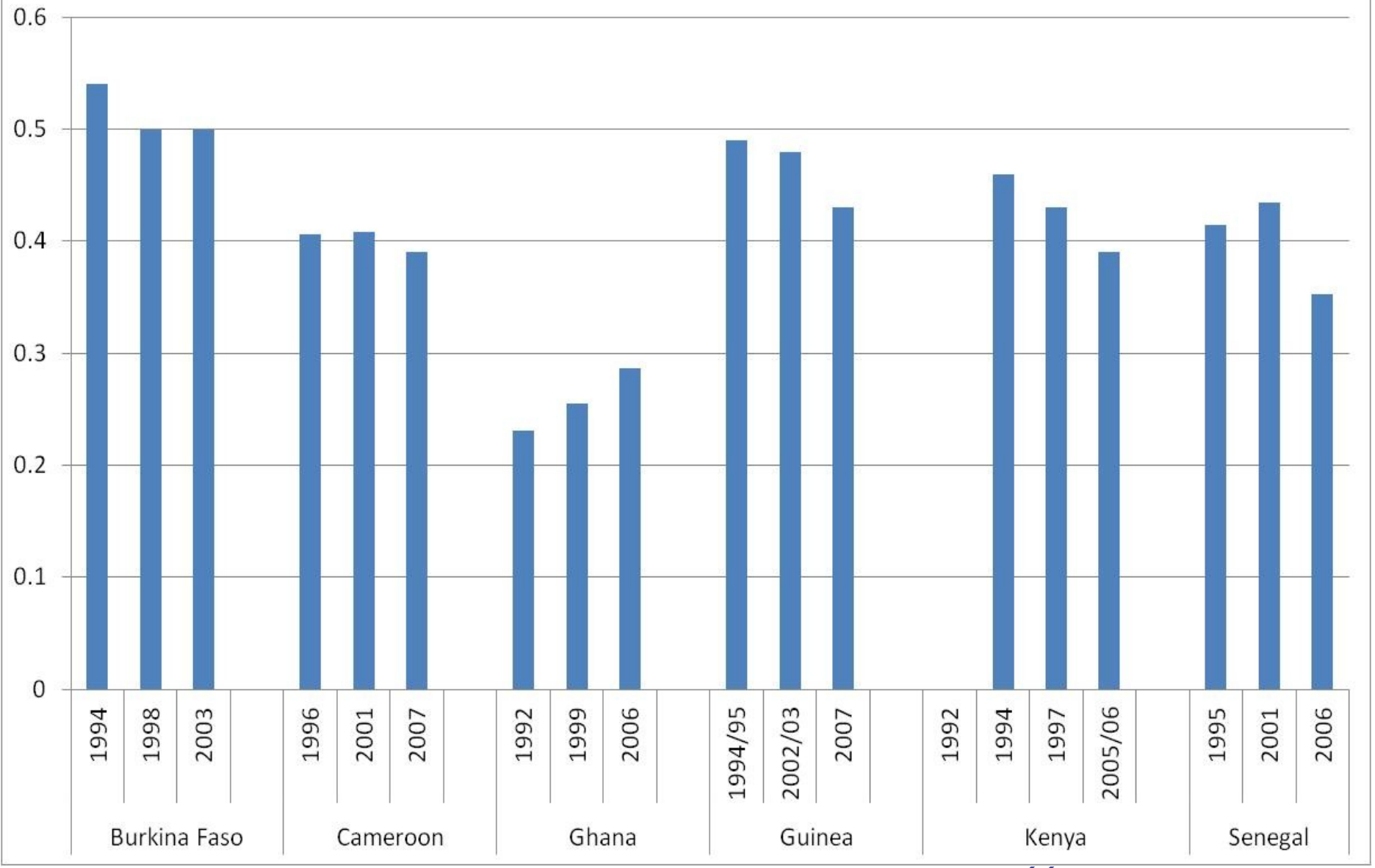


### Severity of poverty in selected countries





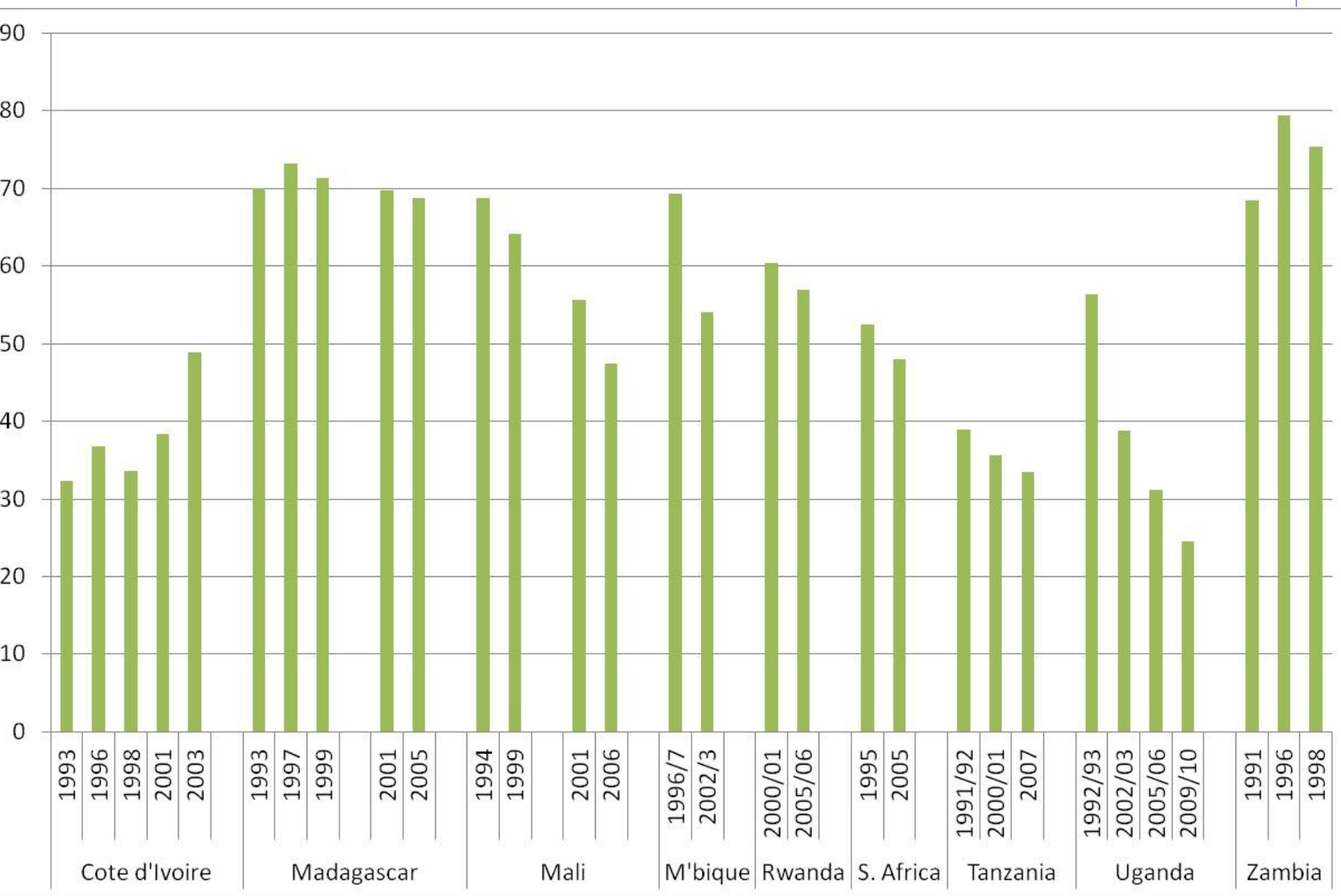
### Inequality in selected countries (Gini coefficient, except Ghana: GE1 measure)



# Change in monetary poverty

## (2)

- ◆ Can broaden story to look at poverty trends in 9 more of top 24
  - Comparable Data on 18/24; 71% of SSA population
- ◆ Monetary poverty falls in most cases, except Côte d'Ivoire, and Zambia over 1990s
  - Large magnitudes also in Mozambique and Uganda over these periods, but small elsewhere

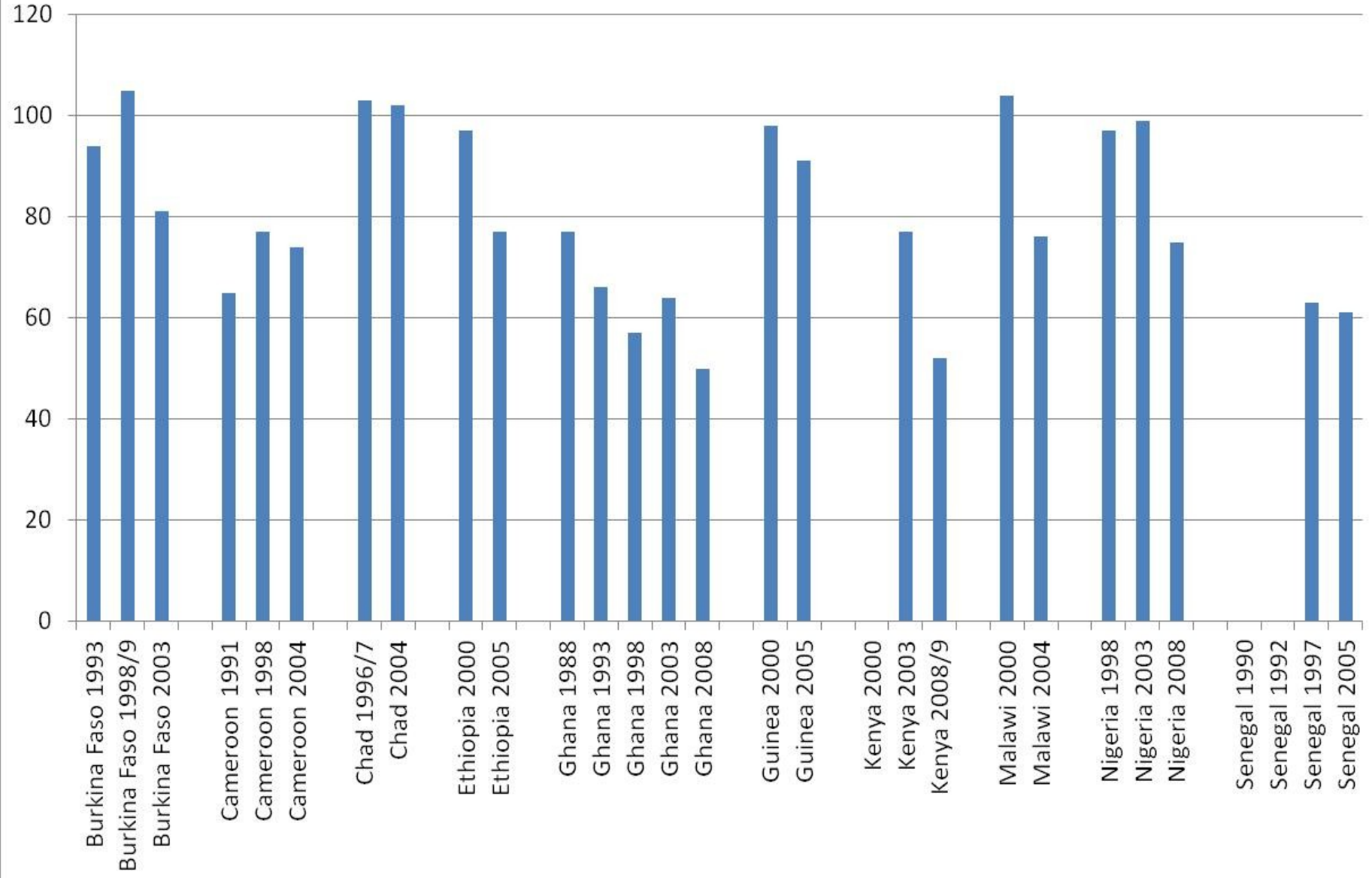




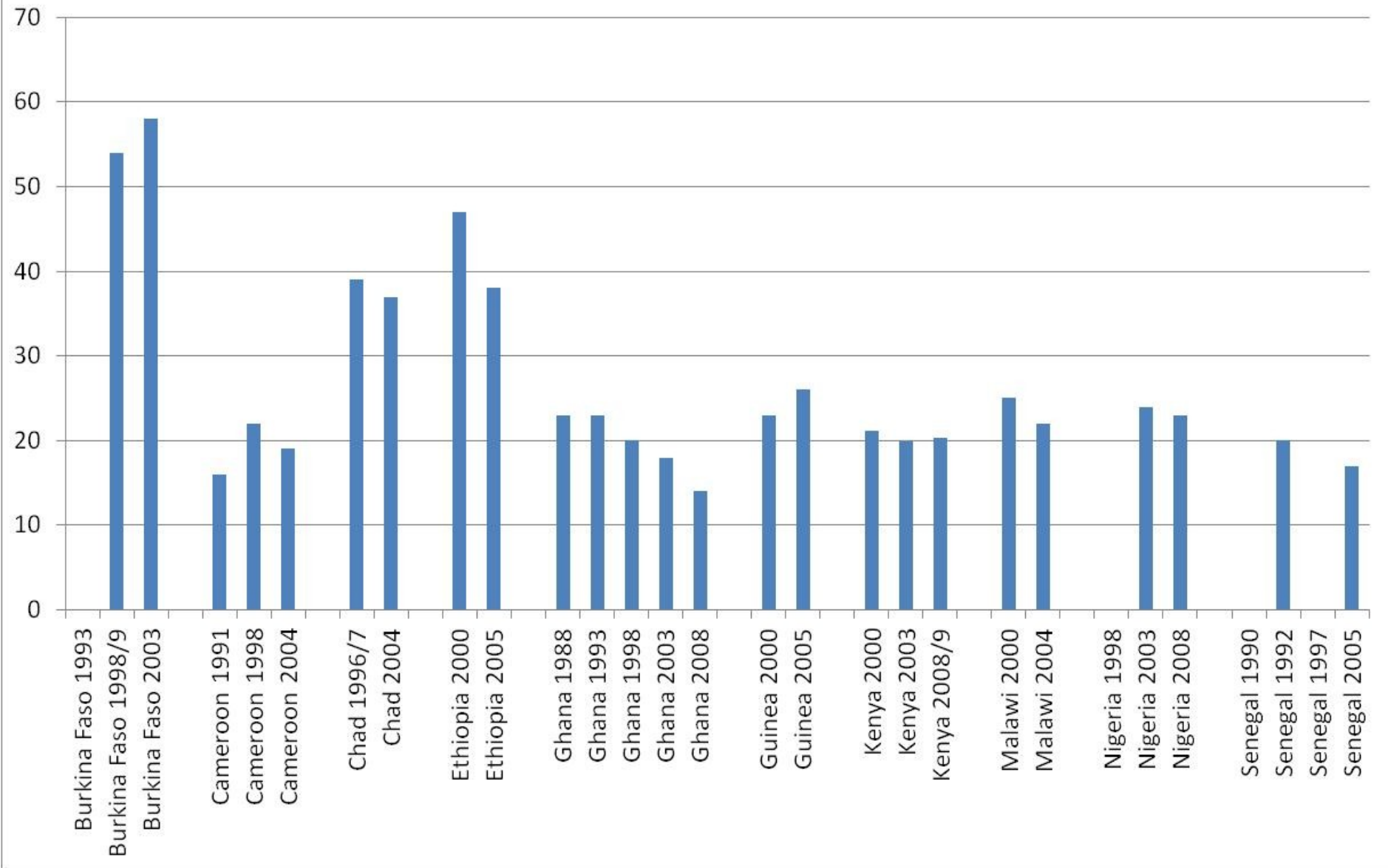
# Changes in non-monetary poverty

- ◆ Focusing first on AERC project countries
  - where examined, non-income poverty usually falling: Benin, Cameroon, Chad, Ghana, Guinea, Nigeria
  - Education improves a lot almost everywhere
  - DHS data shows improvements in some indicators
    - Infant mortality
    - Not always malnutrition

### Infant mortality: selected years



### Incidence of underweight, selected years

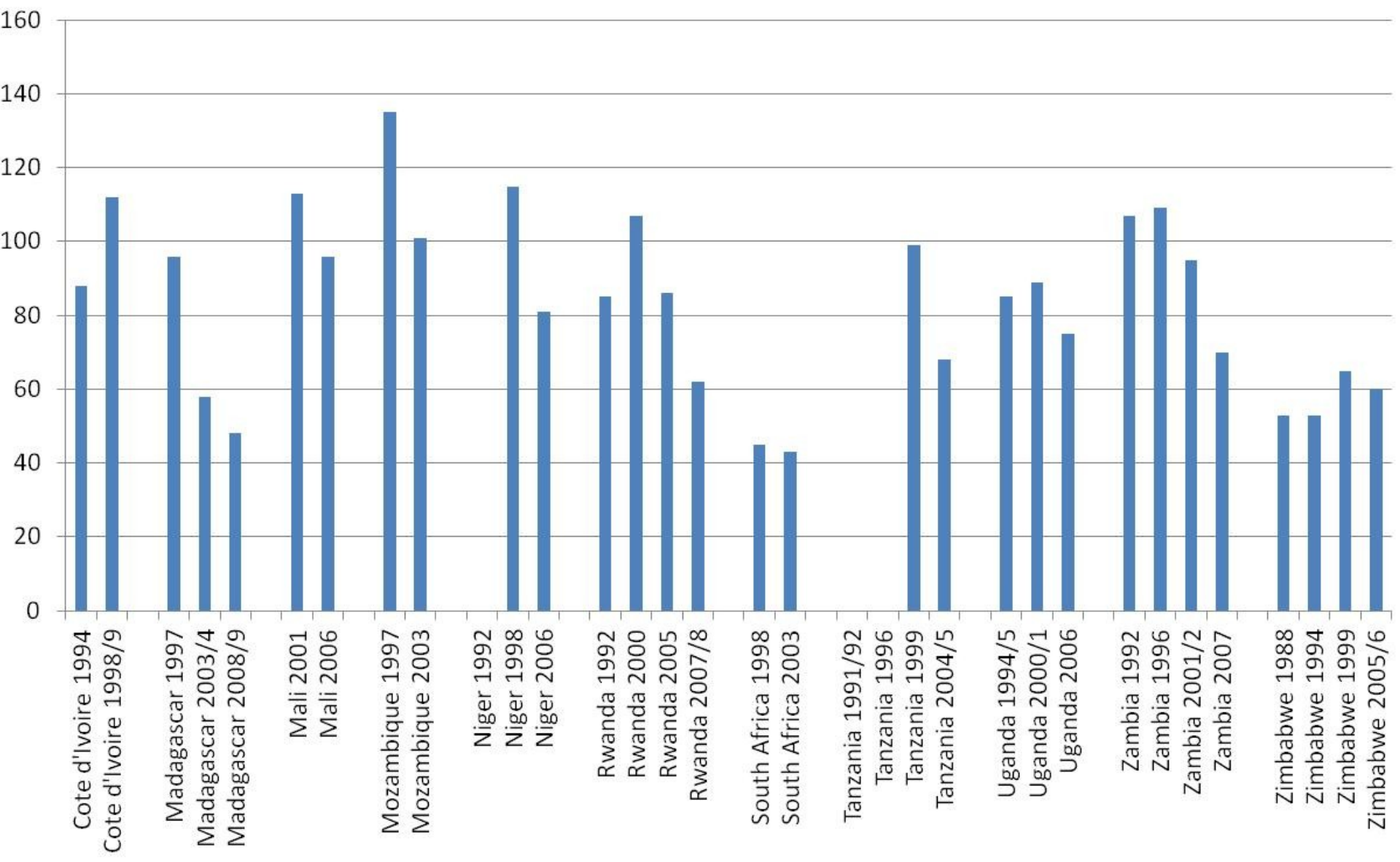


# Changes in non-monetary poverty (2)

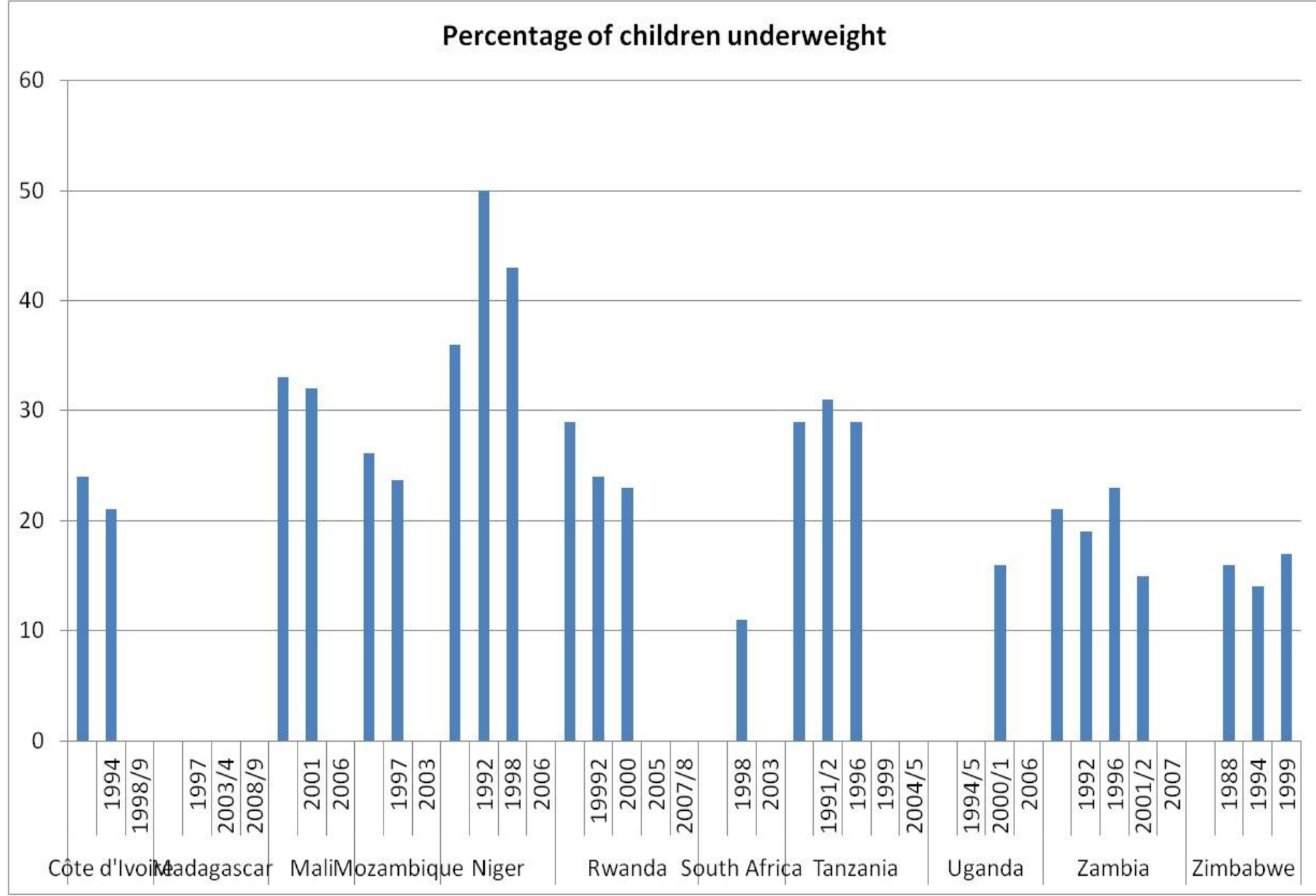
Extending to other countries of top 24

- Mortality rises in Côte d'Ivoire and Zimbabwe, falls elsewhere, often by large magnitudes (e.g. Madagascar, Rwanda, Tanzania)
- Malnutrition modestly falls in recent years most places, but not Zimbabwe

### Infant mortality in other SSA countries



### Percentage of children underweight



# Summary of poverty evidence

## ◆ In summary in relation to monetary poverty:

- Substantial reductions in Ghana, Uganda, Senegal, Mozambique?
- Reasonable falls in Burkina Faso, Cameroon, Ethiopia, Guinea, Malawi, Mali, Nigeria
- Modest falls: Rwanda, S. Africa, Tanzania
- Little change: Madagascar
- But increases in Côte d'Ivoire, Kenya, Zambia

# Summary of poverty evidence (2)

- ◆ Monetary poverty does seem to be falling, but usually not at rates suggested by SiM&P
  - And it is not falling a lot everywhere
- ◆ DHS story is positive but not unambiguously so
- ◆ Evidence of significant progress, but not to extent of SiM&P – and this is much better data



# Explanations for poverty reduction (AERC project)

◆ Different country studies took different focus and have different explanations

- Labour: Cameroon1, Ethiopia
- Agriculture: Burkina Faso, Malawi
- Spatial: Cameroon2, Ghana
- Institutions: Kenya
- Public spending: Chad
- Resources: Guinea
- Migration: Senegal
- Non-income outcomes: Nigeria1
- General: Benin, Nigeria2

# Explanations (2)

- ◆ Beneficial impact of innovative agricultural policies where studied (input subsidies, new seeds), but not reaching the poorest (Burkina, Malawi)
- ◆ Evidence of widening spatial inequality in some cases (Cameroon, Ghana)
  - But timescale?
- ◆ Significant poverty reduction among formal sector wage earners (Cameroon, Ethiopia)

# Explanations (3)

- ◆ Institutions help explain differential district performance (Kenya)
- ◆ Migration can be important (Senegal)
- ◆ Public spending often not very effective instrument of poverty reduction in resource rich economies (Chad, Nigeria)

# The omitted countries

- ◆ Monetary poverty: Angola, Chad, DR Congo, Niger, Sudan, Zimbabwe
- ◆ Non-monetary poverty: Angola, DR Congo, Sudan
  
- ◆ Expected to be less positive stories in most cases (20.1% of population in former case, 15.0% in latter)
  - Qualifies SiM&P story more

# Explanations: the role of growth

- ◆ Associations between good growth performance and poverty reduction (and their opposites)

- More effective where inequality fell e.g. Senegal

- ◆ In lower growth cases falling inequality has contributed to poverty reduction

- But rising inequality limited poverty reduction in Rwanda, S. Africa, Uganda

- ◆ Non-income outcomes less strongly associated with growth

# Role of growth (2)

- ◆ Other factors are likely to matter for non-monetary outcomes:
  - Effectiveness of public spending and service delivery
  - External aid (similar issues)
- ◆ Non-monetary improvements likely to be good for future growth and monetary poverty reduction

# Poverty changes

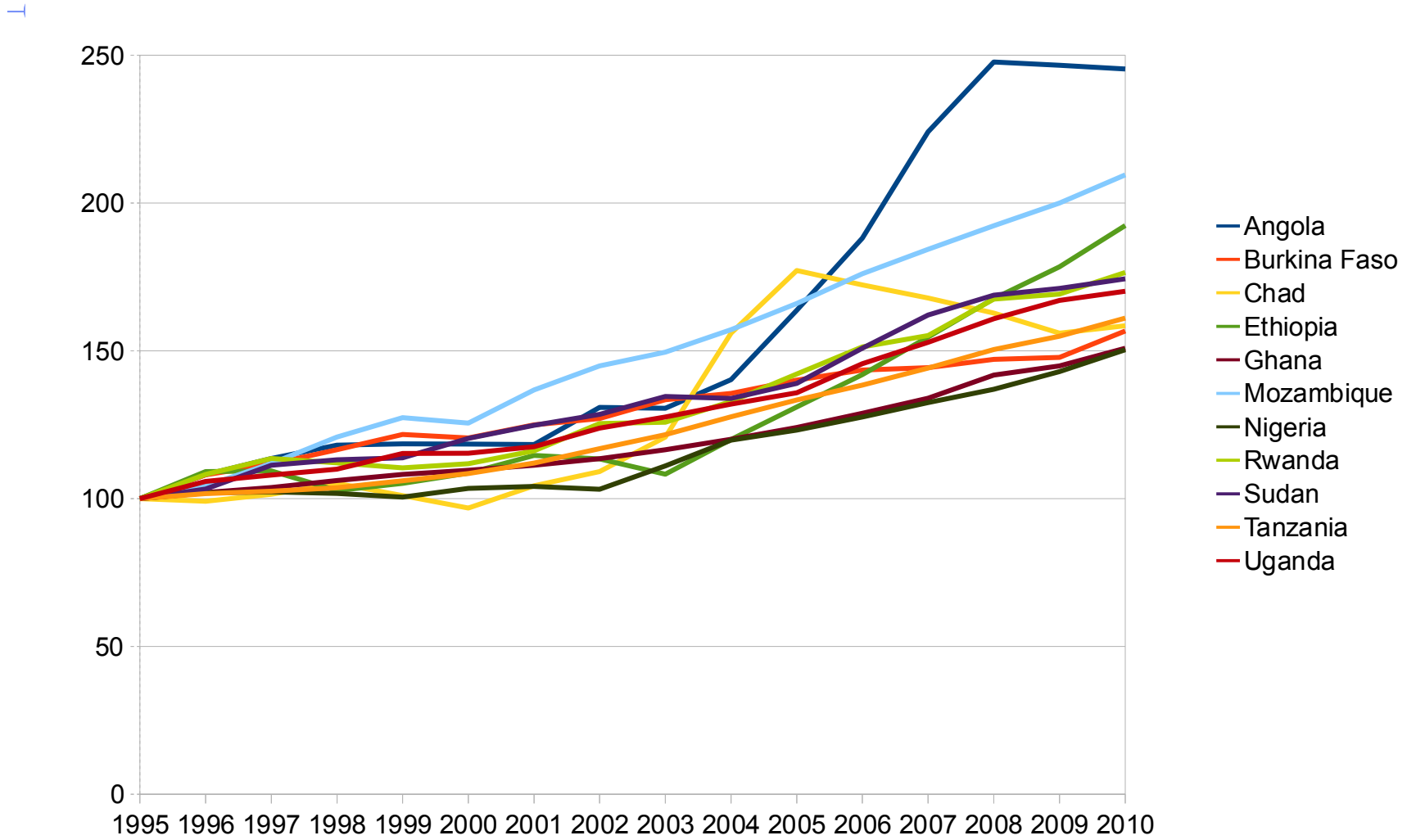
- ◆ Growth has been important, especially in relation to monetary poverty
- ◆ So has been the ending of conflict or its continuing presence
- ◆ Inequality has not systematically increased
- ◆ Non-monetary outcomes often differ from monetary ones
- ◆ Omitted countries likely less positive

# So how does Rwanda fare?

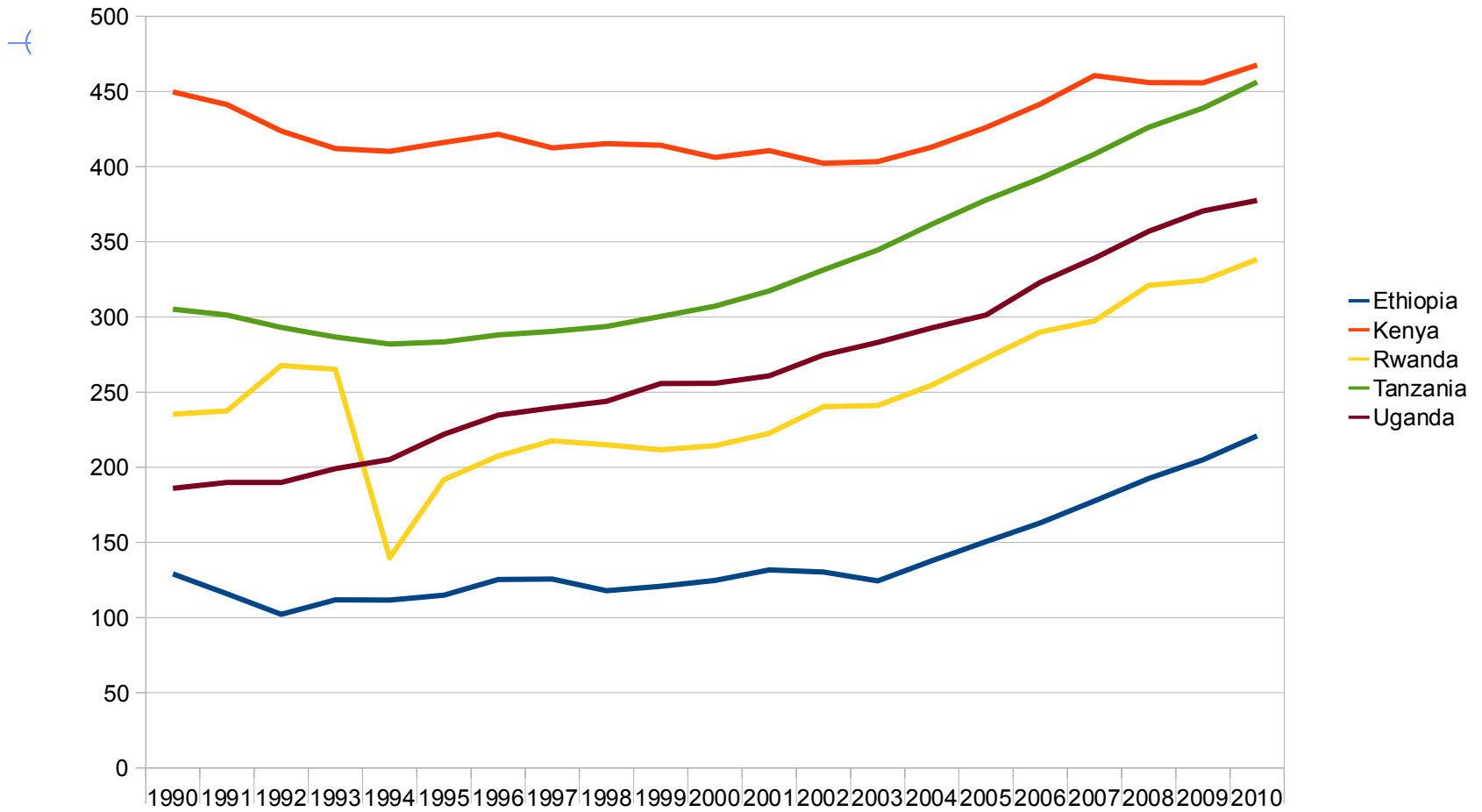
- ◆ Rwanda among countries that have raised its GDP by 50% between 1995 and 2010
- ◆ Rwanda relatively poor in East Africa, but quite good growth performance
- ◆ Monetary poverty fell modestly between 200/01 and 2005/06 despite growth
  - Increase in inequality
  - Increase in food prices cf. non-food
  - Disappointing agric performance



Constant price GDP in LCU, 1995=100

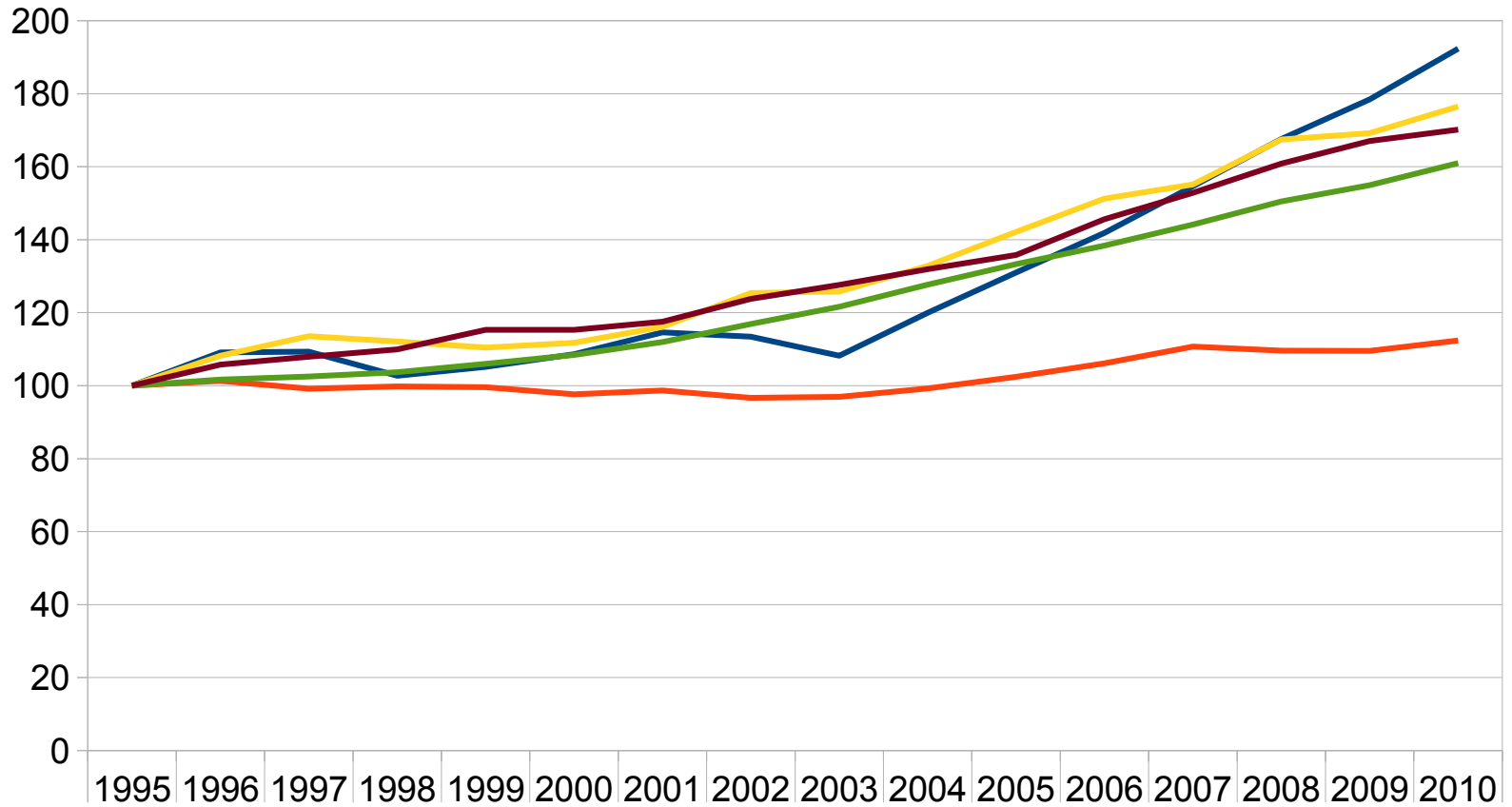


US Dollar GDP, constant 2000 prices



### GDP in constant prices, 1995=100

Local currency units

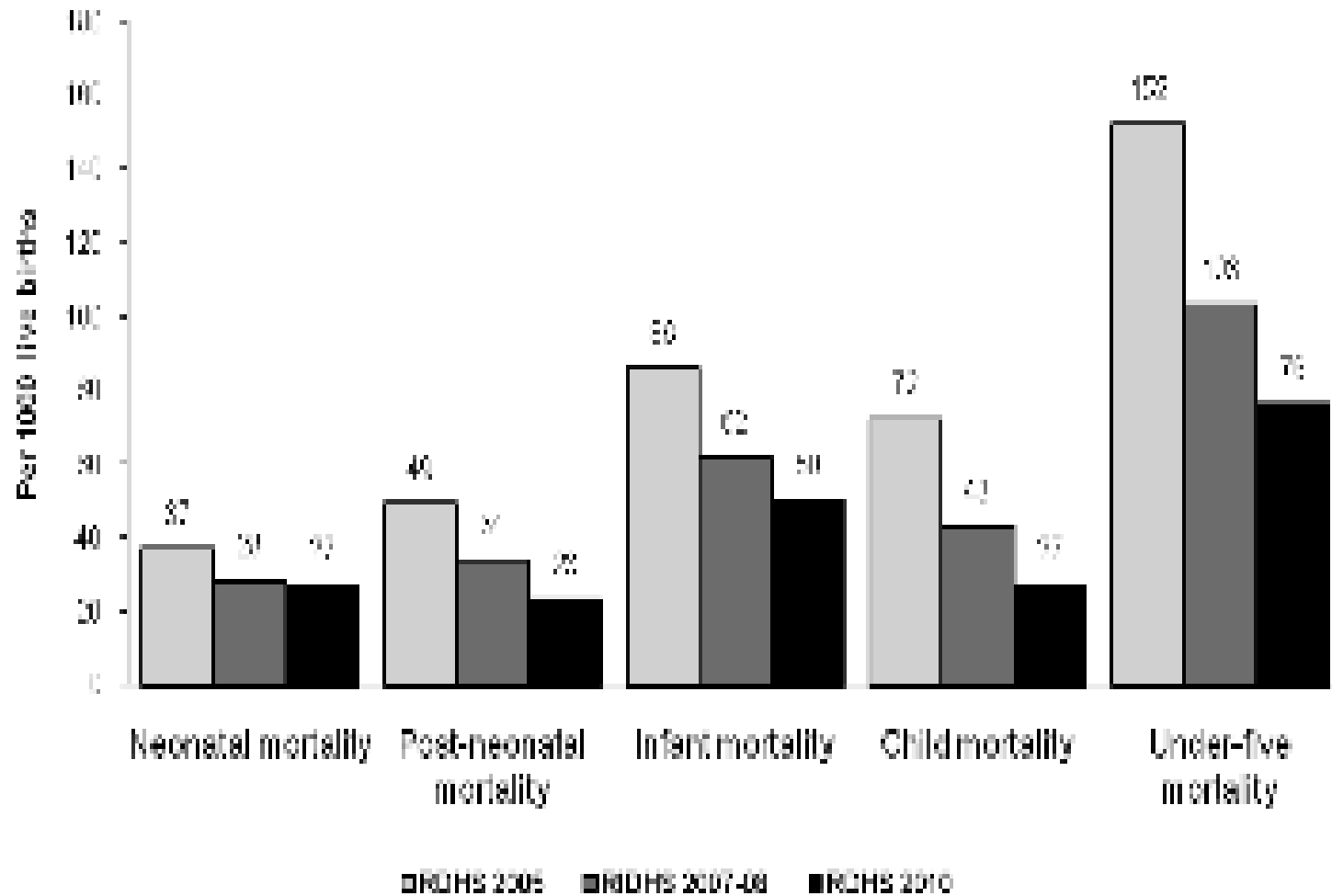


— Ethiopia — Kenya — Rwanda — Tanzania — Uganda

# So how does Rwanda fare? (2)

- ◆ But more impressive performance in non-monetary indicators
  - Big expansion of education, even if quality may still be an issue
  - Impressive reductions in infant and child mortality: better progress than some neighbouring countries
  - Also reasonable progress in malnutrition

**Figure 4. Trend in childhood mortality rates, RDHS 2005, RIDHS 2007-08, and RDHS 2010**



# Rwanda health outcomes

	infant mortality	stunting	stunting	underweight	underweight
1992	85	48		29	
2000	107	43		24	
2005	86	45	51	23	18
2007/08	62				
2010	50		44		11

# Rwanda mortality compared to elsewhere in East Africa

	infant mortality		
—	2000	2005	2010
Ethiopia	97	77	
Kenya			52
Rwanda	107	86	50
Tanzania	99	68	
Uganda	89	75	

# So how does Rwanda fare? (3)

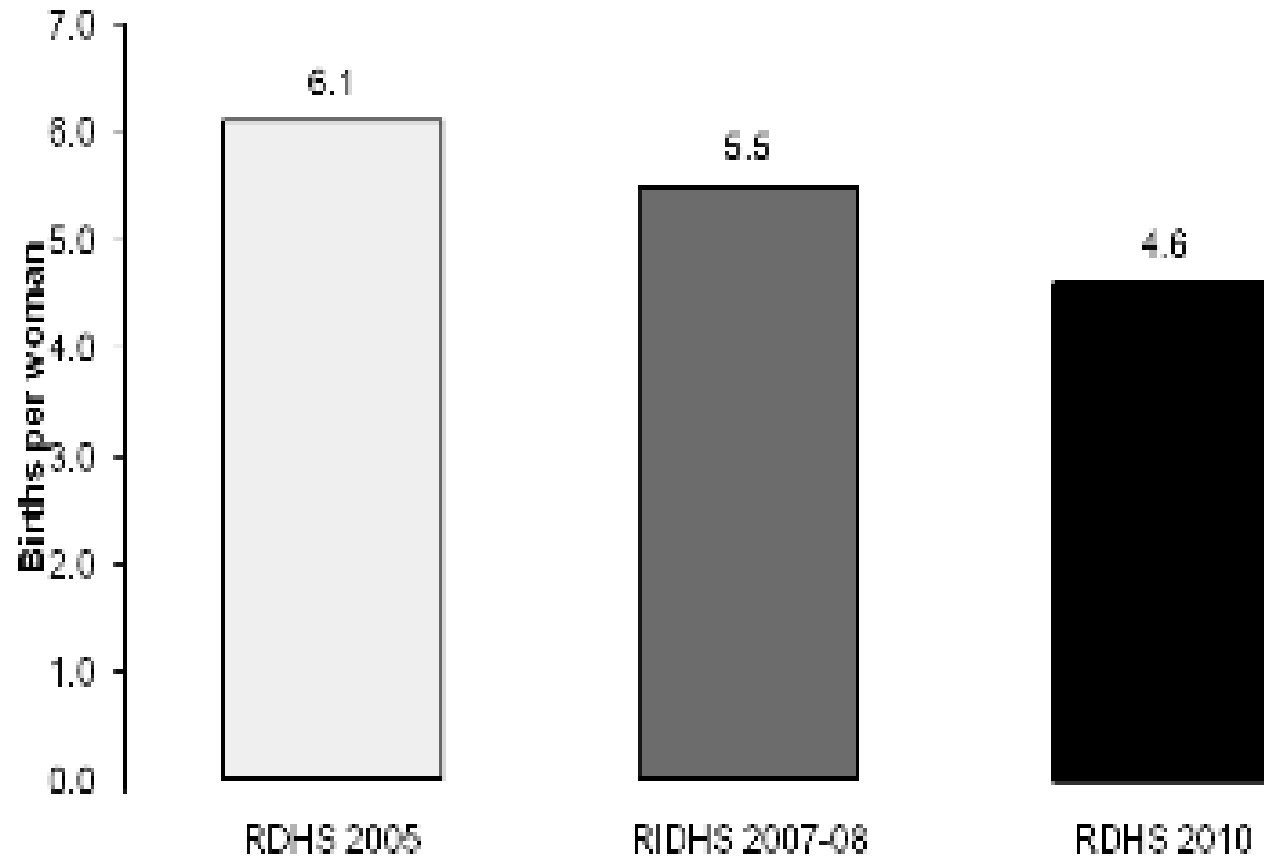
- ◆ Impressive and rapid reductions in fertility
  - ◆ Improved health care practices
-



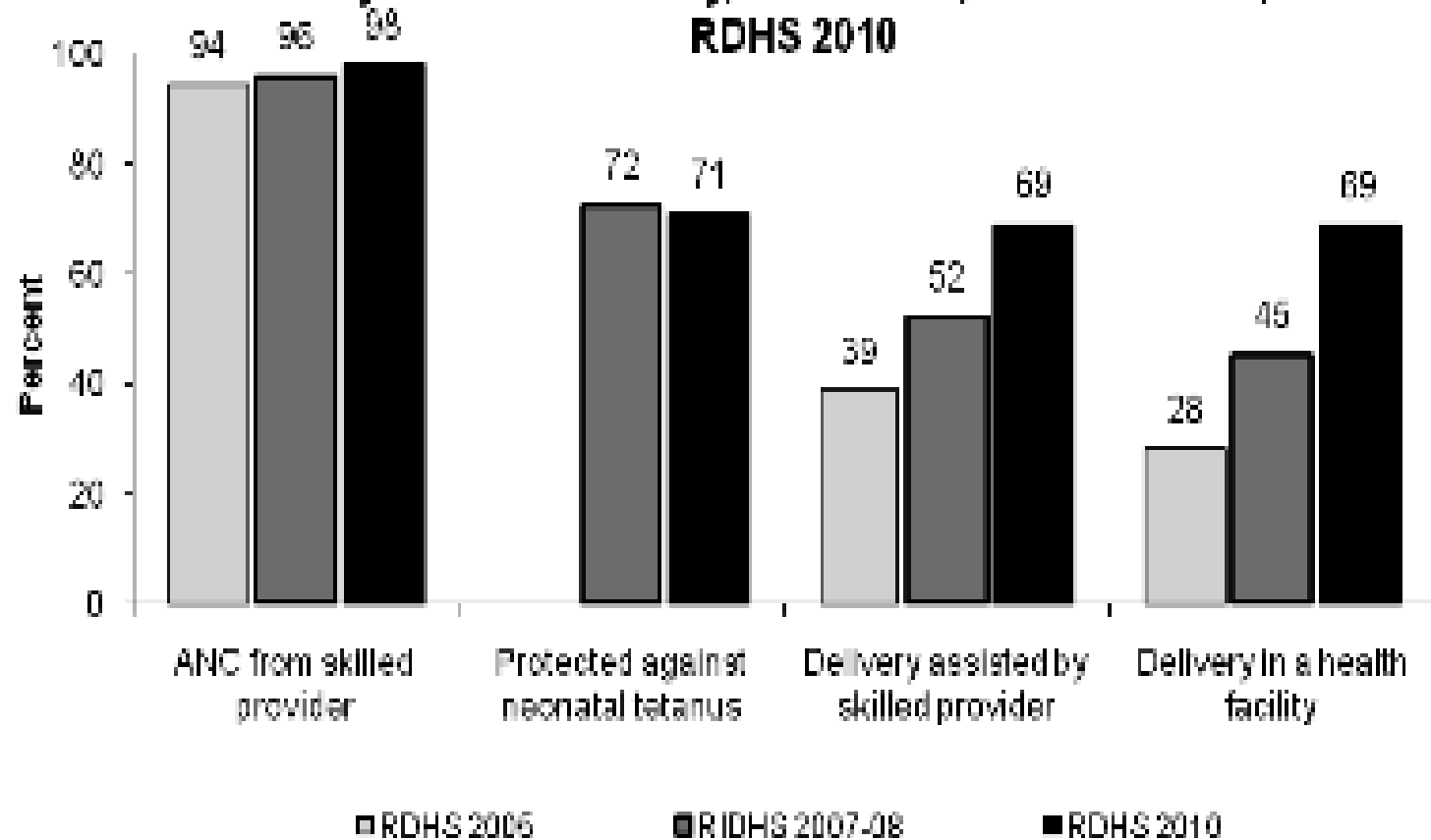
# So how does Rwanda fare? (3)

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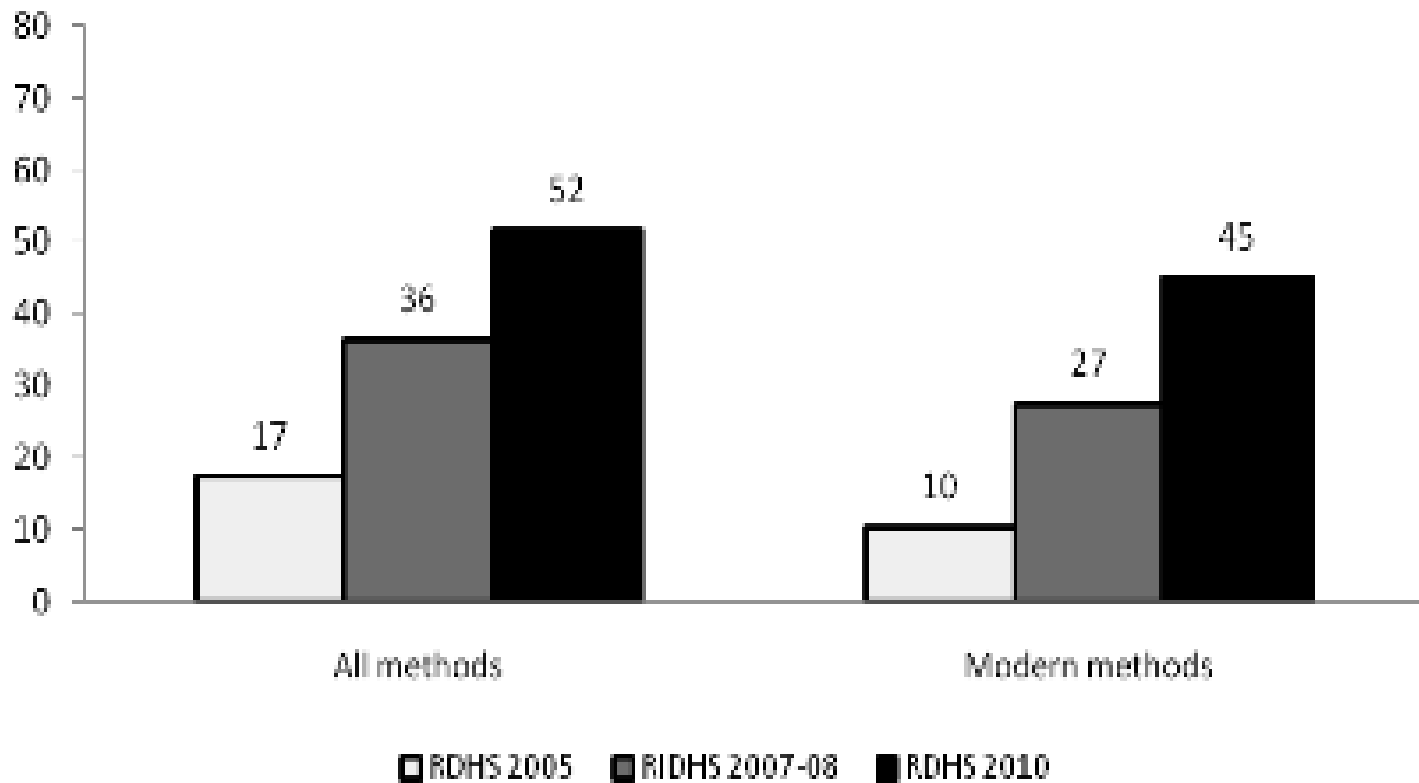
**Figure 2. Total fertility rates, RDHS 2005, RIDHS 2007-08, and RDHS 2010**



**Figure 5. Antenatal care by skilled provider, protected against neonatal tetanus, delivery assisted by skilled provider, and delivery in a health facility, RDHS 2005, RIDHS 2007-08, and RDHS 2010**



**Figure 3. Contraceptive prevalence among women currently in union age 15-49, RDHS 2005, RIDHS 2007-08, and RDHS 2010**



# In summary

- ◆ Impressive growth recovery in SSA
- ◆ Progress on poverty reduction (monetary and non-monetary) across most countries
- ◆ But some faster than others: what can we learn from successes?
- ◆ In Rwanda impressive progress in education and health, esp. last 5 years
- ◆ Awaiting results on monetary poverty ...

# In summary (2)

- ◆ There is substantial opportunity for Rwandans to work on these questions
  - Good quality data and accessible
- ◆ Opportunities for greater Rwandan participation in AERC and similar networks
- ◆ At times helpful to have regional and continent wide perspective



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