



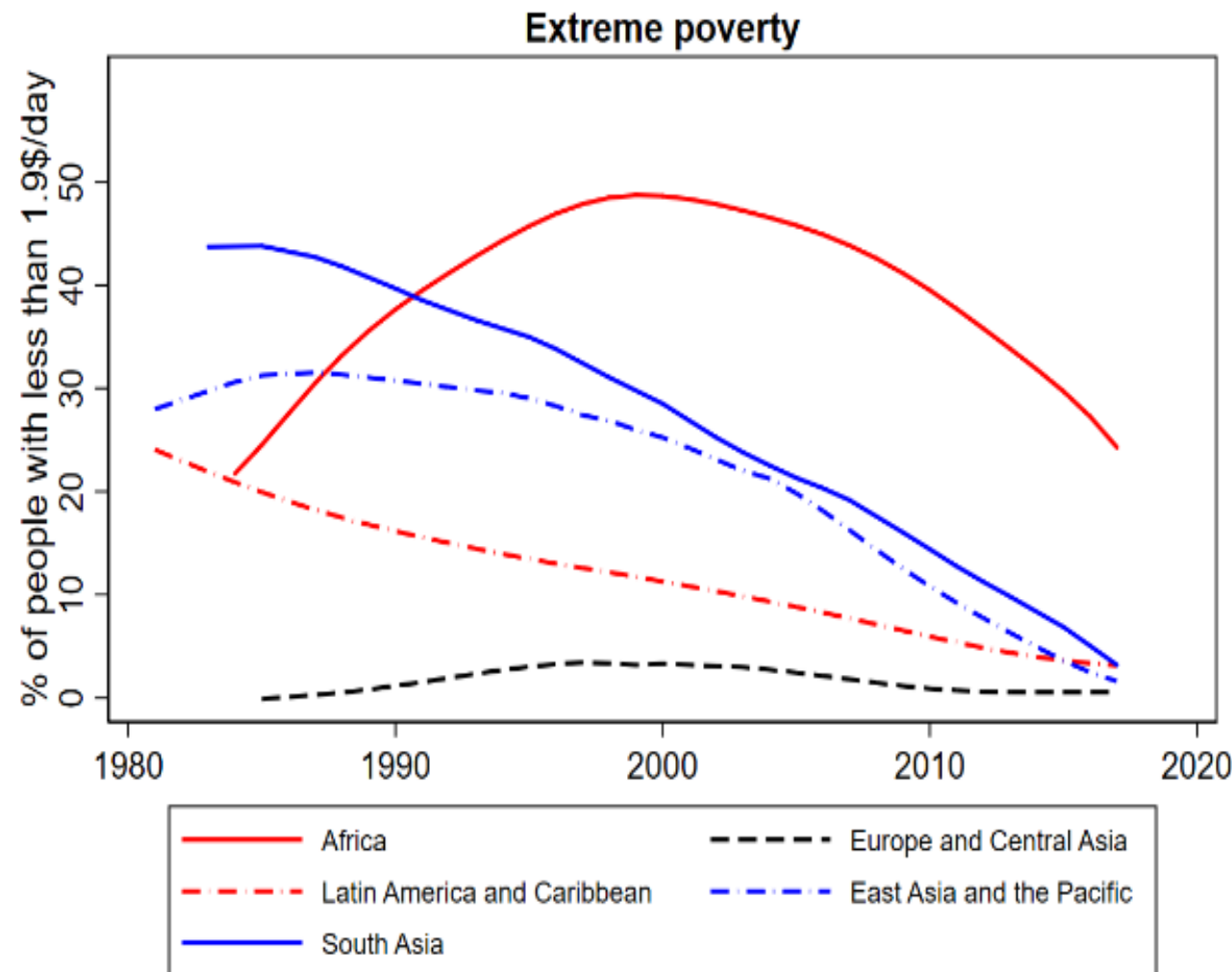
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**Reexamining the Growth, Poverty and Inequality
Relationships in Africa (GPIR) collaborative project:
Special Session of AERC at UNU-WIDER Conference
(Parallel 1.4)**

**Finn Tarp on behalf of
Njuguna Ndung'u
Executive Director of AERC
5-7 October 2022
Bogota, Colombia**

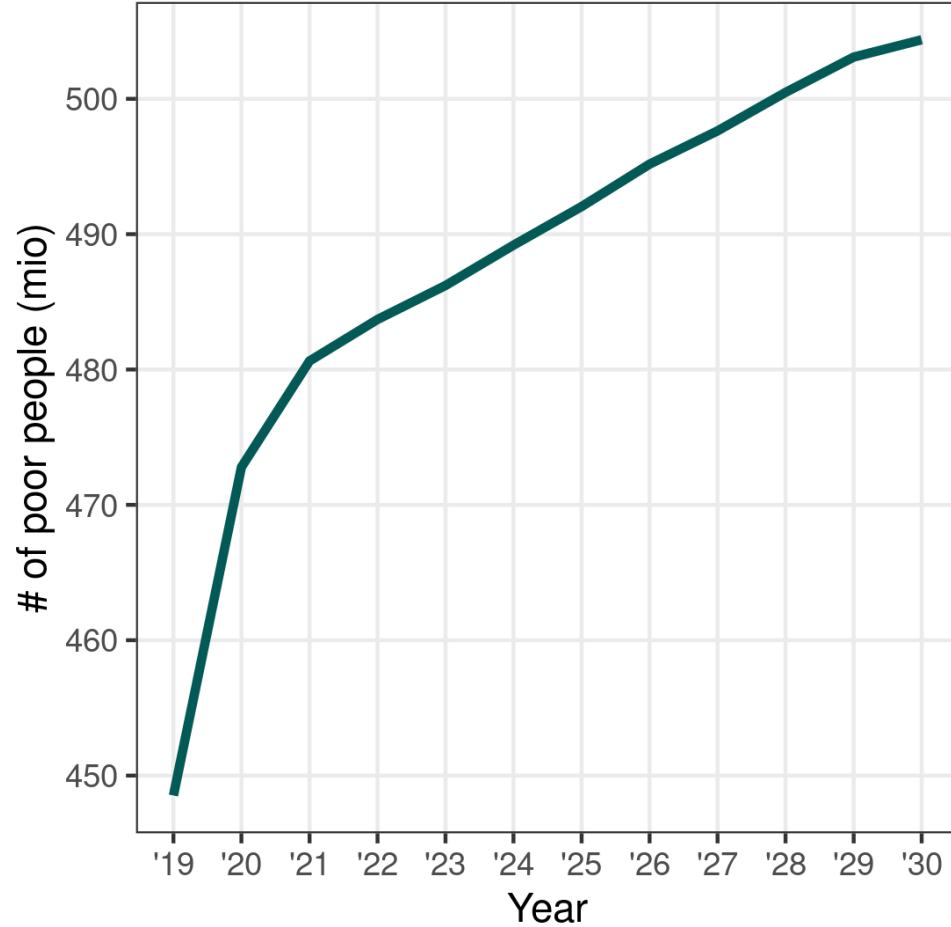
About the GPIR collaborative project

- The GPIR project, funded by NORAD is a sequel to one of the most successful collaborative projects AERC undertook in the late 1990s and early 2000: “Poverty, Income Distribution, and Labor Market Issues in Africa”. This project for example influenced the design of Poverty Reduction Strategy Papers that were adopted across Africa.
- Many important issues remained unresolved. Over the last two decades, poverty declined in Africa but not at a pace to have deep impacts. The number of the poor increased (Figure 1)

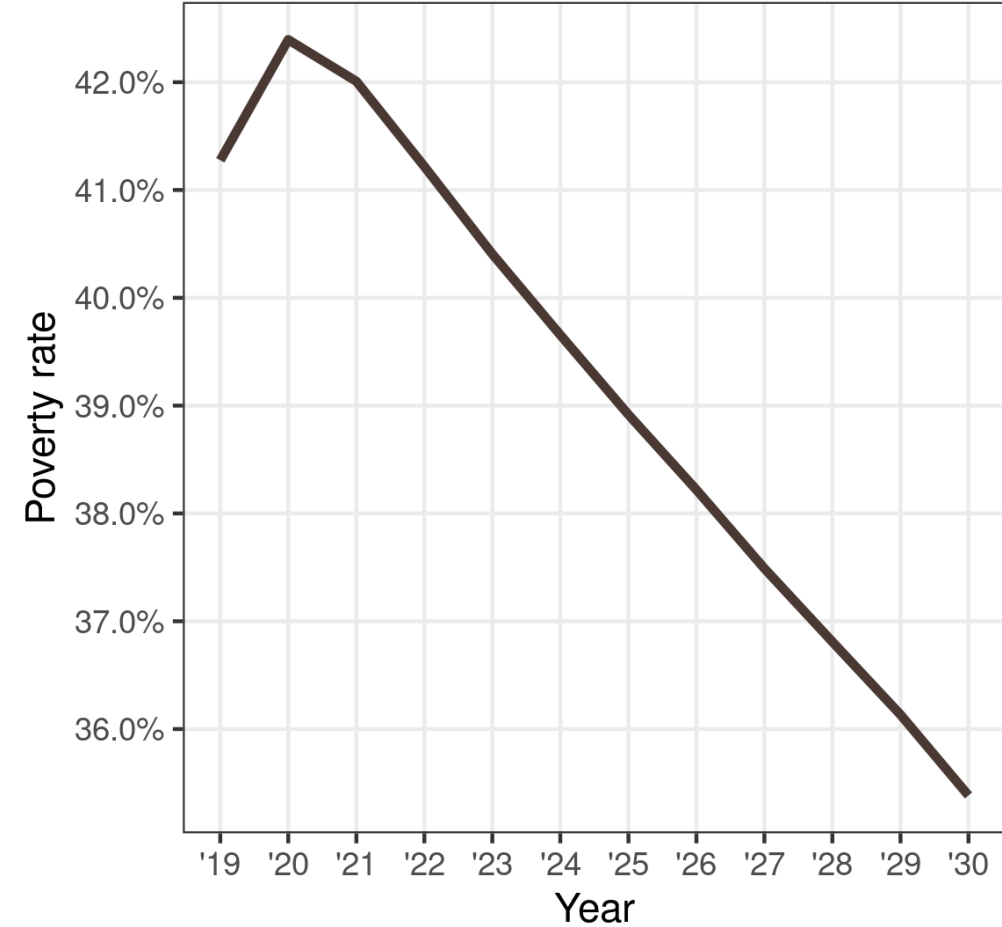


POVERTY: rate falling but absolute number growing in SSA

A



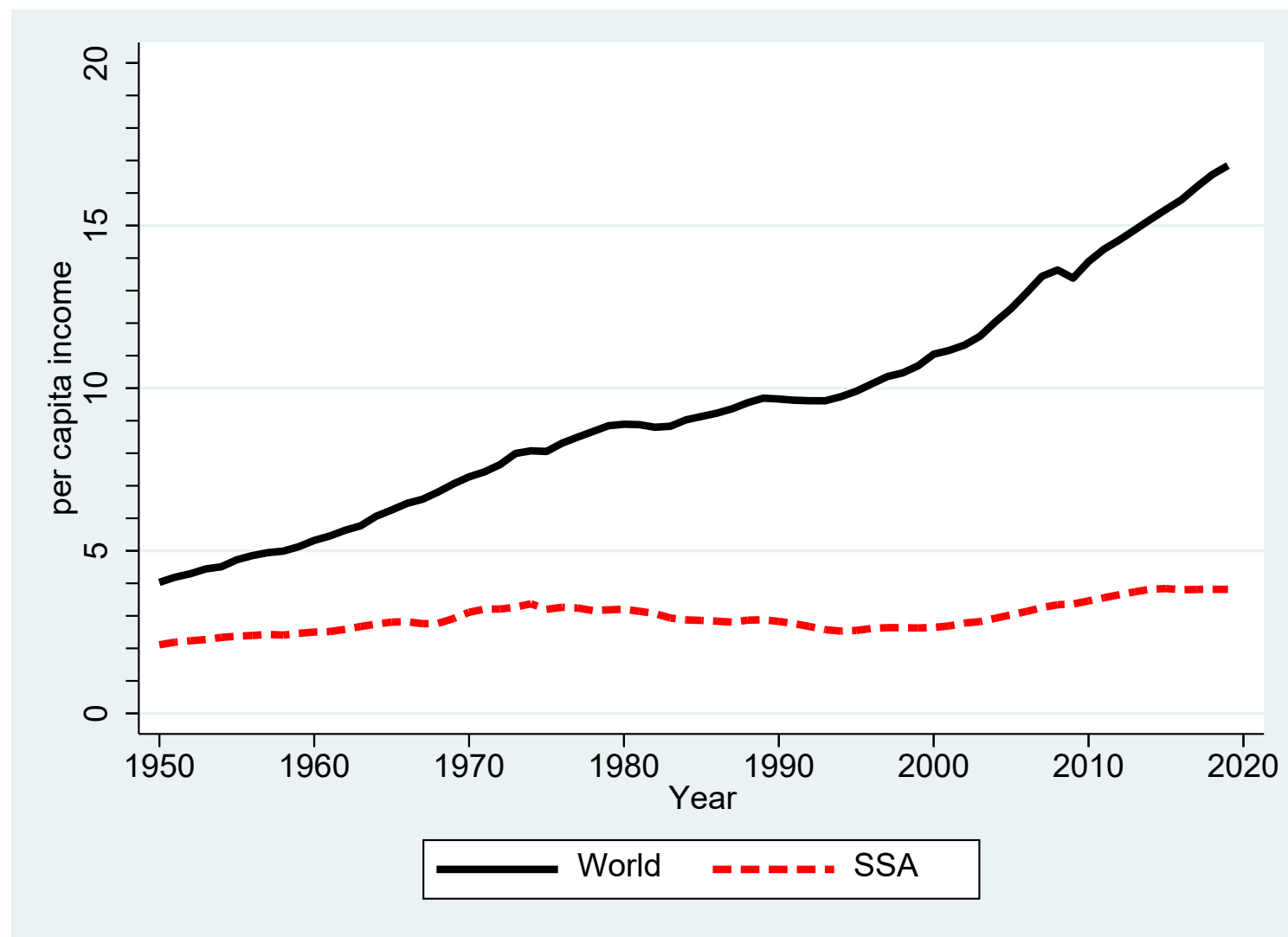
B



Source: Flentø (2021). Data on poverty is from Lakner et al. (2020). Projections use the baseline configuration.

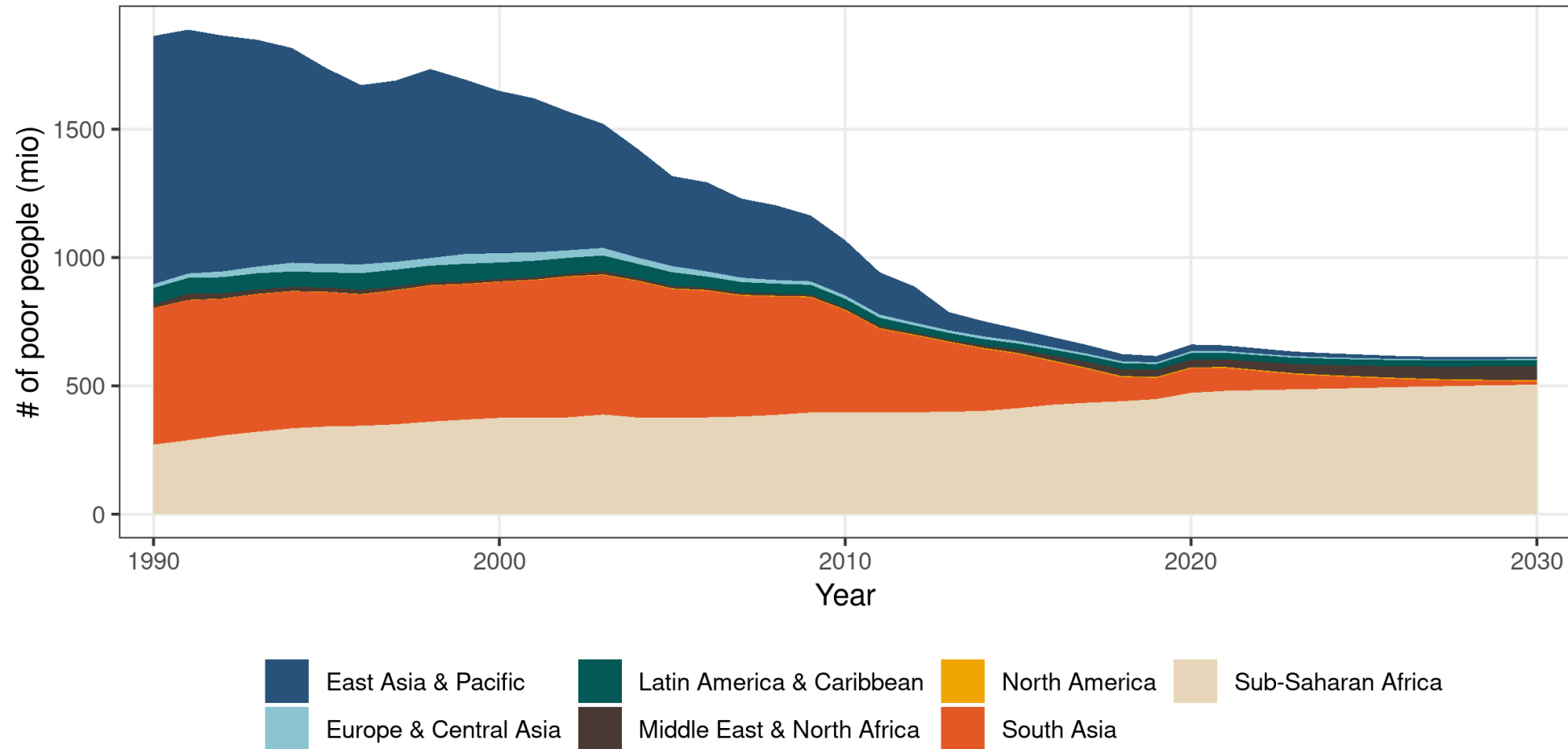
Note: A) shows the absolute number of extreme poor in SSA over time. B) shows the poverty rate in SSA over time, i.e. the number of extreme poor divided by population. Extreme poverty is defined as daily consumption below \$1.90 PPP.

And per capita income in SSA still low



Source: Carlos Gradin, [WIID Companion](#), UNU-WIDER, 31 May 2021

POVERTY concentrating in SSA

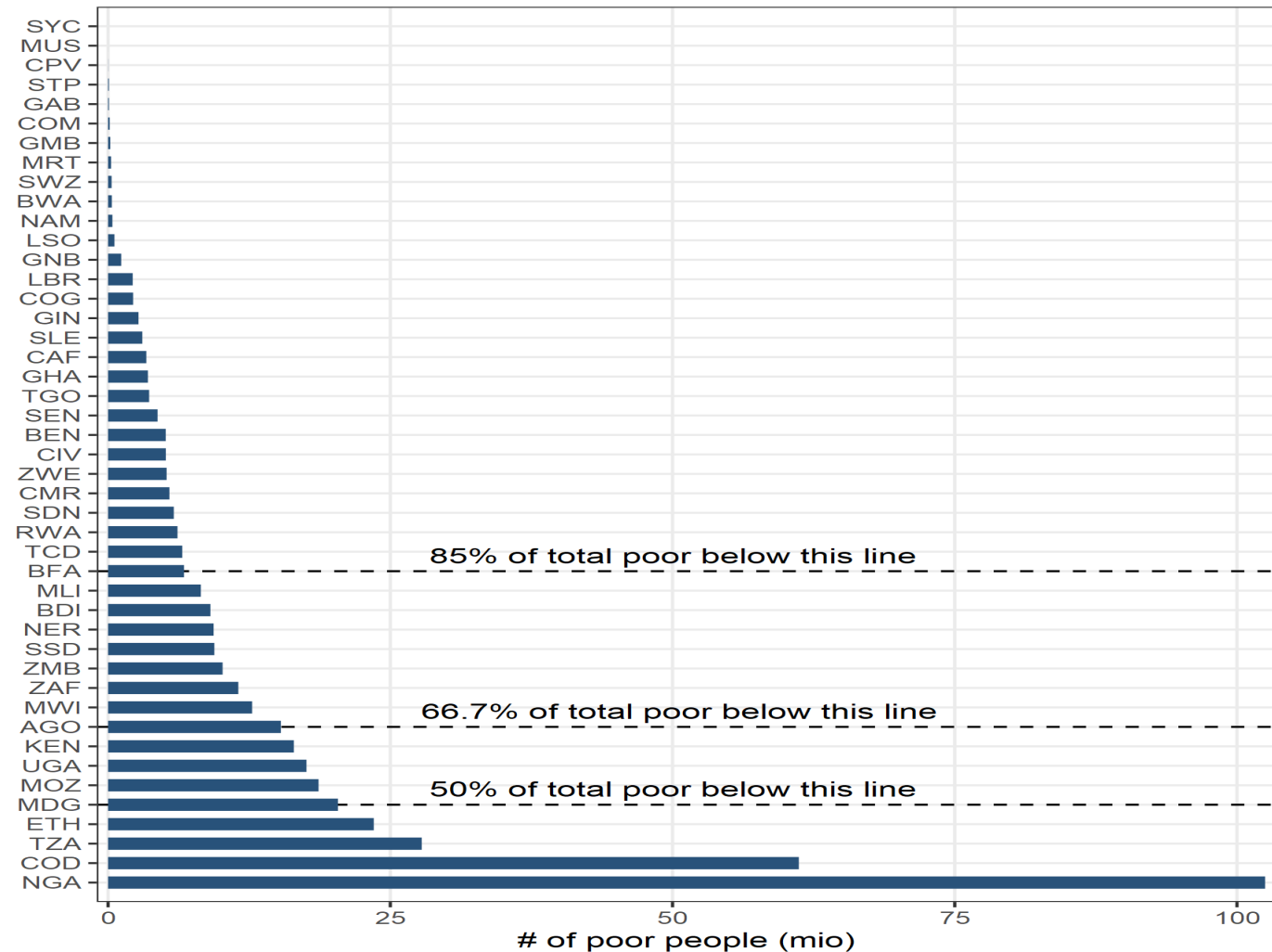


Source: Flentø (2021). Data on poverty is from Lakner et al. (2020). Projections use the baseline configuration.

Note: The figure shows the distribution of extreme poverty by region over time. Extreme poverty is defined as daily consumption below \$1.90 PPP. Regions follow World Bank definitions, see World Bank (2021a).

And in a small number of countries:

- 75% of all poor in SSA live in 12 countries
- 85% of people below the poverty line live in just 17 countries



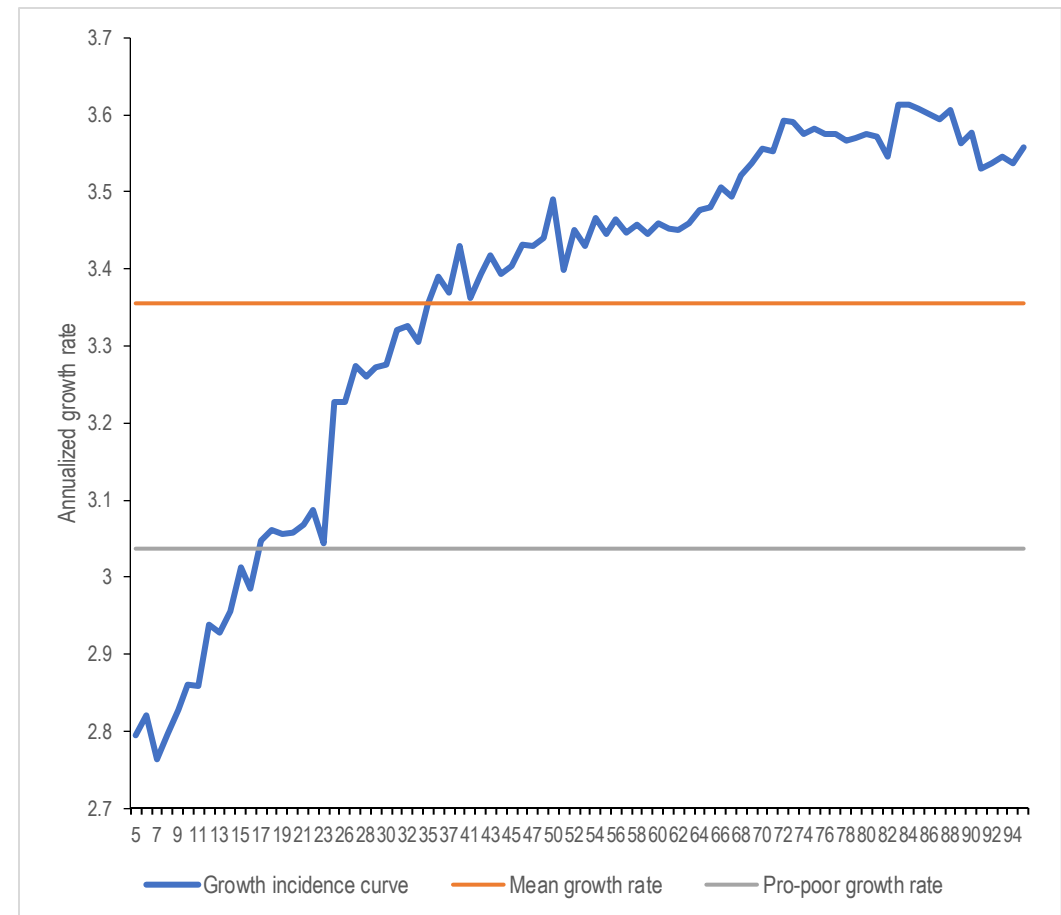
Source: Flentø (2021). Lakner et al. (2020).

Note: The figure shows the number of extreme poor by country in SSA. Extreme poverty is defined as daily consumption below \$1.90 PPP. Data is from 2019. Country codes are in accordance with ISO3, see UNSTATS (2021).

About the GPIR collaborative project

- Growth though geographically widespread and sustained, has not reached sufficiently the poorest sections of society (Figure 2)
- Hence the need to revisit the growth-poverty-inequality relationships with options for redistributive policies.

Figure 2: Africa growth incidence curve: 2000–2005 and 2010–2016

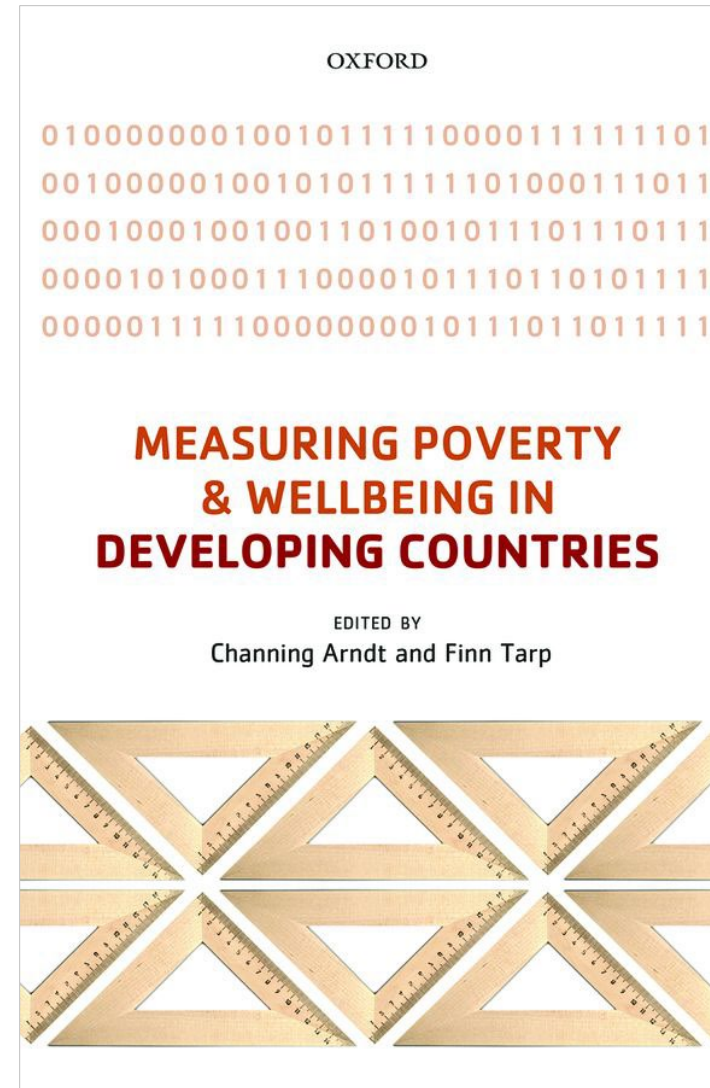
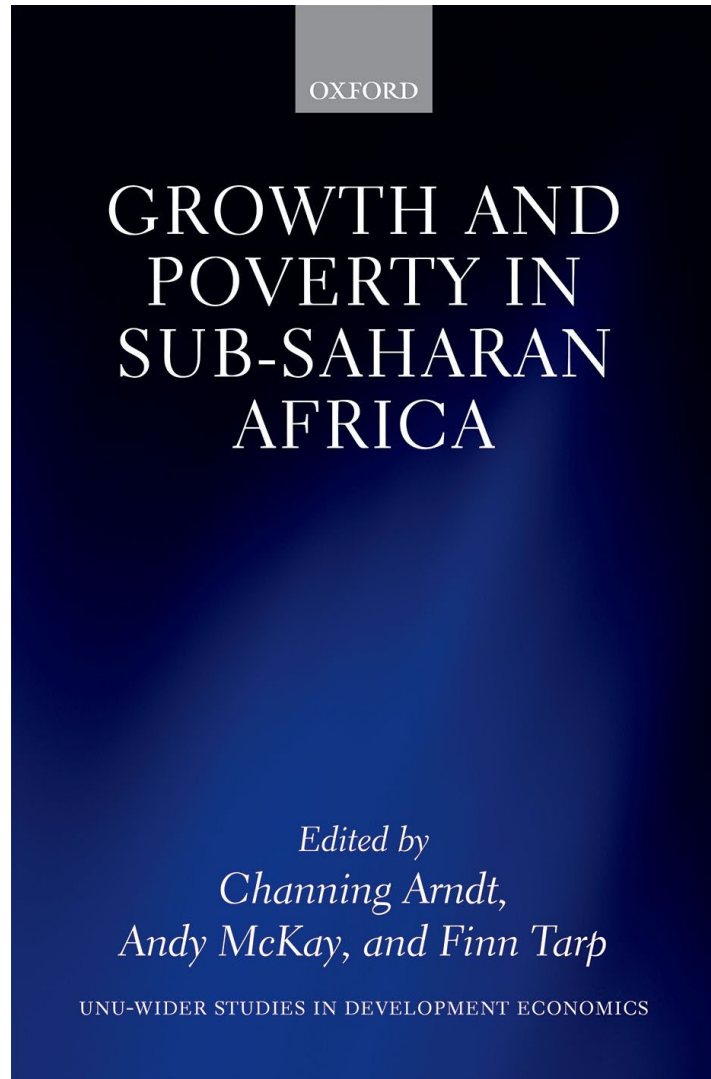


Key objectives of the GPIR project

- i. To use the research capacity created by the “Poverty, income distribution and labor markets” project to investigate drivers of growth and inequality in different African contexts.
- ii. To investigate the nature of the interactions between inequality and growth and to measure the effects of the interactions on poverty reduction at micro and macro levels across African countries or regions.
- iii. To investigate the dynamics of the nexus between growth-inequality-poverty, as well as the determinants of the differences in the dynamics across African countries or regions.
- iv. To communicate research results to policy makers and support capacity development for informed policy leadership and implementation.

Analytical point

- Simple cross-country extrapolations from WDI data will not reveal underlying dynamics or lack thereof in specific country contexts (the perils of existing cross-country studies)
- Recall the poverty, growth and inequality triangle
 - Poverty, growth and inequality tend to be related in developing countries: often helpful in practice
 - But keep in mind that the triangle is not an iron rule
 - It can break down: recall $Abs = C + I + G = GDP + M - X$
 - Poor people may not cross the poverty line even if there is growth
 - Growth may not be proportional across components of absorption
 - Terms of trade effects may imply imports fall relative to exports (similar effects due to reduction in foreign aid, or debt service payments)
 - Mismeasurement



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Coverage of the GPIR framework papers

- Progress on poverty and efficiency of growth in reducing poverty in Africa
- The growth-inequality-poverty nexus and scope for redistribution policies
- Informality, social protection and inequality
- Inequality of opportunity and the growth-inequality-poverty nexus
- Structural change, labor markets and inequality in Africa
- Inclusive business models and cash transfers
- Three of the papers presented today are part of these framework papers

Key findings of the AERC GPIR framework papers

- Some papers highlighted and explored the interrelationships between economic growth, inequality and poverty reduction with contributions to existing body of knowledge
- Poverty reduction strategies do not necessarily respond well to the same treatment effects. Differences in initial conditions and endowments across SSA countries matter and a typology of those differences could help sharpen policy responses
- Redistribution potentials in SSA could be impeded by high inequality in many countries due to political economy factors, though the impacts of fiscal redistribution on inequality could be large.



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