

Poverty and Shared Prosperity 2016

The Relevance of Global Evidence for Poverty and Inequality Reduction in Ghana

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Accra, 28 March 2017

Poverty and Shared Prosperity

Inequality

How to reduce inequality

**Will the world and Ghana end
poverty by 2030?**

“Did you know that, in the past 25 years, the percentage of people in the world who live in extreme poverty has decreased by more than half?”

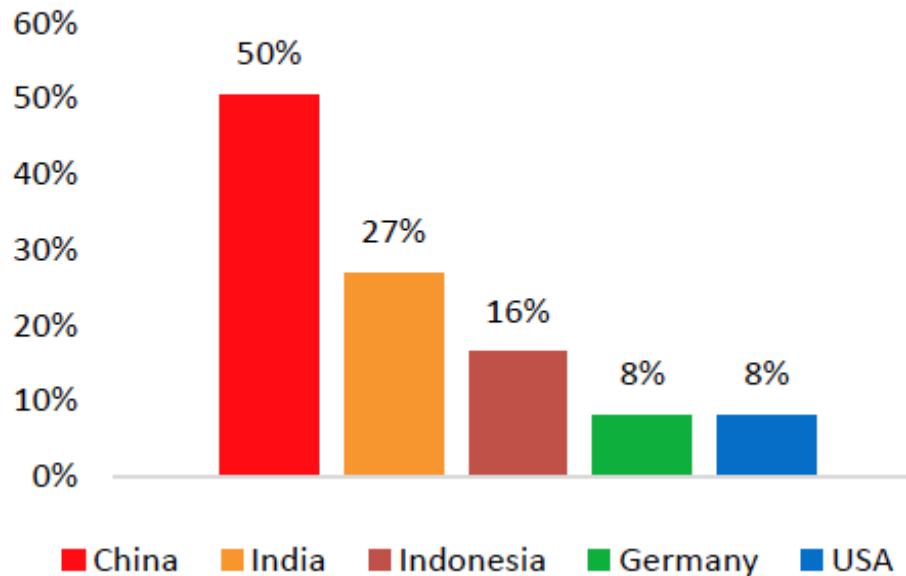
A. True

B. False

“The best news you don’t know”

Nicholas Kristof’s *New York Times*, 22 September 2016

Figure 1. Share of people who believe that extreme global poverty has decreased in the last 20 years



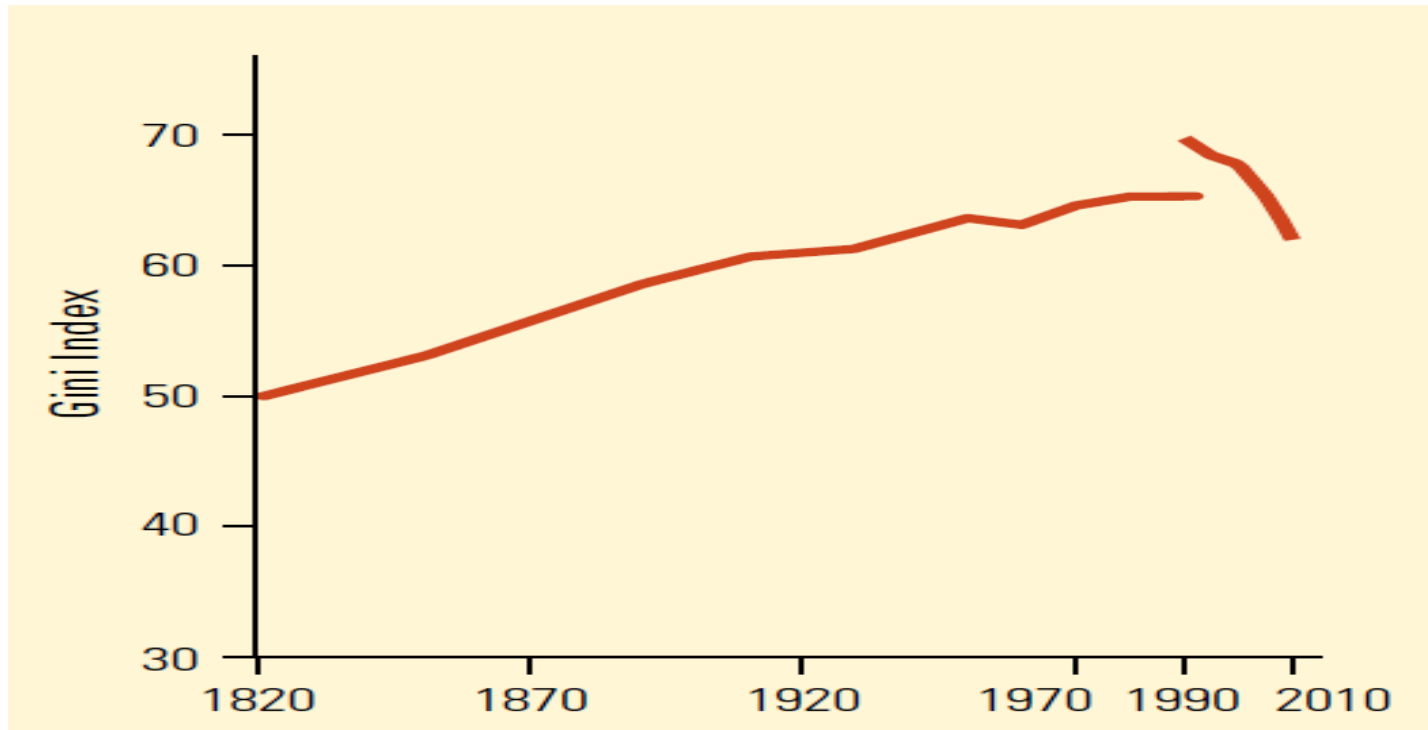
Lampert, M and P Papadongonas (2016) “[Towards 2030 without poverty: Increasing knowledge of progress made and opportunities for engaging frontrunners in the world population with the global goals](#)”, Glocalities, Amsterdam.

Did you know that, in the past 25 years, the world's inequality of incomes across individuals has decreased?

A. True

B. False

Global Inequality 1820-2010



Source: Bourguignon, F. (2015) *The Globalization of Inequality*, Fig 1, page 27, Princeton University Press

3 global key take-away messages and one for Ghana

- 1. Poverty is declining worldwide but not fast enough to reach the target by 2030 given global growth forecasts unless faster inequality reduction takes place.**
- 2. Despite what you heard on rising inequality, inequality can also go down: in fact, we are in an atypically favorable period in history.**
- 3. There is not a single way to reduce inequality nor a single type of successful country but some common lessons and interventions are proven to help.**
- 4. Social protection must play a critical role in ending poverty in Ghana but will NOT do the job alone: macroeconomics, labor, infrastructure investments, HC, taxation all need to be aligned towards INCLUSIVE GROWTH**

Poverty and Shared Prosperity

Inequality

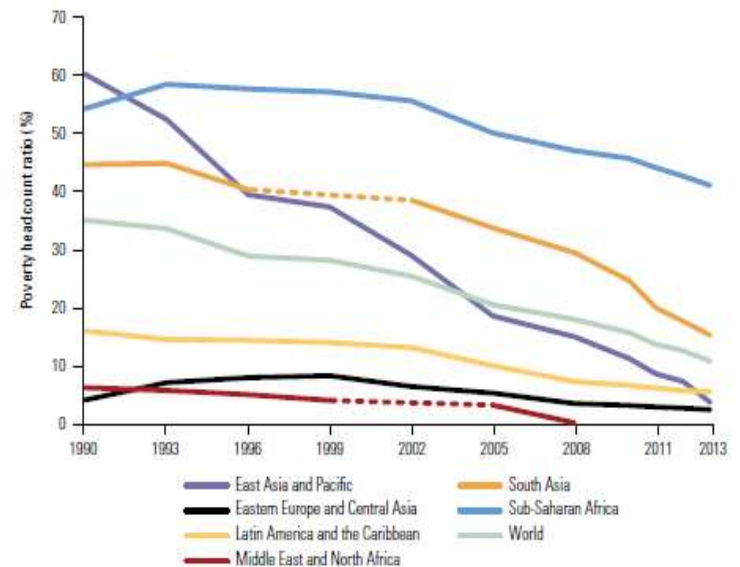
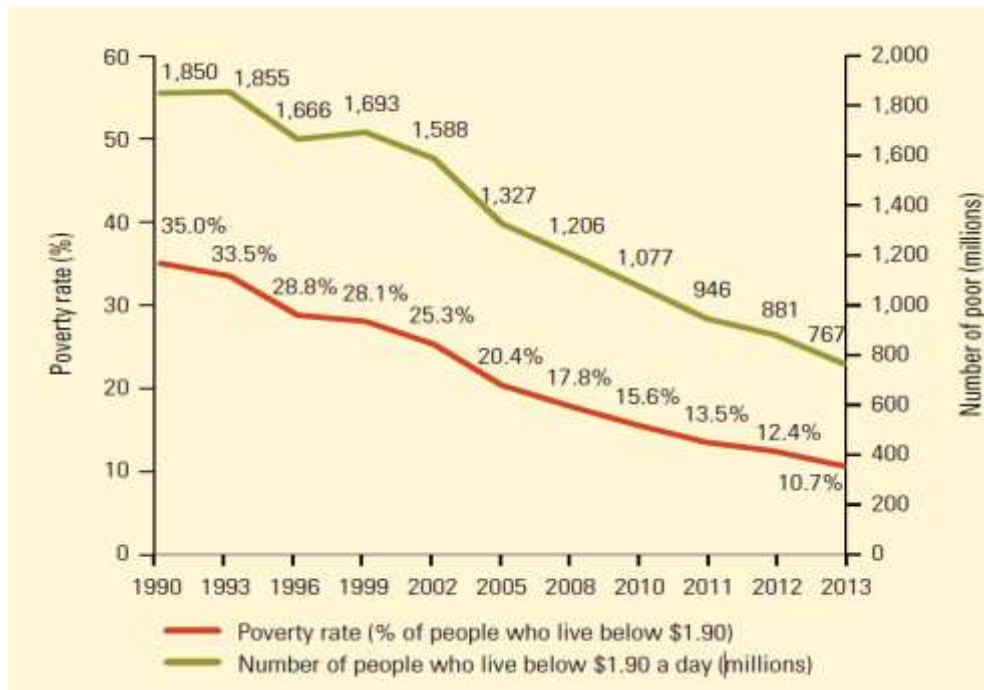
How to reduce inequality

**Will the world and Ghana end
poverty by 2030?**

Poverty is declining worldwide but much remains to be done especially in AFRICA

- a. 767 million people or 10.7% of the global population live on less than 1.90 USD/day
- b. 114 million (1.7 pp) less poor in 2013 compared to 2012
- b. East Asia and Pacific (China, Indonesia) and South Asia (India), main contributors to reduction
- d. Half of the extreme poor live in Sub-Saharan Africa

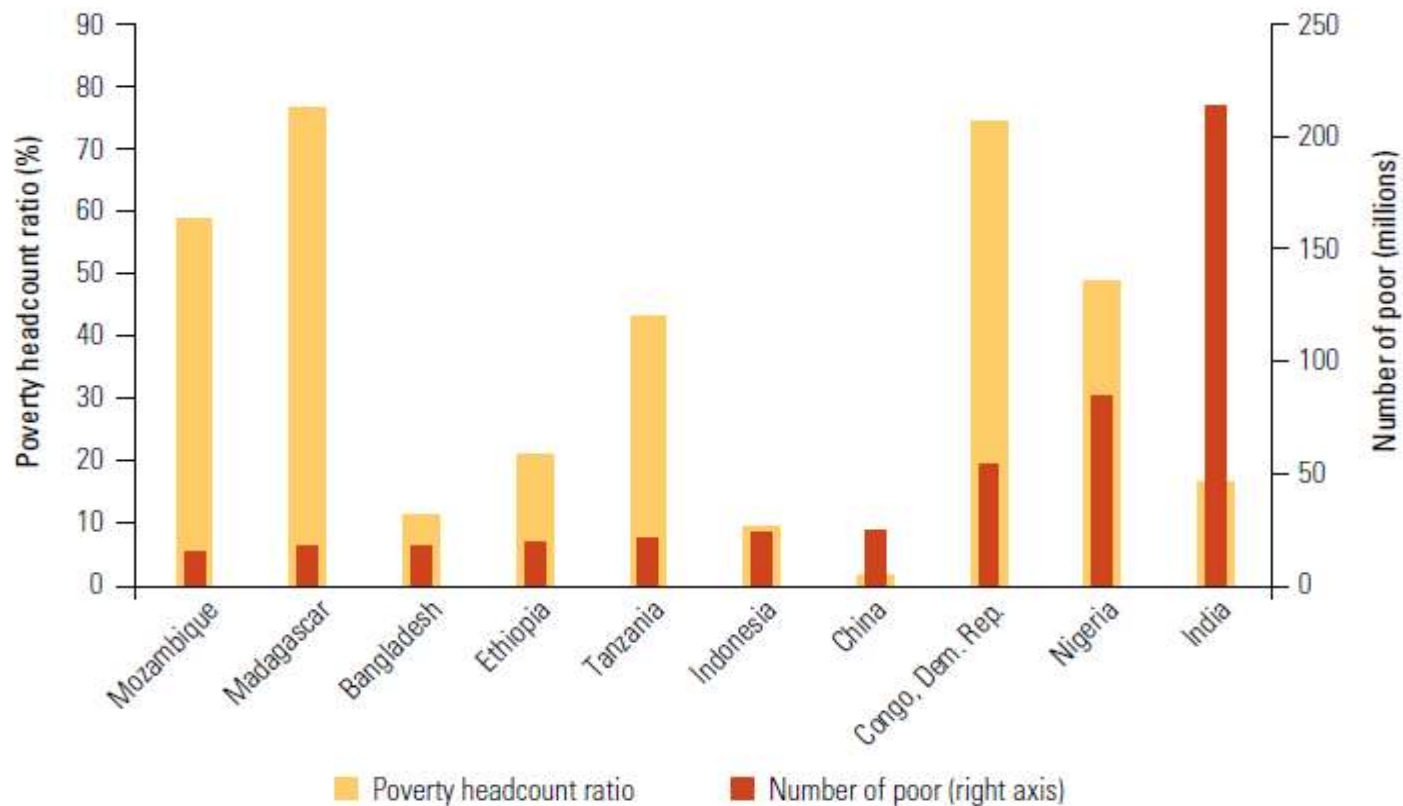
Global population living on less than \$1.90 a day, 2011 PPP (% , million)



Sources: Annex 2A; most recent estimates, based on 2013 data using PovcalNet (online analysis tool), World Bank, Washington, DC, <http://research.worldbank.org/PovcalNet/>.
 Note: Poverty is measured using the 2011 US\$1.90-a-day PPP poverty line. Breaks in the trends shown in the figure arise because of the lack of good-quality data.

Global poverty concentrated in a few countries

FIGURE 2.7 Number of the Poor, Top 10 Countries, 2013



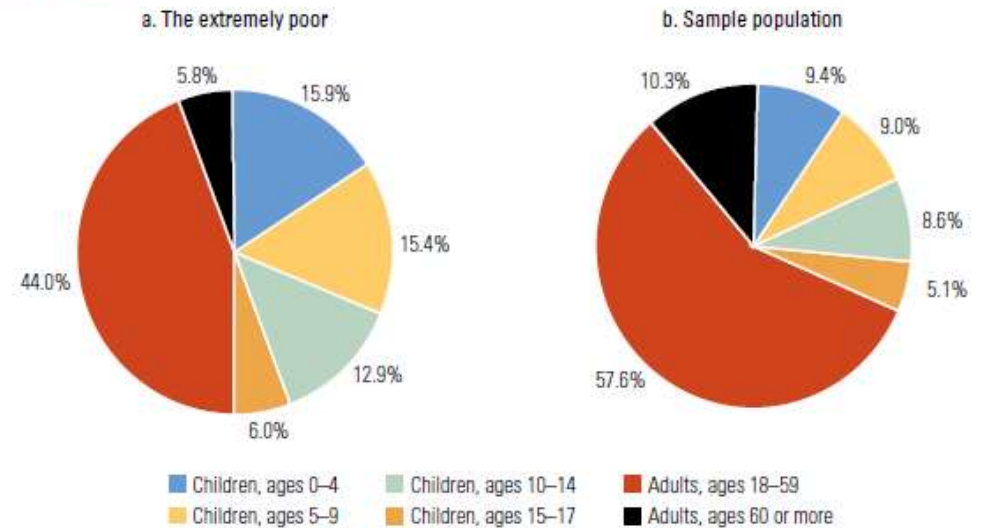
Source: Most recent estimates, based on 2013 data using PovcalNet (online analysis tool), World Bank, Washington, DC, <http://iresearch.worldbank.org/PovcalNet/>.

Note: Poverty is measured using the 2011 US\$1.90-a-day PPP poverty line.

Who are the poor and where do they live?

- 80% live in **rural areas**
- 2/3 work in **agriculture**
- **Half are children**
- Most have **little or no formal education**
- **Yet, regional** differences

FIGURE 2.11 Age Profile of the Poor, 2013

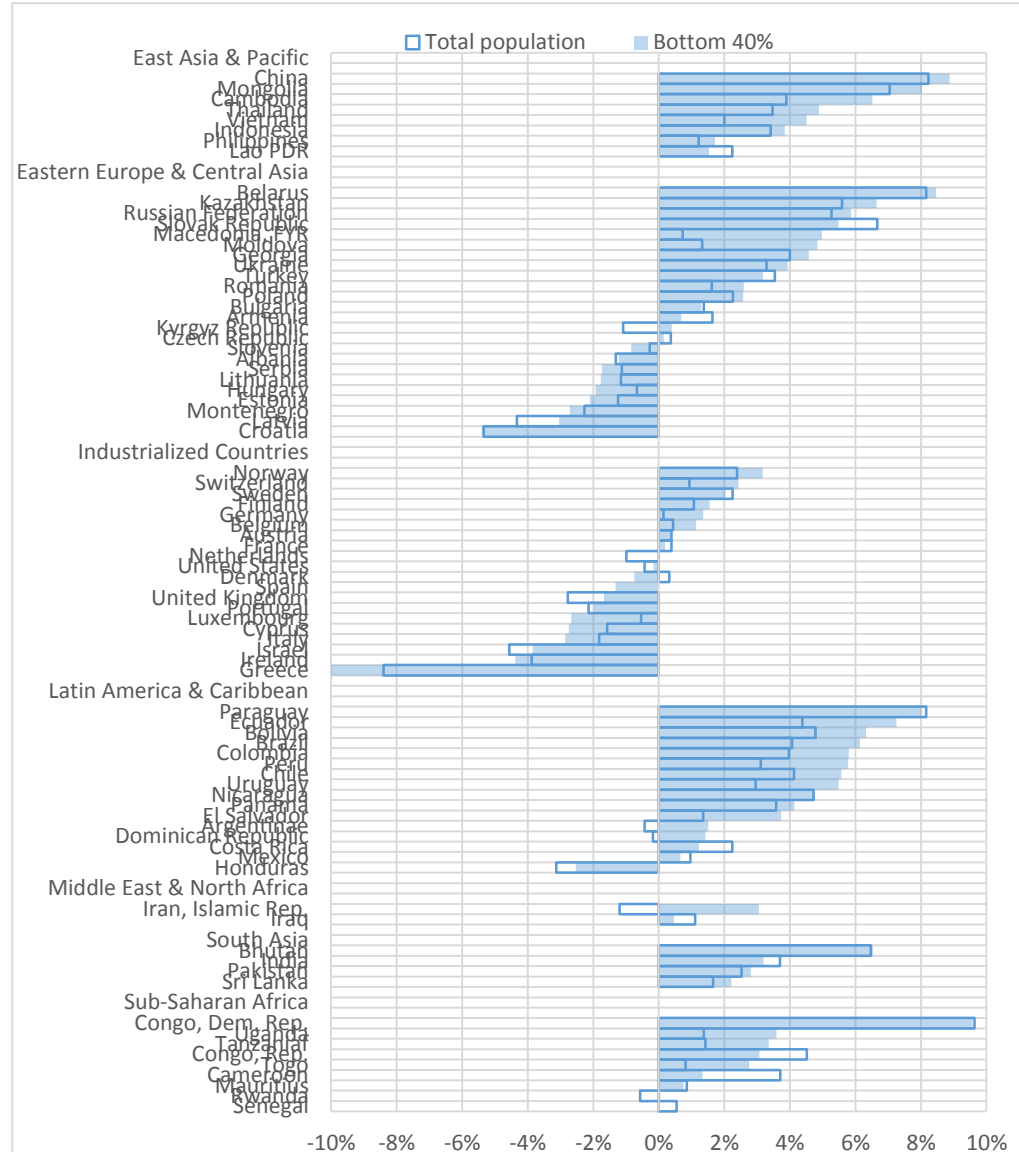


Source: Newhouse et al. 2016.

Progress in Shared Prosperity is uneven across countries

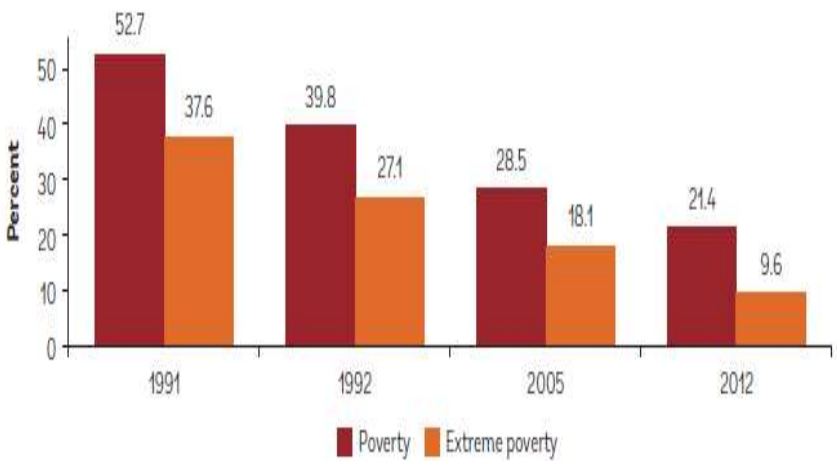
- The bottom 40 in 60 of the 83 countries monitored had positive income growth
- In 49 of these countries, the bottom 40 grew faster than the top 60 (about 2/3 world population)
- But:
 SPP (equalization) is small
 Marked regional differences

Shared prosperity, 2008-13



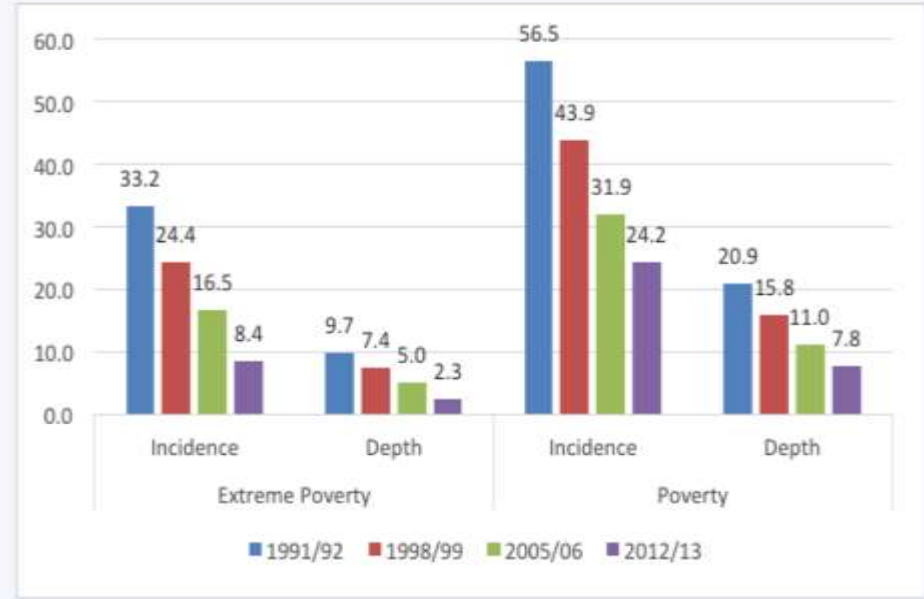
Good news around poverty reduction in Ghana ...

FIGURE ES.2 Trends in Poverty and Extreme Poverty, 1991-2012



Source: Calculations based on Ghana Living Standards Survey (GLSS) 3-6.

Figure 3: National Poverty Rates, 1992 – 2013 (using new poverty line)



Molini, V. and P. Paci (2015) *Poverty Reduction in Ghana: Progress and Challenges*, World Bank Group: Accra.

Cooke, E., S. Hague and A. McKay (2016) *The Ghana Poverty and Inequality Report*, UNICEF: Accra

... but not so great about shared prosperity

- Positive shared prosperity between 1998 and 2005: **growth of b40 estimated at 2.0 percent per annum**
- Growth of the mean is 2.8 percent per annum, **so shared prosperity premium is -0.8 percentage points**
- Bank has not produced the shared prosperity between 2005 and 2012... but using data from UNICEF (2016):
 - **growth of b40 is 2.8 percent annually**
 - growth of the mean is 2.7 percent annually
 - **shared prosperity premium of 0.1**
 - **but still increasing inequality as growth of top third exceeds 3 percent**

Poverty and Shared Prosperity

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How to reduce inequality

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Three types of inequality



Between individuals (Global)

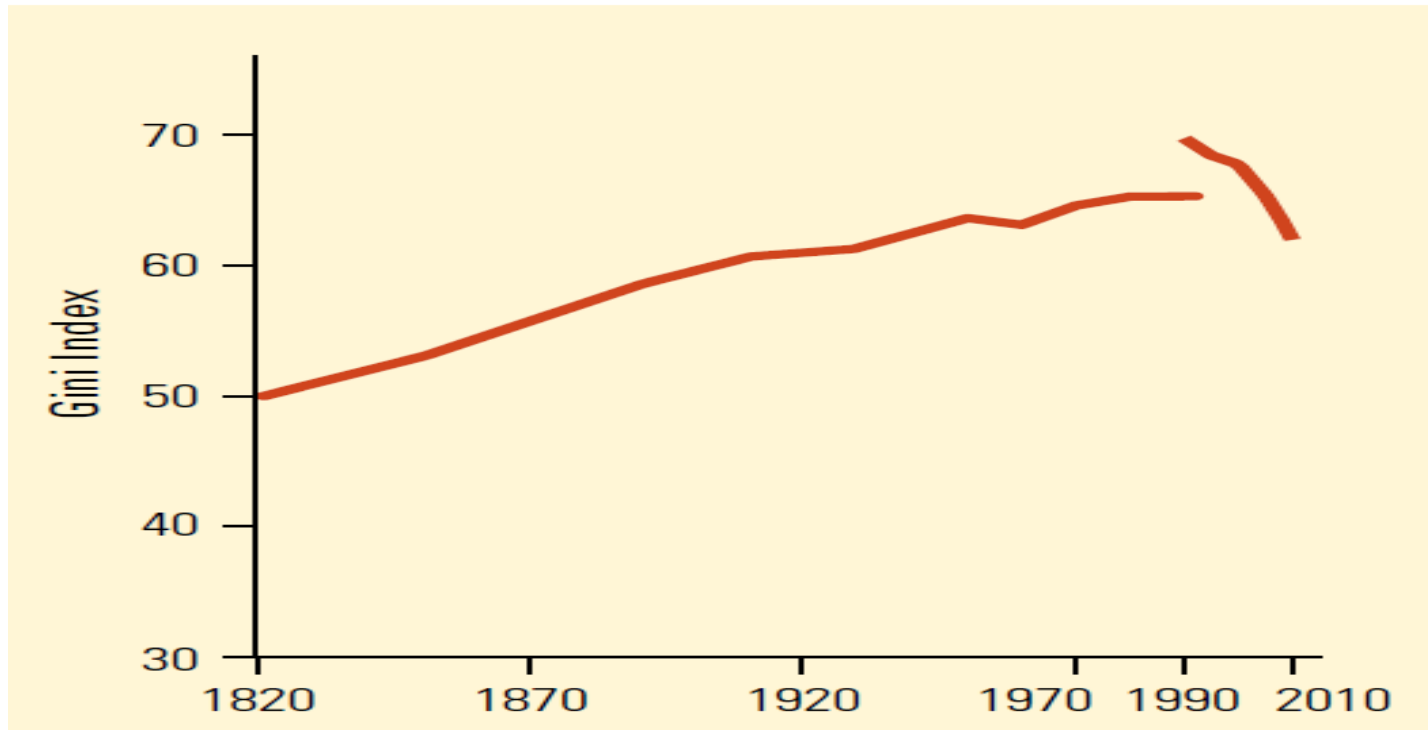


Between Countries



Within Countries

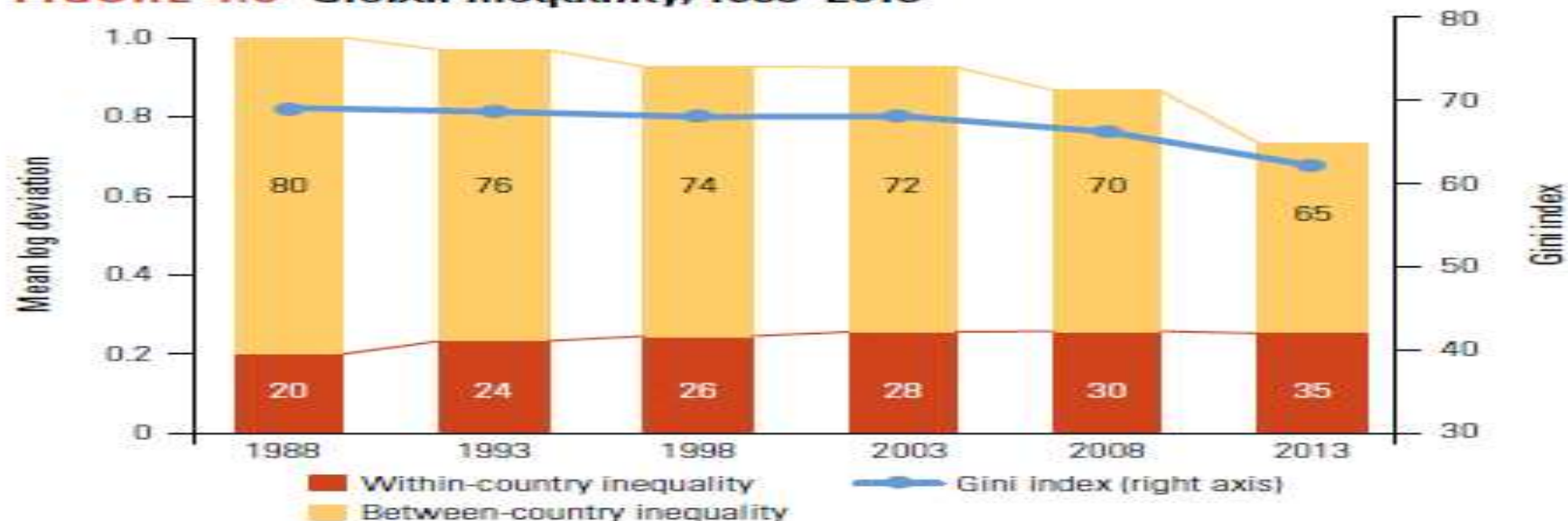
Global inequality declining since 1990s



Source: Bourguignon, F. (2015) *The Globalization of Inequality*, Fig 1, page 27, Princeton University Press
Note: The discontinuity in the series represents the change in the base year of the PPP exchange from 1990 to 2005. The figure uses GDP per capita in combination with distributional statistics from household surveys.

Global declines due to between country inequality

FIGURE 4.5 Global Inequality, 1988–2013



Sources: Lakner and Milanovic 2016a; Milanovic 2016; calculations based on PovcalNet (online analysis tool), World Bank, Washington, DC, <http://iresearch.worldbank.org/PovcalNet/>.

Note: For each country, household income or consumption per capita is obtained from household surveys and expressed in 2011 PPP exchange rates. Each country distribution is represented by 10 decile groups. The line (measured on the right axis) shows the level of the global Gini index. The height of the bars indicates the level of global inequality as measured by $GE(0)$ (the mean log deviation). The red bars show the corresponding level of population-weighted inequality within countries. The level of between-country inequality, which captures differences in average income across countries, is shown by the yellow bars. The numbers in the bars refer to the relative contributions (in percent) of these two sources to total global inequality.

But reducing within country inequality is possible even in middle of a global crisis

	Short-run trend (2008–13)					
	Number of countries:				Mean Gini	
	↑	+/- pp	↓	Total	2008	2013
East Asia and Pacific	1	1	5	7	39.2	37.3
Eastern Europe and Central Asia	6	8	9	23	31.9	31.4
Latin America and the Caribbean	3	2	12	17	49.7	48.0
Middle East and North Africa	0	1	1	2	35.3	33.4
South Asia	0	1	2	3	36.7	36.2
Sub-Saharan Africa	3	2	4	9	44.1	43.8
Industrialized countries	6	6	8	20	32.0	31.8
World	19	21	41	81	37.9	37.1

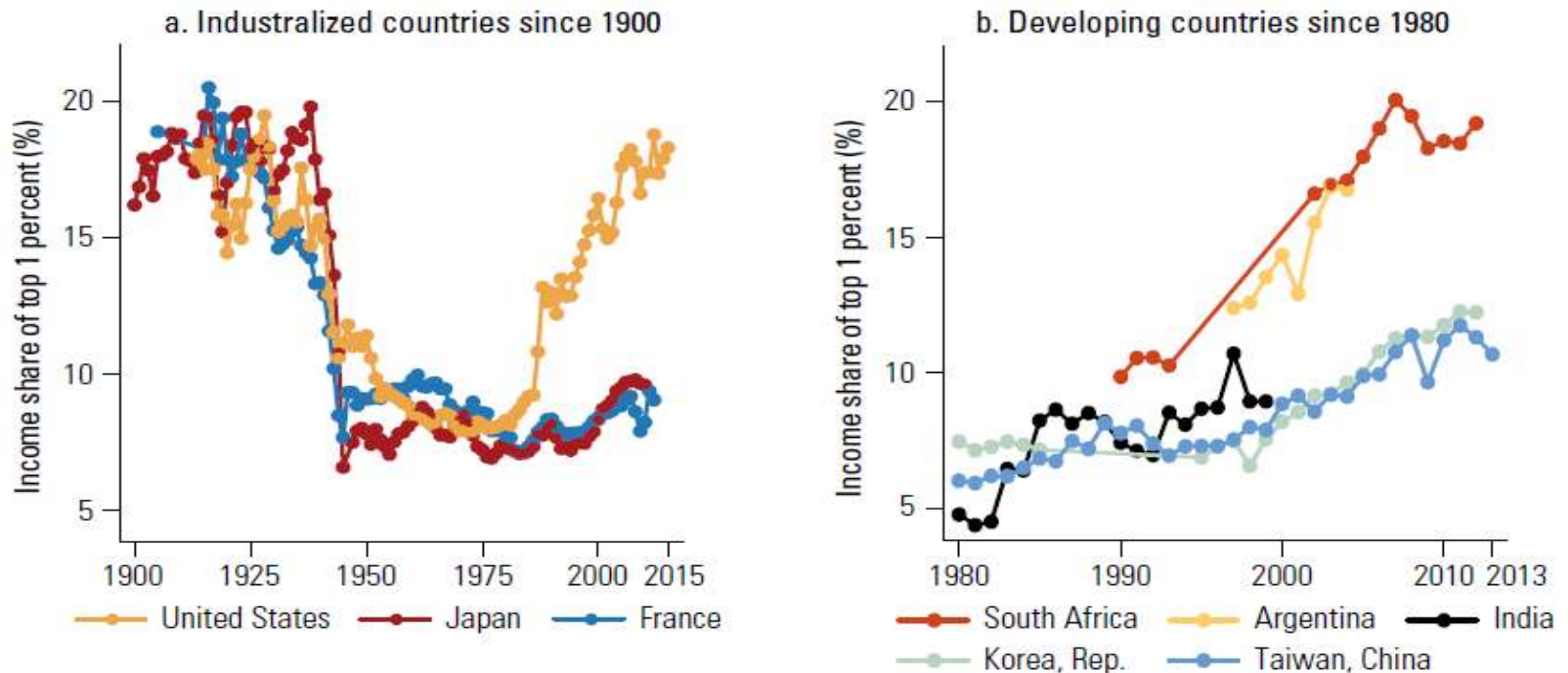
World Bank (2016) *Poverty and Shared Prosperity 2016*

online analysis tool), World Bank, Washington, DC, <http://iresearch.worldbank.org/PovcalNet/>

nt in absolute value. The unweighted average Gini index is estimated over the sample of 91

What about the rich?

FIGURE 4.2 The Top 1 Percent Income Share, Selected Countries

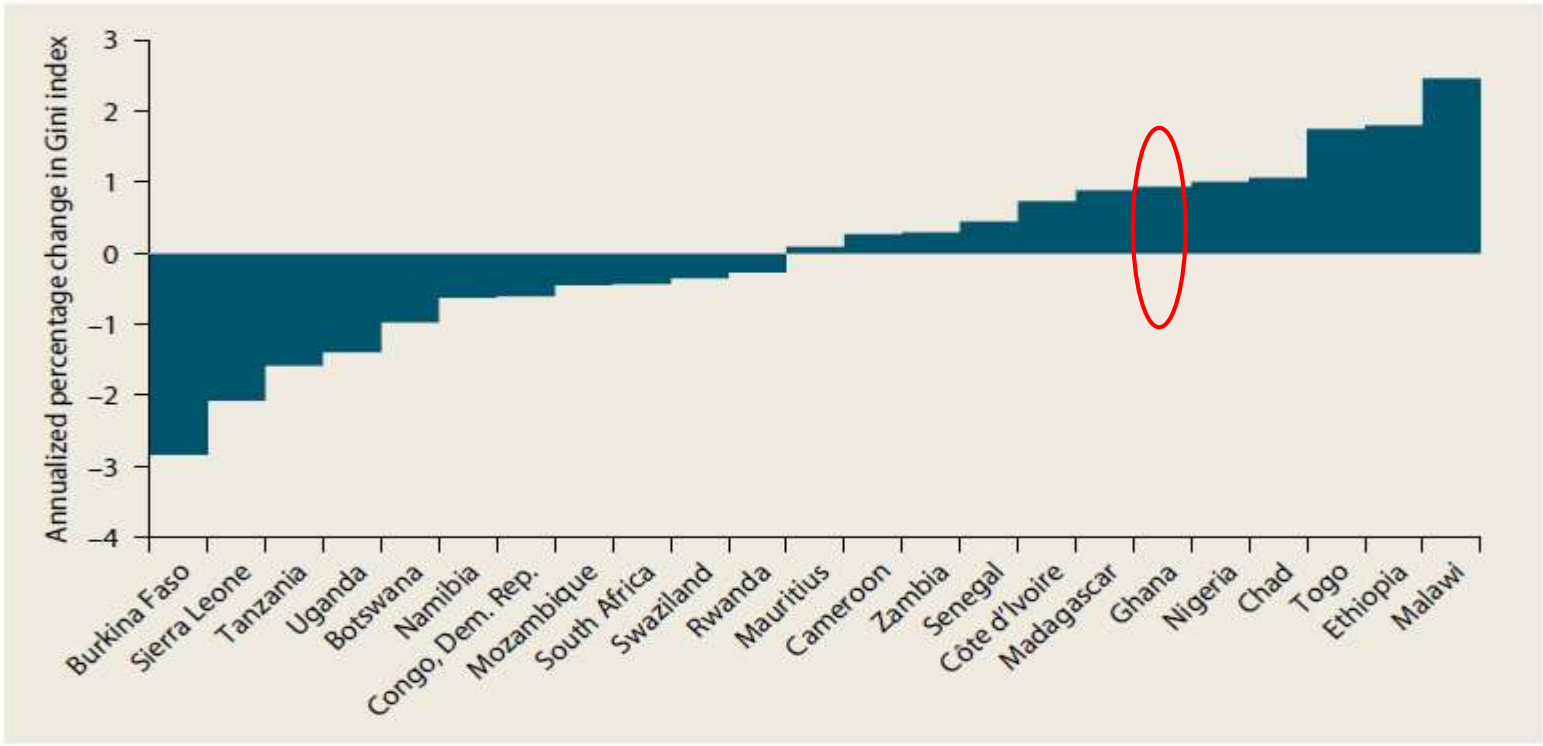


Source: Calculations based on data of WID (World Wealth and Income Database), Paris School of Economics, Paris, <http://www.parisschoolofeconomics.eu/en/research/the-world-wealth-income-database/>.

Note: The figure shows the share of national income (excluding capital gains) going to the richest 1 percent of national populations. These measures are typically derived from tax record data. For South Africa, the figure shows the top 1 percent income share among adults.

Inequality in Ghana has increased (as in half SSA)...

FIGURE 4.4 Inequality rose in about half of the countries and fell in the other half



Source: World Bank Africa Poverty database.
Note: Annualized percentage change in the Gini index is based on the two most recent and comparable surveys available.

... but with relatively low regional differences...

Table 7: Inequality estimates (1992 – 2013)

	1992		1998		2006		2013	
	Gini	Theil	Gini	Theil	Gini	Theil	Gini	Theil
National	0.373	0.249	0.388	0.259	0.406	0.301	0.409	0.296
<i>Decomposition by region</i>								
Western	0.326	0.190	0.324	0.198	0.355	0.227	0.368	0.233
Central	0.338	0.200	0.332	0.188	0.388	0.278	0.370	0.254
Greater Accra	0.354	0.223	0.300	0.158	0.410	0.323	0.356	0.220
Eastern	0.327	0.192	0.346	0.198	0.319	0.186	0.365	0.243
Volta	0.339	0.197	0.304	0.160	0.346	0.206	0.402	0.318
Ashanti	0.376	0.256	0.380	0.240	0.377	0.253	0.371	0.240
Brong Ahafo	0.349	0.224	0.333	0.190	0.357	0.217	0.369	0.244
Northern	0.400	0.285	0.389	0.291	0.400	0.272	0.413	0.322
Upper West	0.326	0.203	0.316	0.161	0.413	0.360	0.477	0.440
Upper East	0.346	0.195	0.316	0.176	0.399	0.274	0.395	0.276
Within regions	.	0.221	.	0.198	.	0.255	.	0.250
Between regions	.	0.028	.	0.061	.	0.046	.	0.046

<i>Decomposition by urban/rural</i>								
Urban	0.347	0.213	0.349	0.206	0.373	0.257	0.373	0.242
Rural	0.342	0.212	0.369	0.239	0.366	0.238	0.389	0.277
Within urban/rural	.	0.212	.	0.224	.	0.248	.	0.254
Between Urban and rural	.	0.037	.	0.035	.	0.053	.	0.041
Share of between urban/rural inequality in total inequality	0.149	0.160	0.135	0.155	0.176	0.192	0.139	0.176

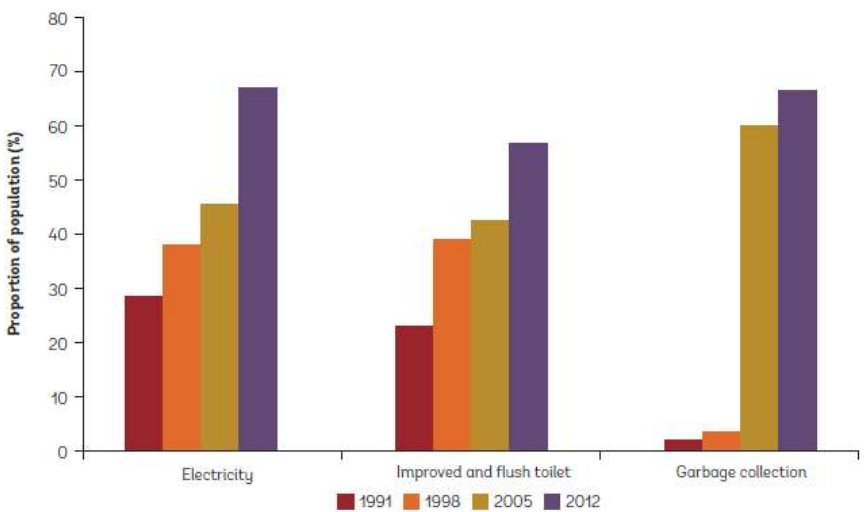
... and good news in terms of MD wellbeing

TABLE 1.5 Infant and Under-5 Mortality, Vaccination, and Fertility Rates, 1988-2014

Rate	1988	1993	1998	2003	2008	2014
Infant mortality	77	66	57	64	50	41
Under-5 mortality	87	57	54	50	31	19
Vaccination ^a	-	54	62	69	79	84
Fertility	6.4	5.2	4.4	4.4	4.0	4.2

Source: Demographic and Health Surveys 1988-2015; STATcompiler (DHS Program STATcompiler) (database), ICF International, Rockville, MD, <http://www.statcompiler.com/>.
 a. Children aged 12-23 months are fully vaccinated, that is, they have received BCG, measles, and three doses of DPT and polio vaccine (excluding polio D) according to their vaccination cards or the reports of their mothers.

FIGURE 1.10 Access to Basic Services, 1991-2012



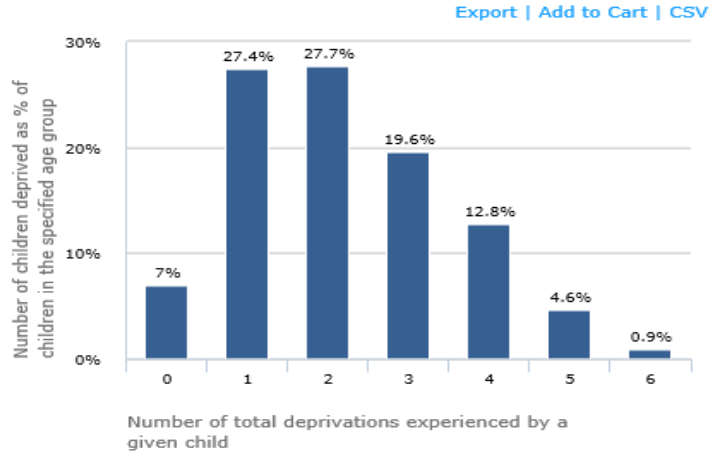
Source: Calculations based on GLSS 3-6.

Molini, V. and P. Paci (2015) *Poverty Reduction in Ghana: Progress and Challenges*, World Bank Group: Accra.

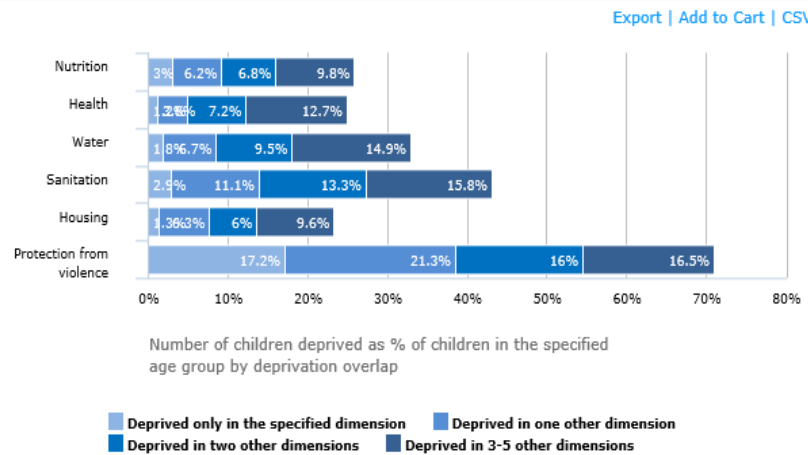
Child MD poverty

How severely are the children deprived?

Distribution of number of deprivations at national level



Deprivation overlap for each dimension



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How to reduce inequality

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How to reduce inequality?

Lessons from country case studies reducing inequality, poverty without compromising economic growth [Brazil, Cambodia, Mali, Peru, and Tanzania]

Context can vary: Inequality can be reduced in countries at different stages of development, pursuing different economic strategies, facing wide-ranging circumstances

But some factors are common to all:

- (i) Prudent macroeconomic management, ability to deal with external shocks, and protracted and coherent economic and social policies [*diversification, infrastructure, social protection, human capital*];
- (ii) Translate economic growth into inequality reduction through labor markets (increasing job and earning opportunities for all)

Favorable external conditions help: cheap and abundant credit, booming trade, and high commodity prices plus favorable weather conditions

Success in reducing inequality currently under fire: by unsound fiscal decisions (Brazil); conflict (Mali), low productivity (Peru); unfinished reforms (Tanzania)

How to reduce inequality?

- 1. Proven policies** reducing inequality—and poverty—without compromising growth.
e.g. ECD, universal health care, granting market access to poor producers, or alternative time use for women from electrification are both good for equity and growth
- 2. Options, not universal prescriptions:** Design matters and so do implementation trade-offs.
e.g. progressive tax reforms in Mexico and Chile; integrated CCT in Ethiopia; transfer-coverage trade-off in Malawi CCT; stimulation in Jamaica's ECD program.
- 3. No excuses to take on inequality** as equalizing interventions implemented in LICs and lower-MICS too.
e.g. universal health care progress in Cambodia, CCT in Burkina Faso and Ethiopia, rural roads programs in Bangladesh
- 4. Zero complacency:** Despite progress, large disparities persist with plenty of room for improving.
e.g. Expanding coverage of ECD, ensuring universal health care, raising average transfer of cash transfers, ensuring affordable electrification
- 5. More knowledge!** Need for more data, more frequent, of higher quality; more longer-term evidence

A checklist [*wish list*] of “good practice” inequality reduction

To what extent policies in Ghana:

- *Are macroeconomically sound?*
- *Are conducive to sustained growth?*
- *External shocks are managed cautiously?*
- *Labor markets diversify earning opportunities for the poor, the youth, women?*
- *Invest in childhood? (ECD, quality education)*
- *Invest in a truly universal health care?*
- *Invest in infrastructure (rural roads, access to markets, electrification)?*
- *Protect the most vulnerable from risks and during periods of crisis?*
- *Are financed by progressive taxes?*

Poverty and Shared Prosperity

Inequality

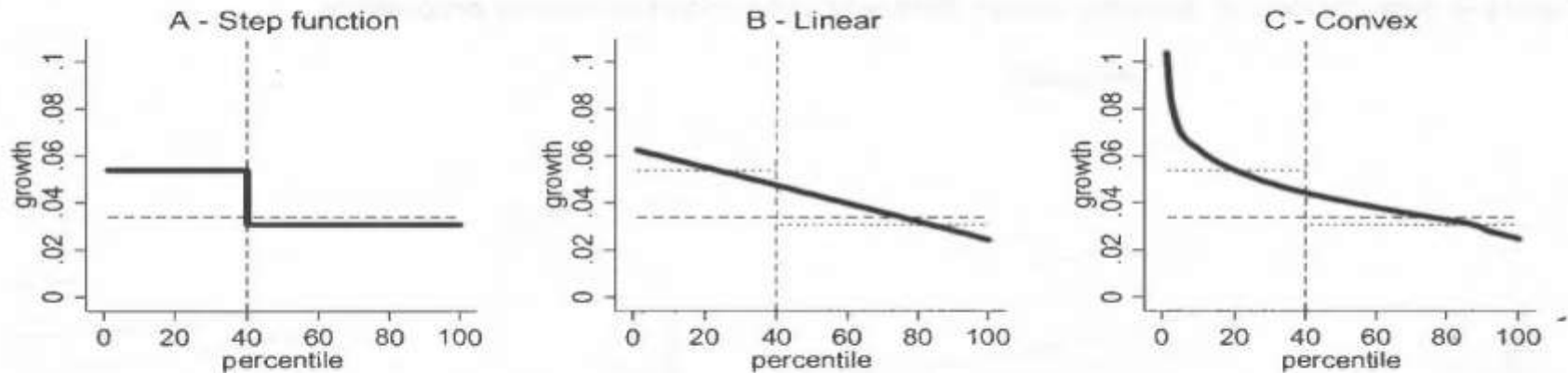
How to reduce inequality

**Will the world and Ghana end
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Simulating poverty by 2030 under several inequality scenarios and current global growth

- Project same growth rates per country as for the period 2003-13
- Simulate different distributional scenarios in each country
- Distribution simulations based on shared prosperity premium, e.g. $m=0$, $m=1$
- Out of the multiple ways to get the same “ m ”, we choose linear

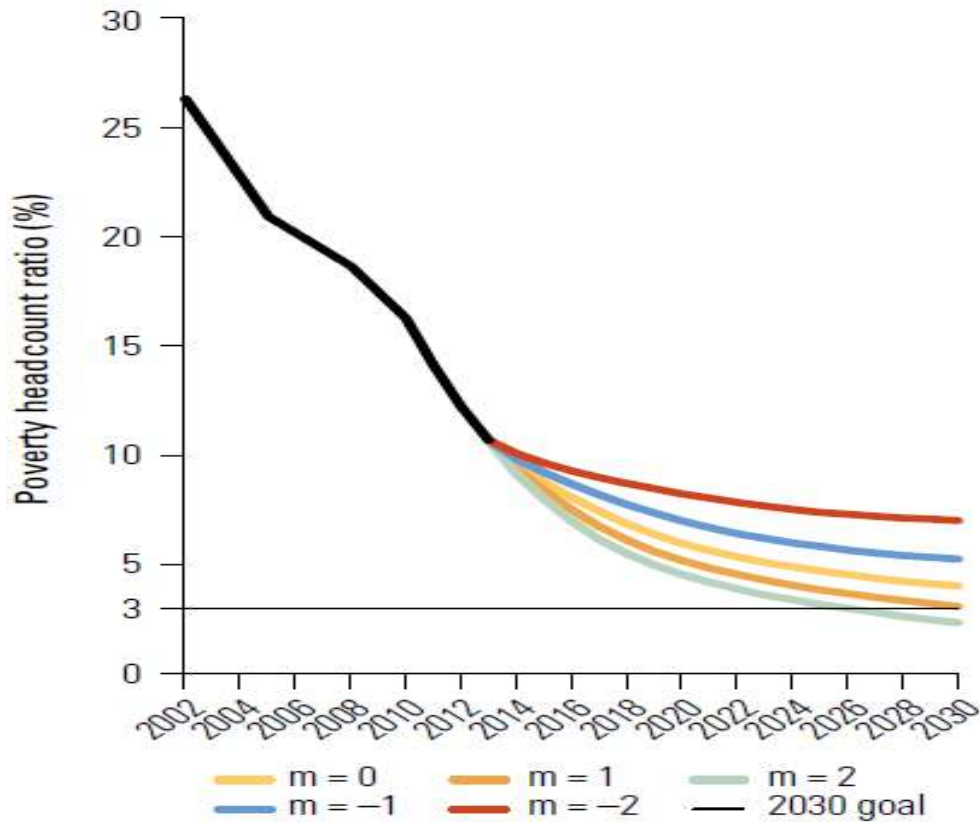
Figure 2: Different growth incidence curves compatible with same shared prosperity premium



Note: These GICs are drawn using data from Rwanda from 2011 available in PovcalNet, $m = 2\%$, evaluated at percentile groups after one year. Mean grows at 3.4%, bottom 40% at 5.4 % and top 60% at 3.1%.

World will not end poverty by 2030 unless much faster inequality takes place in current growth scenarios

FIGURE 0.8 Boosting Shared Prosperity and Ending Poverty, 10-Year Scenario, 2013–30

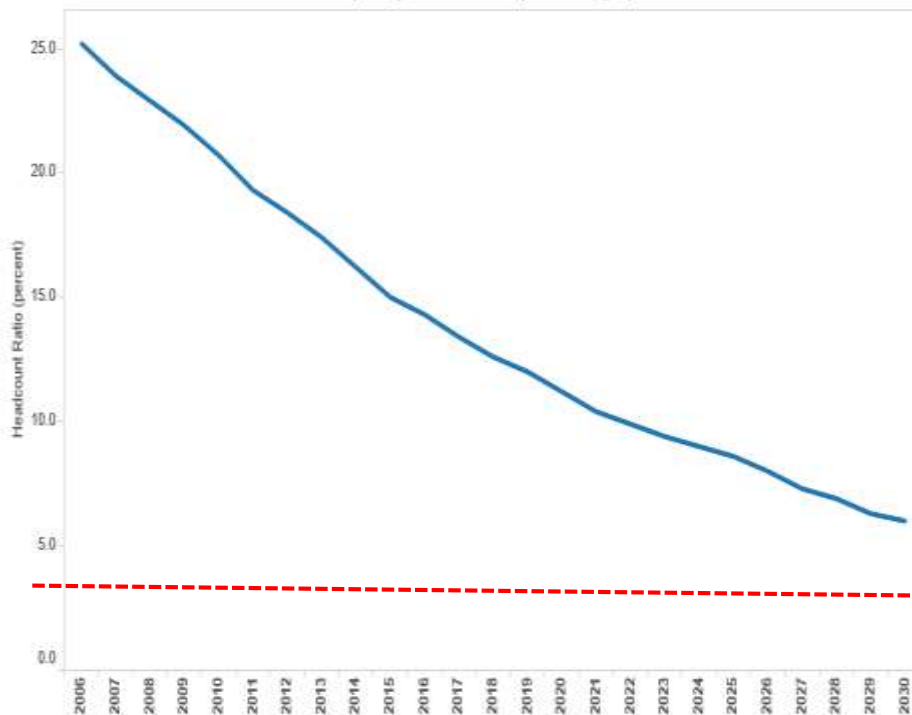


Source: Updated results based on Lakner, Negre, and Prydz 2014.

Note: m = the assumed shared prosperity premium, that is, the growth in income or consumption among the bottom 40, minus the growth in income or consumption at the mean. For example, $m = 2$ indicates that the growth in income among the bottom 40 exceeds the growth in income at the mean in each country by 2 percentage points.

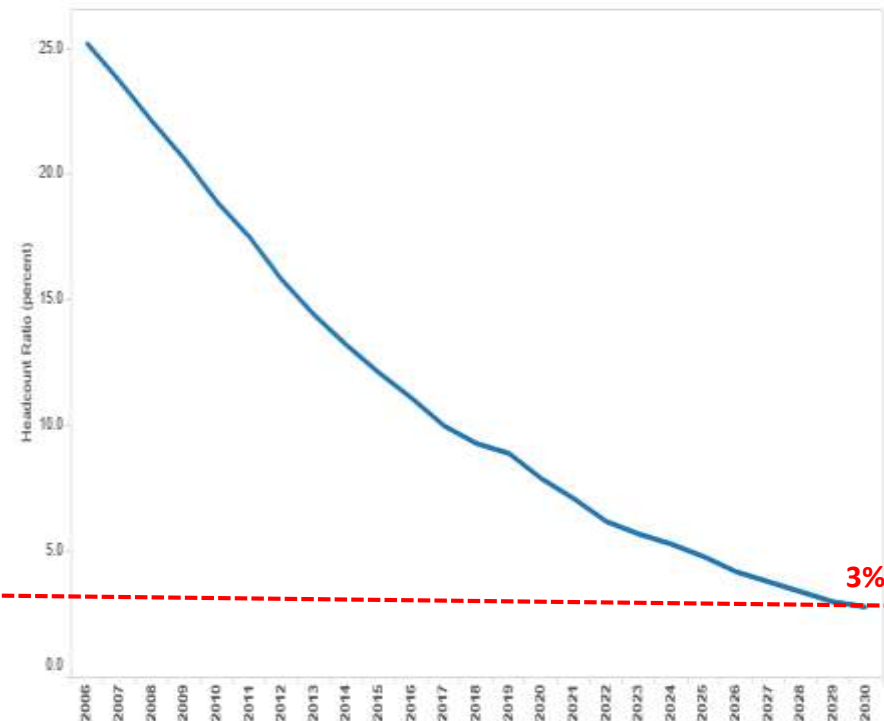
A similar message for Ghana: more inclusive growth is needed to end poverty

Ghana: Simulated headcount ratio (US\$1.9 PPP poverty line)
Growth Rate=3 percent,
Shared Prosperity Premium=0 percentage points



Poverty is measured using the US\$1.90 PPP poverty line. Simulations assume a linear growth incidence curve and apply the selected annual growth rate (in percent) and shared prosperity premium (in percentage points). Source: Estimates based on Lakner, Negre and Prydz (2014) Povsim.

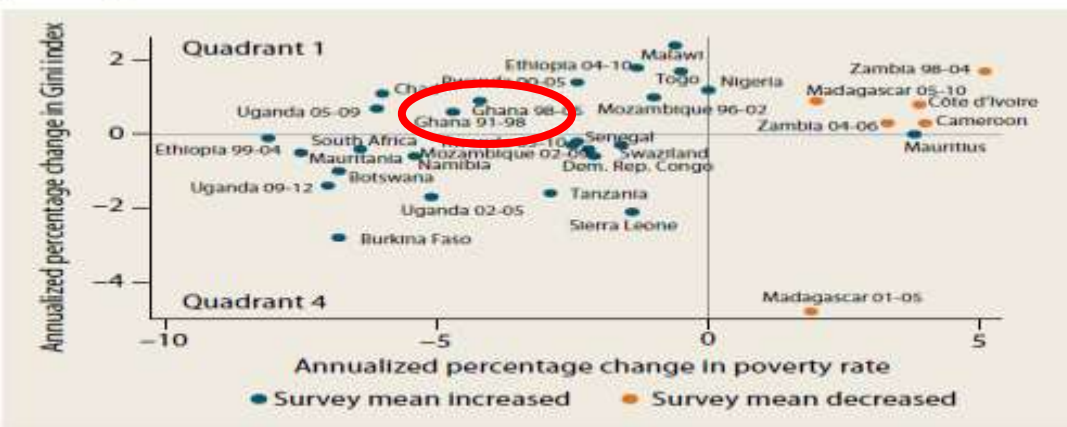
Ghana: Simulated headcount ratio (US\$1.9 PPP poverty line)
Growth Rate=3 percent,
Shared Prosperity Premium=1 percentage points



Poverty is measured using the US\$1.90 PPP poverty line. Simulations assume a linear growth incidence curve and apply the selected annual growth rate (in percent) and shared prosperity premium (in percentage points). Source: Estimates based on Lakner, Negre and Prydz (2014) Povsim.

Ample room for improvement: fast growth, less poverty but more inequality

FIGURE 0.7 Declining inequality is often associated with declining poverty

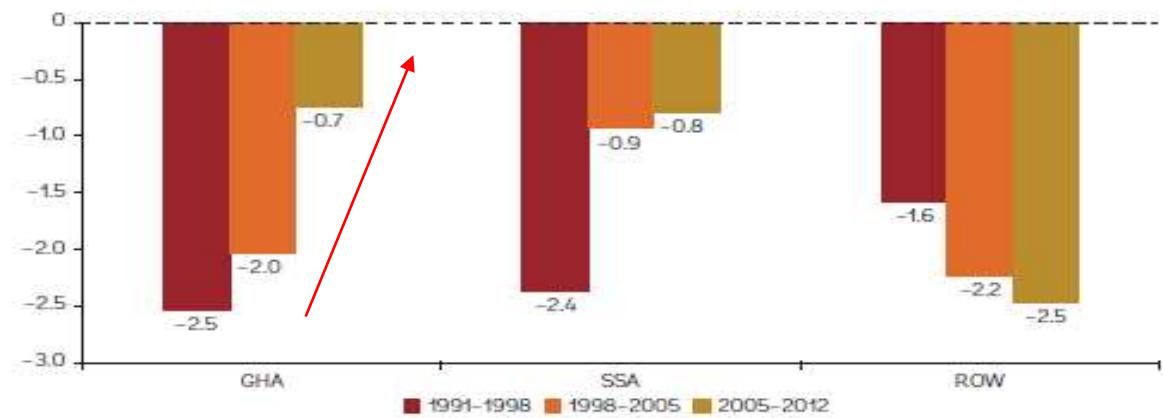


Source: Countries in World Bank Africa Poverty database with comparable surveys.
 Note: Ethiopia 1995–99, an outlier, is excluded. Survey years are indicated for countries with more than one pair of comparable surveys.

Table 9: Growth-redistribution decomposition of changes in poverty in Ghana

Growth and Redistribution: 2006 and 2013		
(New poverty line)	2006	2013
Incidence	31.920 (0.672)	24.230 (0.492)
Change in Incidence	-7.690 (0.833)	-7.690 (0.833)
Growth Component	-8.799 (0.779)	-8.800 (0.779)
Redistribution Component	1.110 (0.814)	1.109 (0.763)
Residual Component	-0.001	0.001

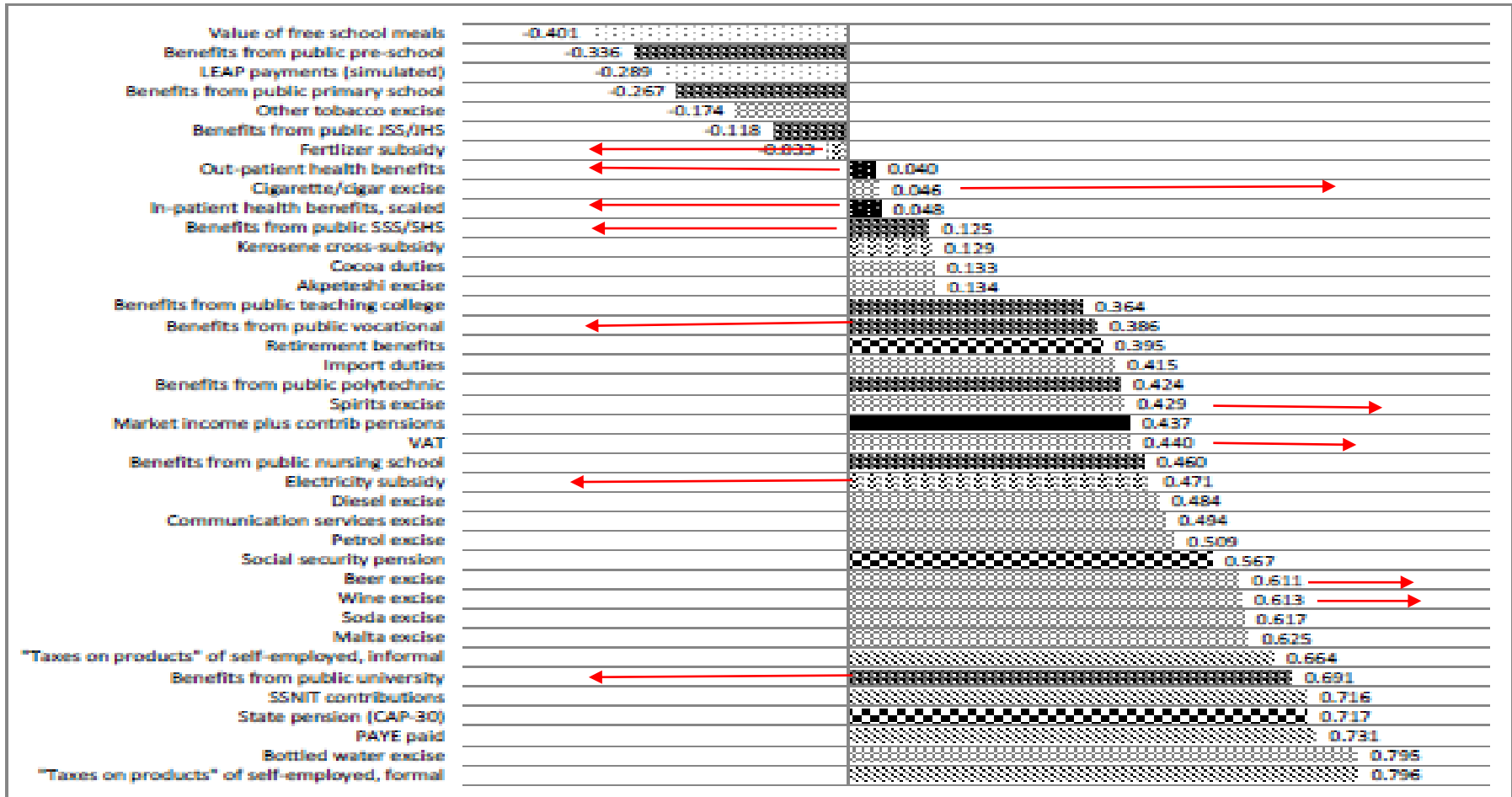
FIGURE 1.5 Growth Elasticity of Poverty, 1991–2012



Source: Calculations based on GLSS 3–6 and WDI.
 Note: GHA = Ghana; ROW = rest of the world; SSA = Sub-Saharan Africa.

Ample room for improvement in terms of *more* pro-poor spending and taxes burdening the rich

FIGURE 2 – CONCENTRATION COEFFICIENTS OVER MARKET INCOME PLUS PENSIONS



Source: GLSS-6 and authors' calculations.

Expanding LEAP

Figure 2: LEAP transfer size (median) versus other cash transfer programmes in the region, as a percentage of baseline expenditures

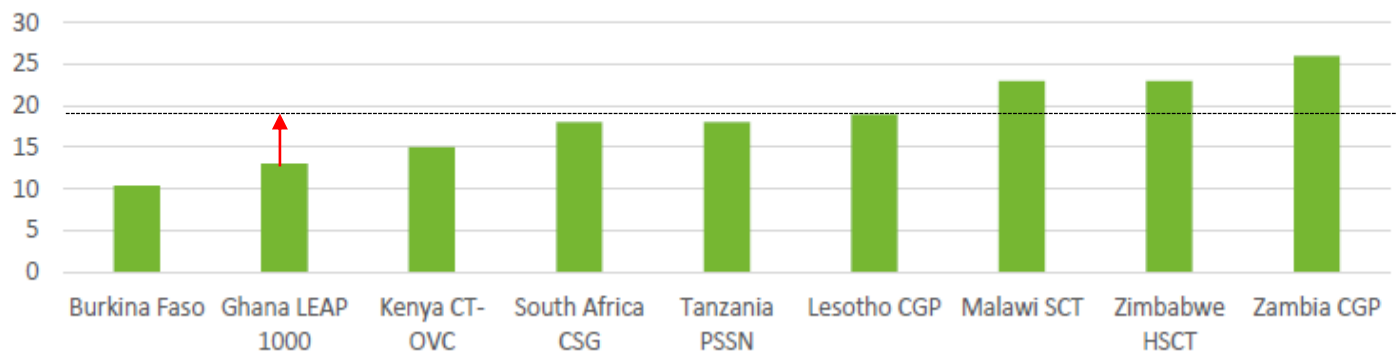


Figure 3: Predicted impact (percent) with alternative transfer size/structure

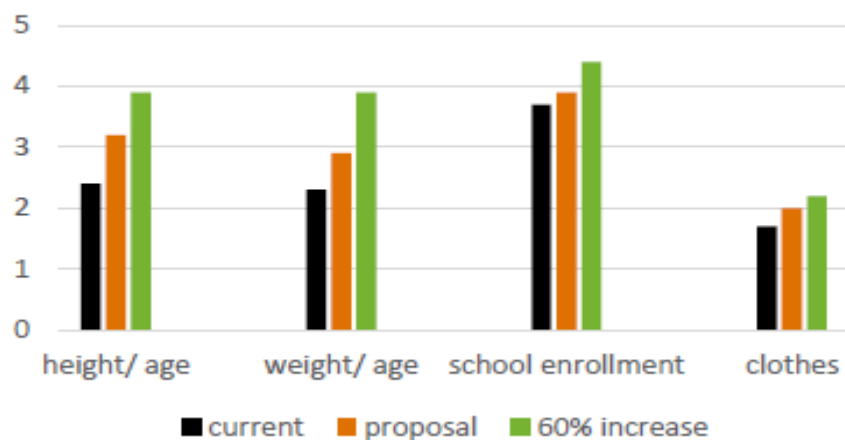


Table 1: Simulations of LEAP transfer size increases

Increase by	Median transfer share	Mean transfer share	Additional costs per household per year (USD)
30%	16.1%	20.8%	37.3
40%	17.4%	22.4%	49.8
50%	18.9%	24.2%	62.2
60%	20.2%	25.8%	74.6
70%	21.4%	27.4%	87.1
80%	22.7%	29.0%	99.5
90%	23.9%	30.6%	111.9
100%	25.2%	32.3%	124.4

Subsidy reforms

Table 1: Simulated Effects of Eliminating Electricity Subsidies in Ghana

<i>Change</i>	<i>Simulation</i>			
	(1)	(2)	(3)	(4)
	<i>Ghana</i>			
Extreme poverty	0.0044	0.0036	-0.0108	-0.0032
Poverty	0.0088	0.0053	-0.0128	0.0001
Inequality	-0.0011	0.0004	-0.0101	-0.0051
Budgetary savings (percent GDP)	1.36	0.71	0.00	0.82

Source: GLSS-6 and authors' calculations.

Simulation descriptions:

- (1) Eliminates the electricity subsidy with no compensation.
- (2) Eliminates subsidy except for lifeline tariff for the first 50kwh, which is held constant.
- (3) Eliminates electricity subsidy and uses all the funds to expand LEAP, in both coverage and payments.
- (4) Eliminates electricity subsidy and uses enough funds for LEAP to leave poverty roughly unchanged.

Younger, S., E. Osei-Assibey and F. Oppong (2015) Fiscal Incidence in Ghana, CEQ WP 35; Younger, S. (2016) "The Impact of Reforming Energy Subsidies, Cash Transfers and Taxes on Inequality and Poverty in Ghana and Tanzania," CEQ WP 55.

Improving tax progressivity

Table 4: Simulated Effects of Replacing Indirect with Direct Taxation in Ghana and Tanzania

Change	Extreme	Poverty	Gini
	Poverty	Poverty	Gini
	Headcount	Headcount	Coefficient
Ghana	-0.0031	-0.0056	-0.0034
Tanzania	-0.0049	-0.0071	-0.0037

Sources: Younger, Osei-Assibey, and Oppong (2015); Younger, Myamba, and Mdadila (2016). Simulations are based on data from annual household surveys in Ghana (2013) and Tanzania (2011).

Note: Results are for consumable income (see chapters 1 and 5 of the CEQ Handbook). Changes in poverty are measured as the difference between the headcount ratio obtained under the corresponding policy simulation and the headcount ratio before any policy simulation. Analogously, changes in inequality are measured as the difference between the Gini coefficient obtained under the corresponding policy simulation and the Gini coefficient before any policy simulation. Poverty lines are nationally determined.

Many thanks

Poverty and Shared Prosperity Report 2016

<http://www.worldbank.org/en/publication/poverty-and-shared-prosperity>

UNICEF Ghana Poverty and Inequality Report 2016

https://www.unicef.org/ghana/resources_10232.html

UNICEF Office of Research Transfer Project Ghana Publications

https://transfer.cpc.unc.edu/?page_id=1941

UNICEF Office of Research MODA online

<https://www.unicef-irc.org/MODA/>

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