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Economic Growth and Poverty: Pro-Poor Growth? In the Republic of Congo

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Abstract

Using a posterior approach from 2005 to 2011, this article seeks to answer the question: does economic growth benefit the poor or not in the Republic of Congo? The study found that across the country, the index of pro-poor growth has been positive and superior to one, which is indicative of pro-poor growth, but it is pro-rich in urban areas. However, the study conceals disparities in the regions due to the constraints of informational orders. The study recommends specific policy measures to increase, specifically household surveys in twelve regions in the Republic of Congo to better understand the extent of poverty.

1. Introduction

In developing countries, the fight against poverty is unabated. In September 2000, the member countries of the UN ratified the sustainable statement and specific objectives called "the Millennium Developments Goals" (MDGs) that reflect this vision target for horizon 2015[1].

In Congo, poverty reduction is actually one of the priorities under the rubric of national policy. Efforts have led to significant changes in economic growth, which is evidenced by increases from 5.6% to 7.5% (2008, 2009) and then 8.8% in 2010. The incidence went down to 50.7% in 2005 against 44% in 2009. However, the proportion of poor remains very high[2].

At the national level, very few empirical studies, almost non-existent on the problem about our research

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[1]Bank mondial.
[2]African Bank of Development (2012).

"pro-poor growth" [1]-[3] were interested in assessing whether episodes of economic growth are associated with reductions in poverty and increased individuals' well-being.

Ravallion and Chen [4] suggest that it is possible to assess the pro-poor growth from the growth incidence curve. This is an impact of economic growth on income brackets of subdivided percentile curve between two instants populations.

[5]-[9] have introduced a non-monetary dimension of poverty for issues analyzing pro-poverty by applying the incidence curve of growth (Ravallion and Chen [4]) as a measure of pro-poor growth in non-monetary indicators. It is in Klasen's vision which this article comes up.

The purpose in this article is to evaluate if economic growth was pro-poor in the Republic of Congo over the period 2005-2011. The second section provides the definition of pro-poor growth; the third section presents the concept of pro-poor growth and analytical method. Then the fourth section presents the statistical sources and the fifth section presents the dimension and the result and finally the conclusion.

2. Definition of Pro-Poor Growth

In the general, the pro-poor growth is defined as growth leading to a significant decline in poverty (OCDE, 2001 and United Nations, 2000). More specifically, we use two definitions: one that consists in affirming that growth is pro-poor if income inequality regresses [5] and that is to accelerate the growth of income of the poor and thus the rate of poverty reduction [4]. That is to say boost overall growth, but also strive to improve the ability of poor households to take advantage of opportunities generated by this growth. This definition is consistent with the commitment made by the international community under the first objective of Millennium Development: Halve, between 1990 and 2015, the proportion of people living on less than 1 dollar per day.

3. Concept and Analytical Method

This study refers to one standard measures of pro-poor growth: one "global", generating an index of pro-poor growth based on an assessment of poverty. Few brief reminders are offered.

The global approach, based on elasticity of poverty, led to the development of three indicators: the total elasticity of poverty; the index of pro-poor growth and the rate growth equivalent poverty.

Then resuming the formulation of the change in poverty indicated above, θ depends on three elements: the poverty line; the average expenditure μ; and the Lorenz curve $L(p)$.

Assuming that the distributions of expenditure per capita of the initial and final periods of μ_1 and μ_2 have average expenditures and Lorenz curves $L_1(p)$ and $L_2(p)$, Kakwani and Pernia show that it is possible to estimate the total elasticity of poverty, that is to say the change in poverty inherent to the change in average spending by:

$$\theta = \frac{\left\{\left(Ln\left[\theta\left(z,\mu_2,L_2(p)\right)\right] - Ln\left[\theta(z,\mu_1,L_1(p))\right]\right)\right\}}{{}^{\wedge}\alpha} \tag{3.1}$$

where ${}^{\wedge}\alpha$ is given by ${}^{\wedge}\alpha = \left[Ln(\mu_2) - Ln(\mu_1)\right]$ an estimate of the growth rate of average expenditure during the period, assumed to be positive in the general case. Furthermore, ${}^{\wedge}\omega = {}^{\wedge}\eta + {}^{\wedge}i$, where ${}^{\wedge}\eta$ is an estimate of the growth elasticity of poverty-percentage change in poverty due to a change of 1% of the average expenditure at constant inequality-, and ${}^{\wedge}i$ is the inequality effect of poverty reduction-change in poverty due to the change in inequality that accompanies the growth process. The growth is pro-poor (pro-rich) if the change in the disparity associated with reduced growth (increase) the total poverty. Therefore, when ${}^{\wedge}\alpha$ positive, growth is pro-poor (pro-rich) if the total elasticity of poverty is higher (lower) than the growth elasticity of poverty. In the case where the growth rate of expenditure during the period is negative, the reverse is true.

In this context, the degree of pro-poor growth can be measured by the index of pro-poor growth ϕ:

$$\phi = \frac{{}^{\wedge}\omega}{{}^{\wedge}i} \tag{3.2}$$

When $\phi \succ 1$, growth is positive, that is to say that the poor benefit more than proportionally growth than wealthier. When $\phi \prec 1$, growth is negative, that is to say that growth generates an increase in poverty and the recession is described as pro-poor. Finally, the rate of economic growth is poverty equivalent growth rate ${}^{\wedge}\alpha^*$ needed to reduce poverty as well as the current rate ${}^{\wedge}\alpha$ to constant inequality—all individuals benefit from growth proportionately. The proportional reduction is ${}^{\wedge}\omega{}^{\wedge}\alpha$. Moreover, when growth does not cause a wi-

dening inequality of expenditure, the growth rate $^\wedge\alpha^*$ leads to a reduction of poverty matching to $^\wedge\eta\alpha^*$. From this standpoint, the rate of poverty equivalent growth becomes:

$$^\wedge\alpha^* = \left(\frac{^\wedge\omega}{^\wedge\eta}\right) = \phi\,^\wedge\alpha \qquad (3.3)$$

From this expression, growth is pro-poor (pro-rich, respectively) if $^\wedge\alpha^*$ is higher (lower, respectively) to $^\wedge\alpha$. Moreover, when $^\wedge\alpha^*$ is between 0 and $^\wedge\alpha$, while economic growth increases inequality even if poverty decreases. In other words, the fight against poverty is a monotonic function of $^\wedge\alpha^*$: else $^\wedge\alpha^*$, the greater poverty decreased between the two periods. Therefore, the objective of policies to fight against poverty must be to maximize $^\wedge\alpha^*$.

4. The Statistical Sources

In this study, the databases of two national household surveys were utilized to analyze the poverty profile. Two questionnaires were used in 2005 with a sample of 5002 households[3]. The first kind of QUIBB (Questionnaire unifies basic indicators of welfare)[4], covers the composition of households and subjective poverty. It is intended to provide countries with a way to produce very quickly key statistical indicators for monitoring the impact of policies, programs and projects. The second questionnaire focuses on consumer spending, consumption and household income. Mode of spending proved to be decisive for the quality of results.

The study also mobilizes the last national survey (QUIBB, 2011). It is performed with a similar methodology comparable to methodology of 2005. Only here, the sample was somewhat larger than in 2005 or 1058 households. The QUIBB component was maintained in this study to measure welfare of the population.

5. Pro-Poor Growth and Welfare ex Post

Table 1 shows the effects of growth and inequality in terms of change in poverty, as well as indicators of pro-poor growth as the environment. This results in the following assessments.

First, at the national level, growth and inequality effects simultaneously contributes to reduce the level of poverty in Congo, and has successively increased annual expenditure per capita of 6.8%. Thus, the effect due to growth—*elasticity-growth* $^\wedge\eta$—to constant inequality-indicates that increase of expenditure per capita of 1% induces a decrease of 0.1438% of the poverty ratio, the total elasticity $^\wedge\omega$ of poverty is −0.3018, which means that 1% increase in real expenditures per capita is associated a decline of 0.3018% of the incidence of poverty. It follows that the index of pro-poor growth is positive and greater than unity $\phi = {}^\wedge\omega/{}^\wedge\eta = 2.1408$, this reflects the fact that growth benefits more the poor than the wealthy. Furthermore, since the growth rate of household expenditure increased by 6.8%[5] between 2005-2011, a poverty rate equivalent of 12.98 means that 6.2% growth was earned [(12.98) − (6.8)] because of the change in inequality in favor of the poorest. In other words, the pro-poor growth status during the period 2005-2011 is that the actual growth rate in terms of poverty reduction is higher than 6.2% of current growth rate.

Second, we observe that the changes inherent in growth and inequality have all helped to alleviate deprivation in urban areas. Thus, in terms of impact, the effect of growth causes a decline in poverty of 1.3%. In this context, the total poverty elasticity of −1.9967% means that an increase of one 1% of actual expenditure in urban areas leads to a decrease in the poverty rate of 1.9967%. The index of pro-poor growth that results is positive and greater than unity, which means that the positive growth of expenditures in urban areas benefit more than proportionally to the poor than the rich. But a growth rate equivalent to 3.8172 poverty assumes that only 1.2% of growth were obtained ((3.8172) − (2.6)) due to the positive evolution of the distribution of expenditure on the poor. Then, for rural areas, the change in poverty is explained by the effect of inequality. Moreover, the poverty equivalent growth rates show the extent of mitigation of deprivation. For example, the growth rate of equivalent inherent in poverty ratio suggests that 13.6% of growth were earned ((21.4282 − (7.8)) due to the positive

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[3]The sample size was 5256 marriages originally. In the end, 110 households did not respond to the survey and 144 others were deleted file analysis during the clearance data for partial response or other quality problems.
[4]QUIBB is a lightweight survey developed by the World Bank to calculate basic indicators (education, health, labor market, etc.) living conditions of households.
[5]Thesis Esther Ngakoli.

Table 1. Pro-poor growth and welfare ex post household: growth and inequality on poverty reduction effects by place of residence, Congo 2005-2011.

Parameters									
	Poverty		Annual variation of poverty	Expend. per head	Total elasticity of poverty	growth	inegality	Index of pro-poor growth	Growth rate equivalent
Indicator	2005	2011	2005-2011			effect	effect		poverty
Together									
P0	0.5101	0.4658	−1.8955	6.8	−0.3018	−0.1438	0.3054	2.1408	12.98
P1	0.2538	0.1535	−15.07		−1.7401	−0.6954	−1.0446	2.546	16.188
P2	0.1582	0.0632	−25.59		−1.4814	−0.4251	0.7435	2.4809	15.005
Urban									
P0	0.3238	0.3174	−4.712	2.6	−1.9967	−1.2952	−0.5833	1.3401	3.8172
P1	0.1263	0.0964	−8.8387		−0.9991	−0.6852	−0.2814	1.3759	4.119
P2	0.0472	0.0283	−11.627		−0.3185	−0.3136	−0.3741	2.0289	6.4282
Rural									
P0	0.5447	0.5129	−1.43	7.8	−0.2995	−0.1009	−0.1814	2.7907	21.4282
P1	0.3008	0.1551	−18.86		−1.5912	−0.5582	−1.0229	2.5462	19.671
P2	0.1606	0.0526	−27.001		−1.4167	−0.4009	−0.6882	2.5021	19.333

Source: author's calculation based on data QUIBB 2005-2011.

change in inequality. Taking into account the intensity and inequality of poverty-P1 and P2 also validates the process of pro-poor growth.

6. Conclusions

This purpose of this paper was to answer the question: does economic growth benefit the poor or not in the Republic of Congo? The study found that throughout the country, through the analysis of the effects of growth, inequality and welfare after the event that changes inherent in the inequality of resources per capita associated with the process of growth help to reduce or stabilize poverty. Under these conditions, the growth process seems to be pro-poor. But when considering the urban areas, it seems that as pro-rich index, pro-poor growth is between 0 and 1. However, these results conceal disparities, because the study did not take into account known regions across the Congo, for reasons not available. Under these conditions, the growth process seems to be pro-poor. But when considering the urban areas, it seems to be as pro-rich because index pro-poor growth is between 0 and 1. However, these results conceal disparities, because the study did not take into account known regions across the Congo, for reasons of unavailable data.

Moreover, in order to help public policy to better set their policy, we recommend that a study (survey) well targets regions or organizes any area of the country, to better understand the extent of poverty in companions. Indeed, in this paper, we have not been able to identify poverty by geographic location, due to informational constraints order.

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