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Defining pro-poor growth

*by Siddiq Osmani,
University of Ulster, UK*

Martin Ravallion and Nanak Kakwani have reopened a debate in which they have been engaged for some time. I find myself in agreement with both – not with their definitions of pro-poor growth, but with their criticisms of each other. That is to say, I find both their definitions problematic.

Ravallion's definition is identical with the concept of poverty-reducing growth – any growth that reduces poverty is said to be pro-poor. In my view, simply reducing poverty cannot, in general, be a sufficient condition for 'pro-poorness'. There has to be something more; in particular, the growth process must exhibit a bias in favor of the poor.

In that sense, Kakwani's definition is a move in the right direction. He calls a growth process pro-poor only when the poor benefit proportionately more than the rich. But he takes the bias to an extreme, leading to potentially counterintuitive implications. Compare two scenarios. In situation A, the growth rate is low but the poor benefit proportionately more than the rich. By contrast, the growth rate in situation B is much higher, but the poor benefit proportionately less. Assume further that, because of higher growth, poverty is reduced more in scenario B than A. By Kakwani's definition, we shall characterize A as a case of pro-poor growth but not B, even though the poor have actually done better in the latter! Something surely must be wrong with our definitions if a growth process that reduces poverty more cannot be described as pro-poor, but one that reduces poverty less can.

Clearly, some rethinking is required. We first need to clarify the object to which the quality of pro-poorness is to be attributed, bearing in mind the distinction between the *rate* and the *nature* of growth – the latter usually denoting its distributional impact. Is pro-poorness meant to gauge the nature of growth, or the totality of the growth process? If it merely refers to the nature of growth, then it will no longer matter if 'pro-poor' growth happens to reduce poverty less than growth that is not deemed 'pro-poor', and Kakwani's definition would be the natural one to adopt.

But if the nature of growth is what we are after, why bother to coin a new term? We already have the concept of 'equitable growth', which requires growth to be such as to benefit the poor proportionately more than the rich. Kakwani's definition does not add anything new to this notion.

I believe our interest in pro-poor growth goes beyond a concern with the distributional impact of growth. It stems from a general dissatisfaction with our past experience with growth that has made

a small impact on poverty in the developing world. We are not simply dissatisfied with how the poor have fared relative to the rich, but also with the scale of poverty reduction in absolute terms. While distributional questions underlie the search for equitable growth, it is the absolute impact on poverty that drives our present concern with growth. As such, the quality of pro-poorness is to be attributed not just to the nature of growth but to the totality of the growth process, including its rate.

Ravallion's definition refers to the totality of the growth process, whereas Kakwani's stresses the existence of a bias in favor of the poor. We clearly need to combine the strengths of both. The concept of pro-poor growth must refer to the absolute magnitude of poverty reduction, yet contain an element of bias in favor of the poor. The critical question is how this bias is defined. I believe we must first identify a benchmark that will allow us to gauge the 'pro-poorness' of growth.

Where shall we get the benchmark from? Since our concern with pro-poor growth derives from our dissatisfaction with past growth experiences, these can be taken as the benchmark. This means pro-poor growth demands a break with the past that makes growth more conducive to poverty reduction. There has to be a bias in favor of the poor relative to the benchmark experience; from the point of view of the poor, there must be an improvement over business as usual.

'Pro-poor growth' can thus be defined as a growth process that reduces poverty more than it does in the benchmark. In general, pro-poor growth must involve more than just poverty-reducing growth. Only in the case where the benchmark involves no reduction of poverty would Ravallion's definition fit the bill, as a special case.

Of course, the benchmark will vary across countries and over time; what is pro-poor growth in one case may not be so in another. While there might be practical difficulties in identifying the benchmark precisely, it should not be too difficult to identify a period in any country's experience during which growth was not deemed favorable to the poor.

In any case, identifying a benchmark will only be necessary if we wish to answer whether a particular growth process is pro-poor or not in some absolute sense. In practice, a more common concern will be a comparative one – whether a particular set of policies is likely to be more pro-poor than another. In this comparative context, all we shall need is to compare the poverty-reducing effect of alternative sets of policies. Such a comparative exercise could command agreement, even if people disagree on the precise identification of the benchmark.