Book Review

Poverty reduction in the course of African Development

Machiko Nissanke and Muna Ndulu

Oxford University Press: Oxford 2017

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In December 1961, the UN resolution 1710 (XVI) declared the 1960s to be the first decade of development setting the goal of at least a 5% annual growth in income in poor countries. At the time, income per head was widely used as an indication of the level of resources and hence wellbeing the average person could command. Yet, the limitations of assessing growth outcomes independent from their impact on poverty, inequality and employment soon became apparent, spurring new (composite) measures of development, reflections on what should ultimately be the objective of development and how policy can achieve poverty reduction alongside growth. Theoretical contributions also suggest that high levels of inequality and poverty themselves negatively affect growth, be it by contributing to political instability, limiting access to education and credit or undermining the growth of purchasing power. In short, the questions how growth relates to inequality and poverty (G-I-P nexus) and how inequality and poverty relate to growth (I-P-G nexus) touch on the two most fundamental questions of development: (1) what is development and how do we recognize it when we see it and (2) which factors contribute to achieving development.

Poverty reduction in the course of African development edited by Nissanke and Ndulu is a collection of twelve essays in honour of Eric Thorbecke who has made seminal contributions to this field including (among many other) the Foster-Geer-Thorbecke index. The essays cover numerous monetary and non-monetary dimensions of poverty and inequality in sub-Saharan Africa (SSA) from a comparative and country-specific perspective. They give an overview of the main trends across the continent and a myriad of detail necessary to trace the anatomy of poverty, inequality and deprivation in SSA.

The first major contribution of the book lies in providing the reader with an updated and extensive overview of data on poverty and inequality available in the SSA context. McKay, for instance, draws on surveys in SSA's 18 largest economies, while Fosu makes use of World Bank data revised in 2012 and Alkire and Hosseini assess multiple dimensions of deprivation using the Multidimensional Poverty Index (MPI).

Secondly, the book deploys a multitude of innovative methods to analyse these data descriptively and econometrically. Fosu, for example, introduces a measure of 'growth-poverty transformation efficiency' and estimates the income and inequality elasticity of poverty, both allowing for important comparative analysis. Alkire and Housseini develop a measure to assess inequality in deprivation across the poor within a country or region, which provides a useful entry point into the political economy of poverty reduction. Sahn and Younger construct health and education incidence curves showing whether access to these services increased at a faster rate in poorer income brackets. Dang et al show ways to construct a 'synthetic panel' and Davies applies one of Thorbecke's less well-known methodologies, the 'structural path analysis and multiplier decomposition' within a social accounting matrix framework to the context of South Africa. Even though data requirements for SAMs exceed availability outside of South Africa, this method can be a useful starting point for structured thinking combined with qualitative evidence around the issue of spending multipliers in the presence of inequality.

All of these methods provide useful blueprints for work elsewhere, be it to trace causal relationships around the G-I-P and I-P-G nexuses in SSA or to inform policy evaluation. The contributions by Kabubo-Mariara et al, Dang et al and Mason and Smale provide applications that can inform the design of welfare policies (for the case of Kenya and Senegal) and impact assessments of policies (at the example of hybrid seeds subsidies in Zambia).

Overall, the authors are very careful in highlighting that correlations presented are not tantamount to causation (e.g. Dang et al: 209). The chapters by Ndulu and Nissanke offer theoretical frameworks for the G-I-P nexus and the volume also suggests hypotheses around the I-P-G nexus, drawing in particular on Thorbecke's research on inequality and political instability. Other channels are worth exploring at greater empirical and theoretical depth in future research, including distribution and its effects on the growth of purchasing power and ultimately output in the economy.

Taken together, this compilation of empirical studies and methods around the themes of poverty and inequality in SSA provides a much needed update of SSAs poverty and inequality profile, an entry point into policy design and evaluation as well as the establishment of causal relationships around G-I-P and I-P-G.