PAN-AFRICAN CONFERENCE ON INEQUALITIES IN THE CONTEXT OF STRUCTURAL TRANSFORMATION

28TH - 30TH APRIL 2014, ACCRA GHANA

in partnership with:
Inclusive Growth and Inequalities in the context of Structural Transformation: Ethiopia*

Abbi M. Kedir
Outline

• Motivation/Introduction;
• What is happening/changing?
• What is driving the change? (institutional, policy, geography, social norms...etc);
• What is the direction of movement?
• Are inequalities widening or bridged?
• How can we engage with the forces? (solutions!)
Keep in mind

• Draw on Evidence based on LFS 2005; UEUS 2006 to 2012; EUHS; ERHS
• AERC project;
• Capital flight and tax evasion project;
• Oxford Companion (2012);
• Descriptive and econometric evidence;
• Gini, Atkinson index and Palma ratio*(~2.23-Cobham & Sumner, 2013);
Introduction

• Deep sense of outrage and frustration*;
• Equity a pipe dream for many;
• Deeply rooted mind-sets, stereotypes and cultural norms, inefficient institutions and simply greed perpetuate inequality;
• We cannot shut our eyes and continue with business as usual (i.e. talking and talking without actions);
• Should be disgusted about the gory details;
Introduction

• Not really new agenda: Kuznets (1955); Okun (1975)
• F. Ferreira (2014), “At this rate, even if countries in Africa continue to grow at the same rates as in the 2000s...poverty in 2030 would be in the 26-30% range (assuming constant inequality). Somewhere between 60 to 80% of the world’s poor would live in Africa”. Picture will be worse with increasing inequality;
• The Economist (1-7\textsuperscript{th} march 2014), p. 80: “...societies cannot have both perfect equality and perfect efficiency and must choose how much of one to sacrifice for the other.”
• This what most economists believe;
• Good to grow but it will be wasteful if unequal;
Introduction

• But increasingly they believe the growth arresting impact of inequality (Rodrik);
• UNECA- introduced “Social Development Index” giving importance to social inclusion;
• Maternal mortality rates and youth unemployment are high, gender inequality persistent and poverty is deepening;
• The continent cannot talk of progress towards an inclusive & sustainable development;
• “You cannot eat growth’ (African Report 2014);
• Post-2015 focus on sustainable development and poverty eradication;
Africa

• The inequality problems of Africa have spatial, economic, service delivery and gender dimensions;

• Hence common position easily reached in the Pan-African inequalities conference (28-30th April, Accra);

• 24 out of 25 of the worst performers in 2013 inequality adjusted HDI are in Africa (Afghanistan);

• So urgent and worthy of inclusion in Post-MDG agenda
Some work on Ethiopia

• Gelaw (2009) inequality significantly affect the poverty gap;
• Distributing the proceeds of growth leads to significant poverty reduction (Geda et al 2009).
• Kedir et al (2011); Kedir (2014).
• Prospect theory v conventional measures in the growth-poverty link;
• Lack of studies;
I. What is happening? Income

- Household Consumption expenditure is higher in urban areas
- Urban income inequality (0.37) > rural inequality (0.27) (MoFED, 2014);
- Palma: 25.6% (a quarter) of the wealth owned by 10% of the population (2005);
- Even if urban welfare seems better than rural, Inequality got worse in some cities (Diredawa-EUHS)
- Informative to probe both intra-and inter-group inequality;
- However, inequality between urban & rural areas is being bridged;
I. What is happening?

- **Measurement issue**: if we use land instead of income, we see a higher inequality within rural Ethiopia;
- **Structural transformation**: Martins (2014) service outstripping agriculture;
- **Service sector**: low return, low expansion, poorly linked with either agriculture and industry (Sutton & Soderbom, 2010)
I. What is happening? Assets

- Asset inequality (e.g. land) - outcome of income inequality;
- **Accumulation** is fundamental;
- 1. Assets at marriage and divorce (cocktail of culture and legislative measures);
- 2. **Asset poverty trap** - high and low asset **equilibria** – limited access to credit and low future levels of assets;
- **Controversial**: land inequality among African smallholders is small. Micro evidence from ERHS (using Atkinson Index) suggests otherwise highlighting the importance of context;
I. What is happening? Land & Developmental state

• Its distribution is unequal across gender;
• Like in the case of LRAD (Land redistribution of ag’l dev’t), there are productivity and consumption increases due to enhanced land certification and redistribution in Ethiopia;
• However, female-head households are less productive (why? Plausible explanation might be related to access to complementary inputs, fertility, land quality);
• So access and changing only the books might not be enough;
What is driving the change in economic inequality?

- Favourable *prices* for agricultural producers. But still no *nationwide study*;
- Nature and road infrastructure;
- Productive Safety Net Programme (PSNP) – cash v in-kind (Sabatees-Wheeler & Deveruex, 2010);
- PSNP’s sustainability is an issue;
- Planned Urban development safety net strategy – food insecurity, employment and entrepreneurship (M. Poscheke of McGill for WB)
- While *land certification (1998)* is clearly beneficial to farm-level productivity but it does not necessarily lead to more gains for females than males (Bezabih & Holden, 2010);
II. What is happening? Social Inequalities

- Social inclusion/exclusion
- Human development (mortality, immunisation)
- Education and Health
- “Gender inequality is the greatest unmet human challenge of the 21st century”, Justine Greening (May 1, 2014 - Warwick University Speech).
II. What is happening? Gender

• Am talking about >50% of humanity;
• Female economic empowerment facilitate economic growth (Indian states; Egypt);
• Pretty much the bottom line is no country can develop if it leaves half of its population behind;
• Choice, voice and control for girls and women (Girlhub and Nike foundation-Ethiopia, Rwanda and Nigeria)
II. What is happening? Gender

• Evidence from UEUS 2006 & UEUS 2012;
• They are more likely unemployed
• They are more likely to spend more hours working (adding hours of paid & unpaid work); work part-time; have wage which is a fraction of men;
• These patterns are observed both in descriptive and econometric analysis and regardless of education levels, location, marital status, presence of children...etc.
II. What is happening? Other social

- Social outcomes such as education is worse in some regions (Afar and Somali)*-likely not to have UPE in 2015 and require attention;
- Child malnutrition is still very bad (Gable & Kedir);
- Infant mortality v maternal mortality (15-29 group);
- Early marriage—Amhara (ECMP/DFID, 2013-2016);
- Immunisation – good in SNNPR, Tigray and Amhara but not in Afar and Somali;
- Life expectancy ranking – Harari (70) and Addis (62) but lower in all other regions (why? - health inequality within wealth quintiles is higher- poor health is a poverty issue- Tranvag et al 2013!) and has spatial element;
What is driving the change? Legislative and sector specific measures

• Improvements: gender parity in education improving;
• Parity restricted at primary level
• Access not parity as an issue in emerging regions;
• High income quintiles – more likely to have kids above primary;
• Only 32% of households within 10km radius of a high school;
• To address the early marriage problem and its detrimental, family law was amended in 2000 (marriage 15 to 18);
III. What is changing? social

- Government is moving to **equity and quality**-ESDP (e.g. Pastoralist Health Promotion and Disease Prevention Directorate with in Min. of Health);

- If not, a generation of children will be lost to the education system, the MDGs will not be met and new social challenges will emerge;

- Agricultural Transformation Agency (ATA) developed a gender mainstreaming strategy.

- Health extension work v mortality;
III. What is happening? Spatial inequality

- Urban v rural;
- remoteness
- Institutional failures;
- Vertical and horizontal fiscal imbalance;
- Mismatch between revenue assignments and allocation of funds for expenditure responsibilities for the provision of infrastructure and other services (wage, energy, roads, schools, hospitals and so forth);
IV. Political economy of inequalities*

• Counting the uncounted;
• Avoiding grey areas (e.g. vague land laws);
• Smart use of taxation and other redistributive tool;
• Inter-ministerial coordination (various ministries do not talk- e.g. Water in Afar and school attendance, health);
• Strong leadership (a developmental state with ambition and vision);
IV. Political economy

- Big challenge is to address spatial, social inequities and service delivery in remote and emerging regions;
- Health/social inequality persistent across wealth quintiles and should be a focus;
- Is there further growth to be shared? Sustainability due to the public investment driven nature of Ethiopia’s growth
Recommendations

• Do not ignore the **blind spots** (pastoralists-60% of the land area; street children; the disabled, child labour...etc.);
• Focus on other half (women->50% of the population);
• Create jobs and formalise the informal;
• Improve literacy and employ female teachers; gender training and also on handling the disabled;
• Employ qualified teachers for emerging regions (incentives);
Recommendations

• Focus on drop outs because it isn’t efficient to spend a lot on students who do not finish;

• Community schools* and ABE for pastoralists but quality is an issue so it should be complemented with other provision options; (Idea: have the schools where they can find water);

• Further legislative measures to fight harmful social & cultural norms.
**Recommendations**

- Redistribution via **social protection measures** (but not sustainable);
- Service and Informal sector support (e.g. loans)* for **re-industrialisation****(12th May)**;
- Rural roads and infrastructure expansion to continue;
- 30 million Africans depend on **artisanal and small scale mining** and there is a huge scope to help them (Ethiopia: artisanal gold miners given a max of 5sq. Km instead of the usual 100sq km of exploration area);
Africa wide: Capital flight and tax evasion

• African inequality and taxation report;
• Financial liberalisation will bring in capital from rich countries. Did it happen? No.
• There is more capital flight in the wake of fast growth.
• Do not expect progress in k-flight from rich countries (e.g. HSBC) – tax evasion (Cameron-only when it hurts);
• It is like expecting to have more birds to fly in when opening a bird cage (Jomo Sundaram-2014);
What really works

• Amending and assessing the impact of the family law amendment in 2000 for meaningful empowerment of women;
• Income and corporate taxation instead of VAT which is regressive but easy to collect
• Invest in education and health esp. for girls (Smart Economics; multiplier effect for GDP growth and intergenerational benefits)
• Respect human rights and transparency has transformative power;
• Provide opportunity for all- it should not depend on who you know and where you come from;
• Goodwill take us far
• Thank you very much!!!