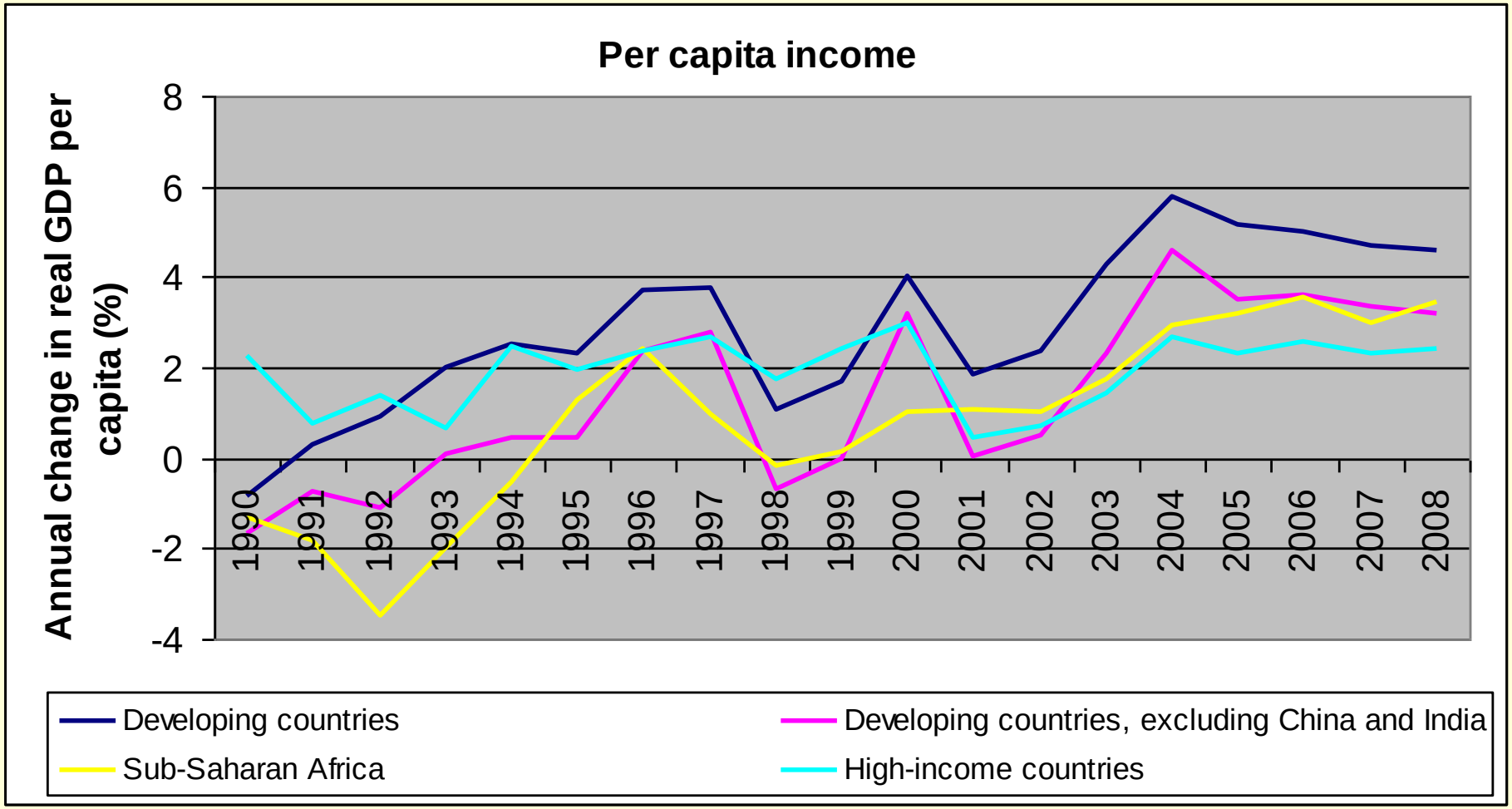
Why are there so many poor people in Africa and South Asia?

Shanta Devarajan

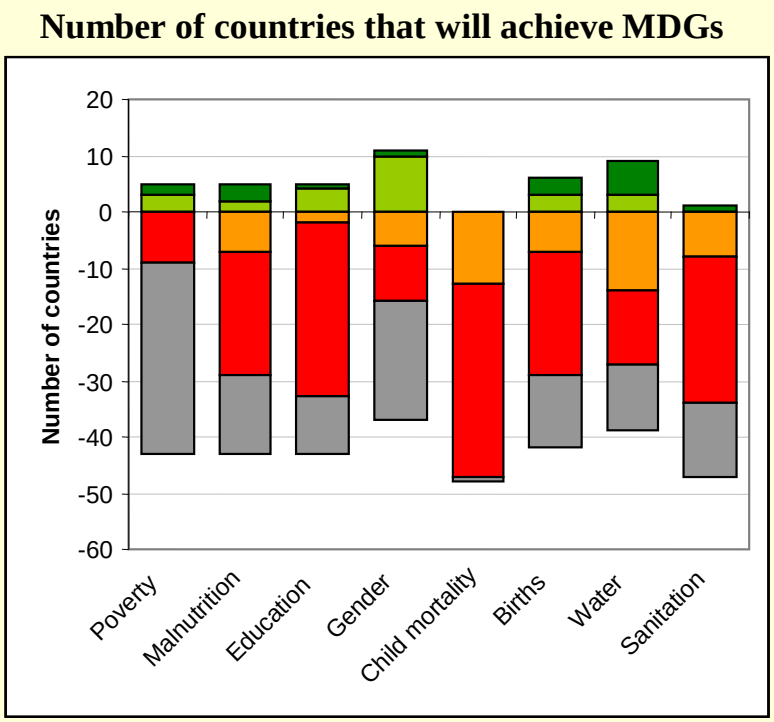
World Bank

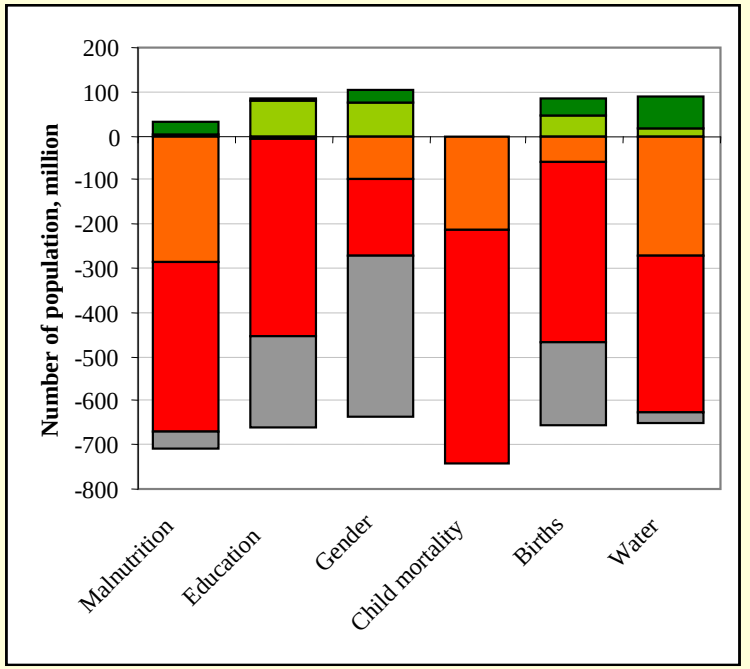
http://africacan.worldbank.org

For the first time in 20 years, Africa's growth is equal to that of developing countries (except China and India)



Africa's growth has not brought sufficient progress on poverty and social outcomes

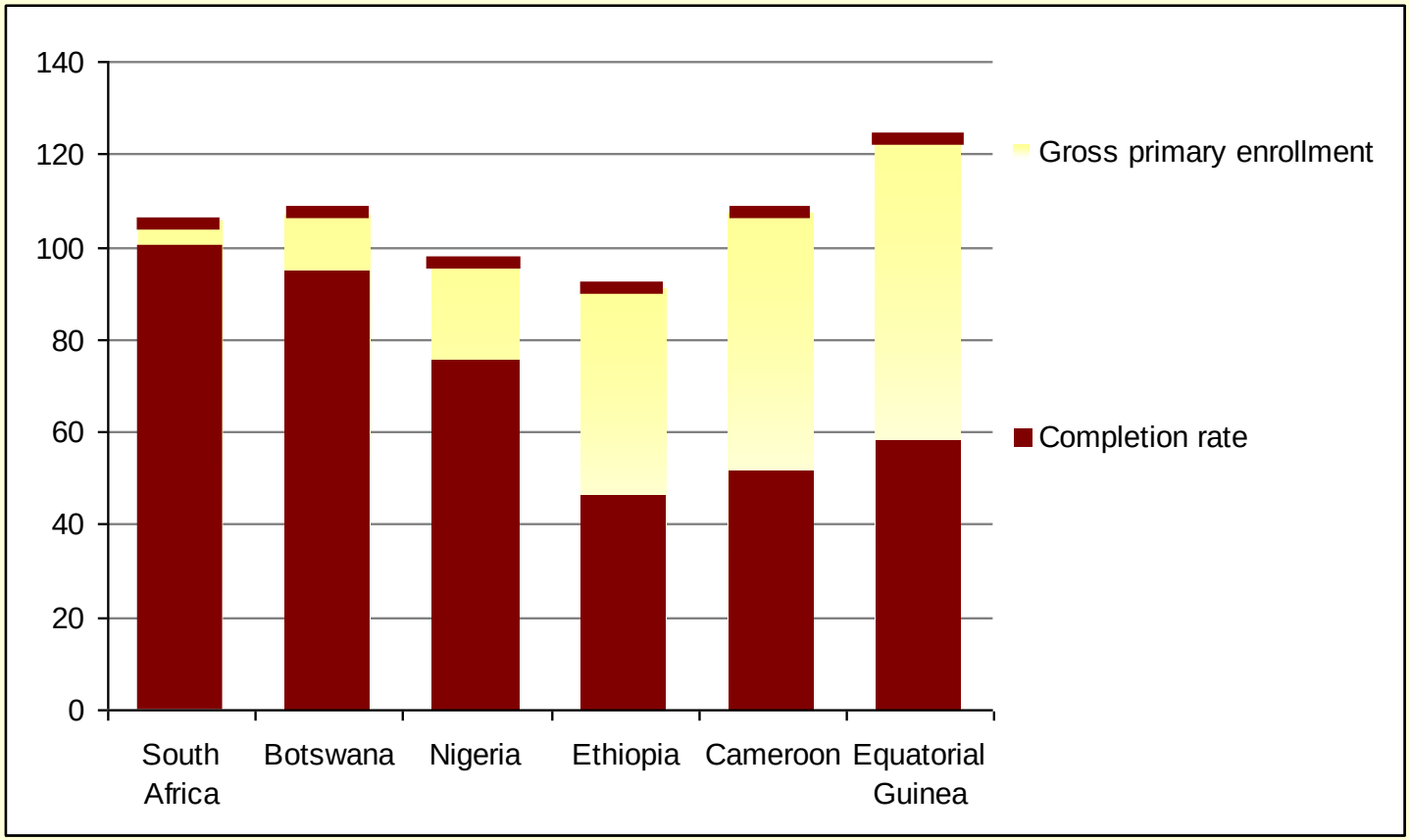




Achieved 1	On track 2	Off track 3	Seriously off track 4	No data 5

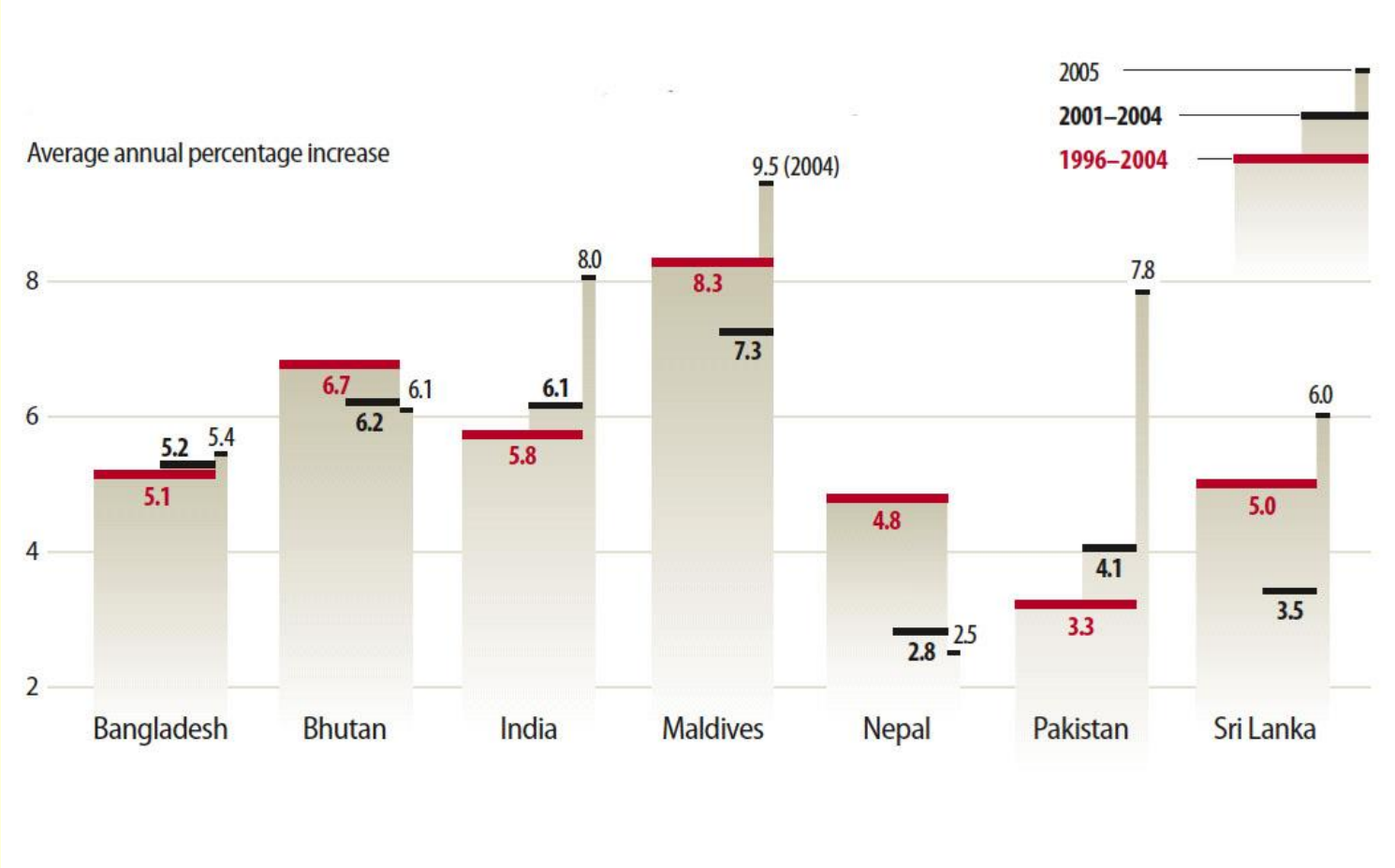
Source: *Global Monitoring Report*, ***2007***.

While gross primary enrollment rate is high, completion rate is low in most of countries

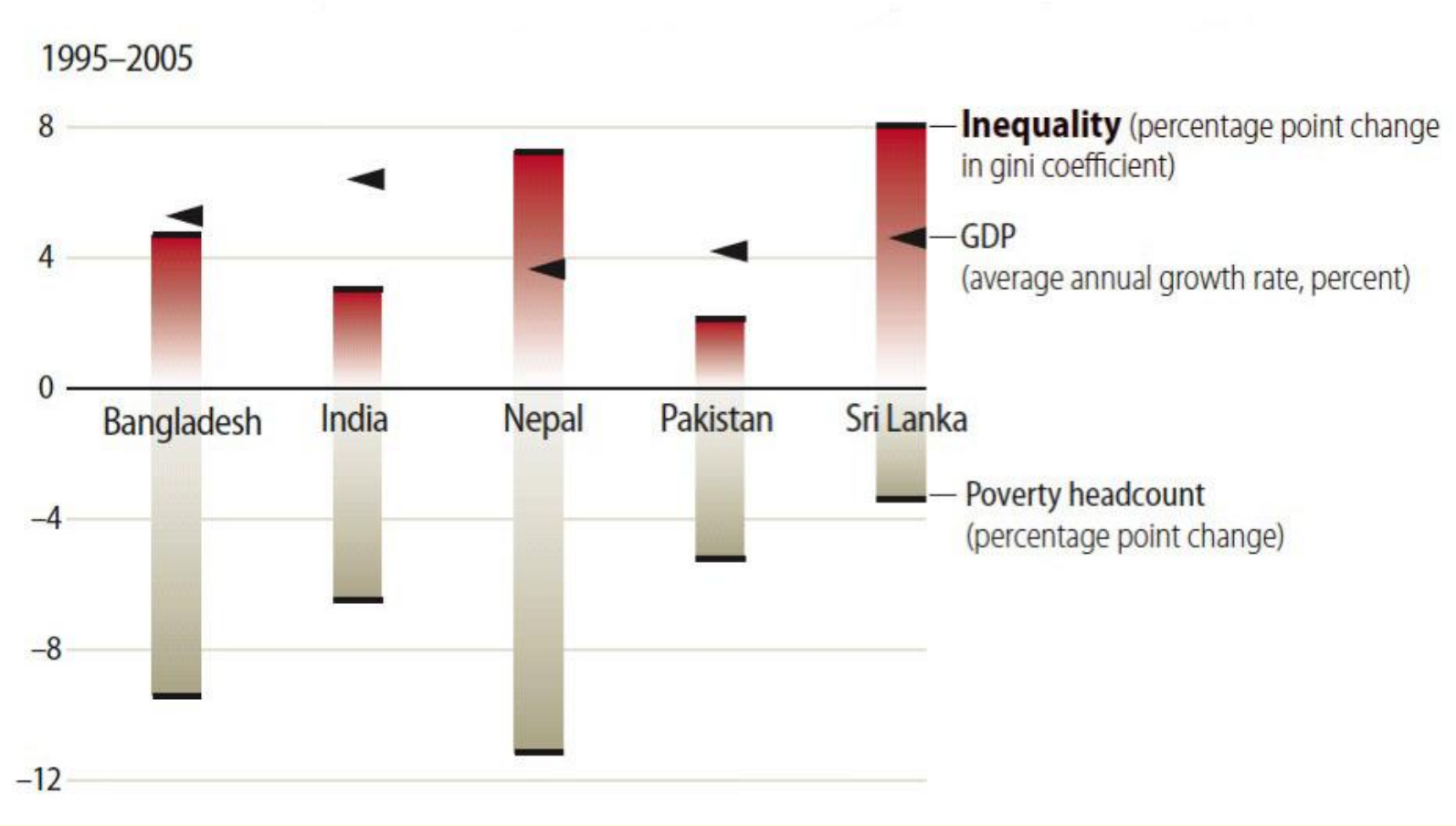


Source: WDI.

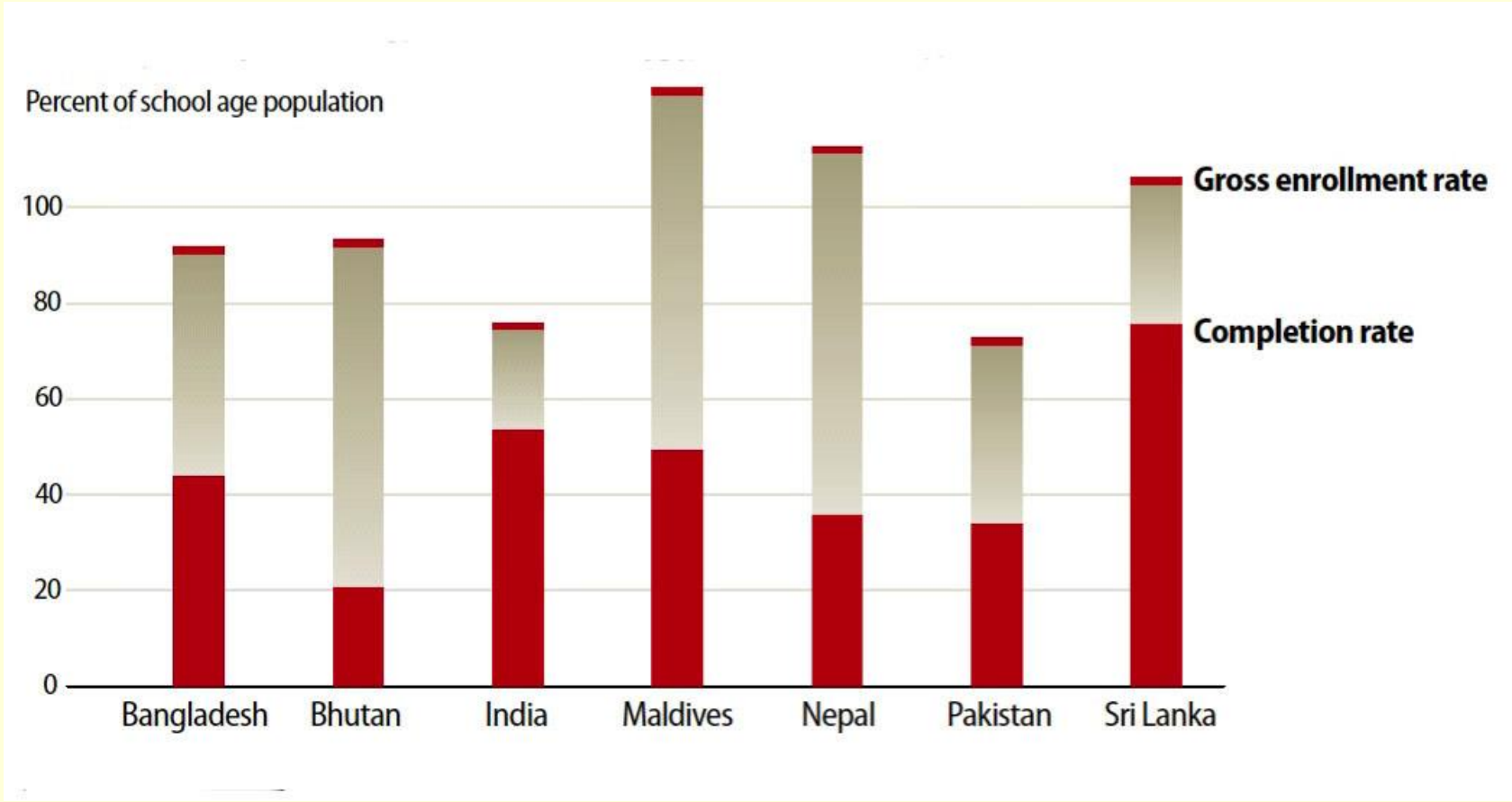
GDP growth in South Asia has been strong and accelerating



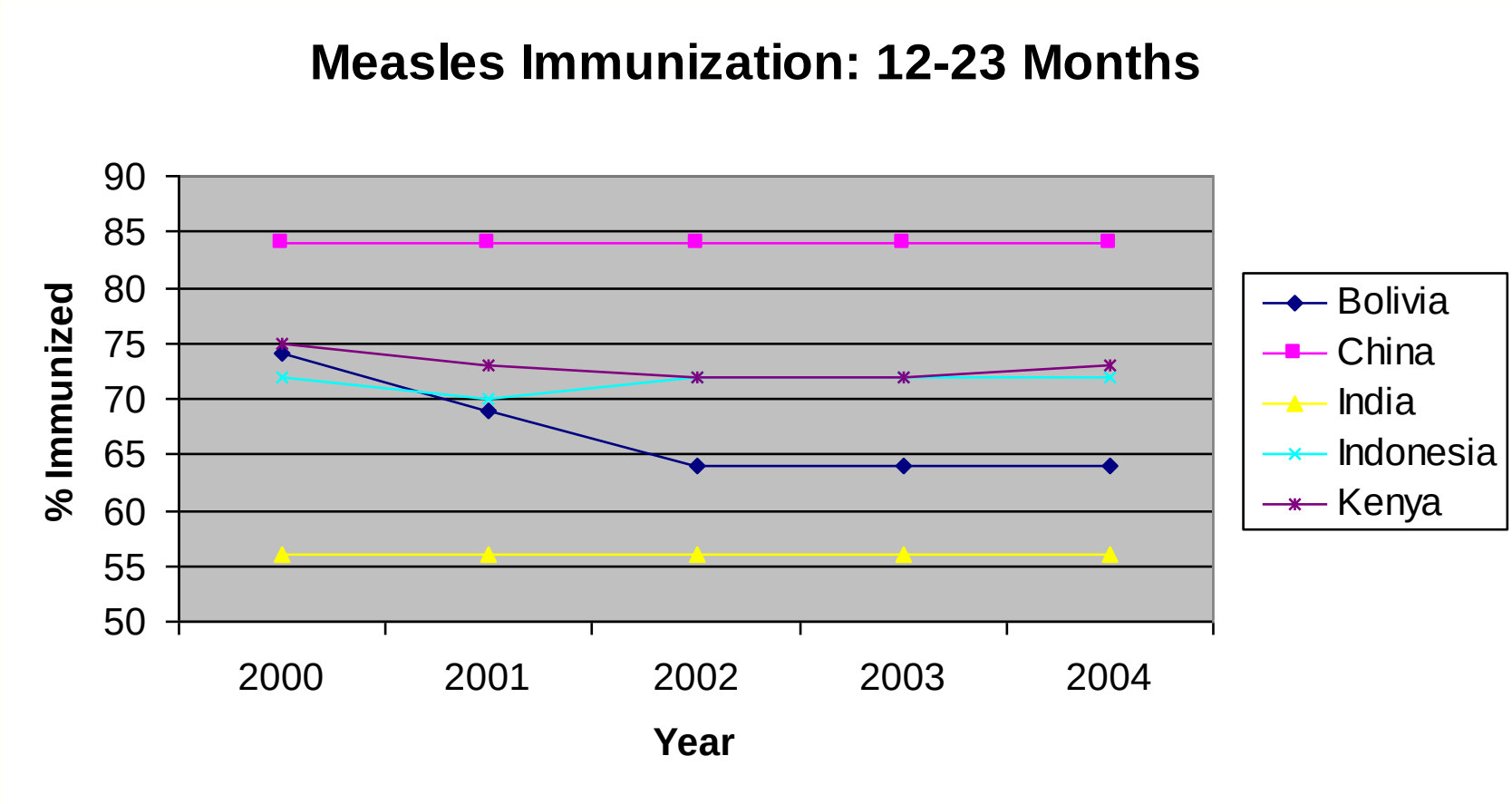
Poverty is falling but inequality is rising



Big gaps between enrolment and completion in primary education



Immunization rates in India are low and stagnant

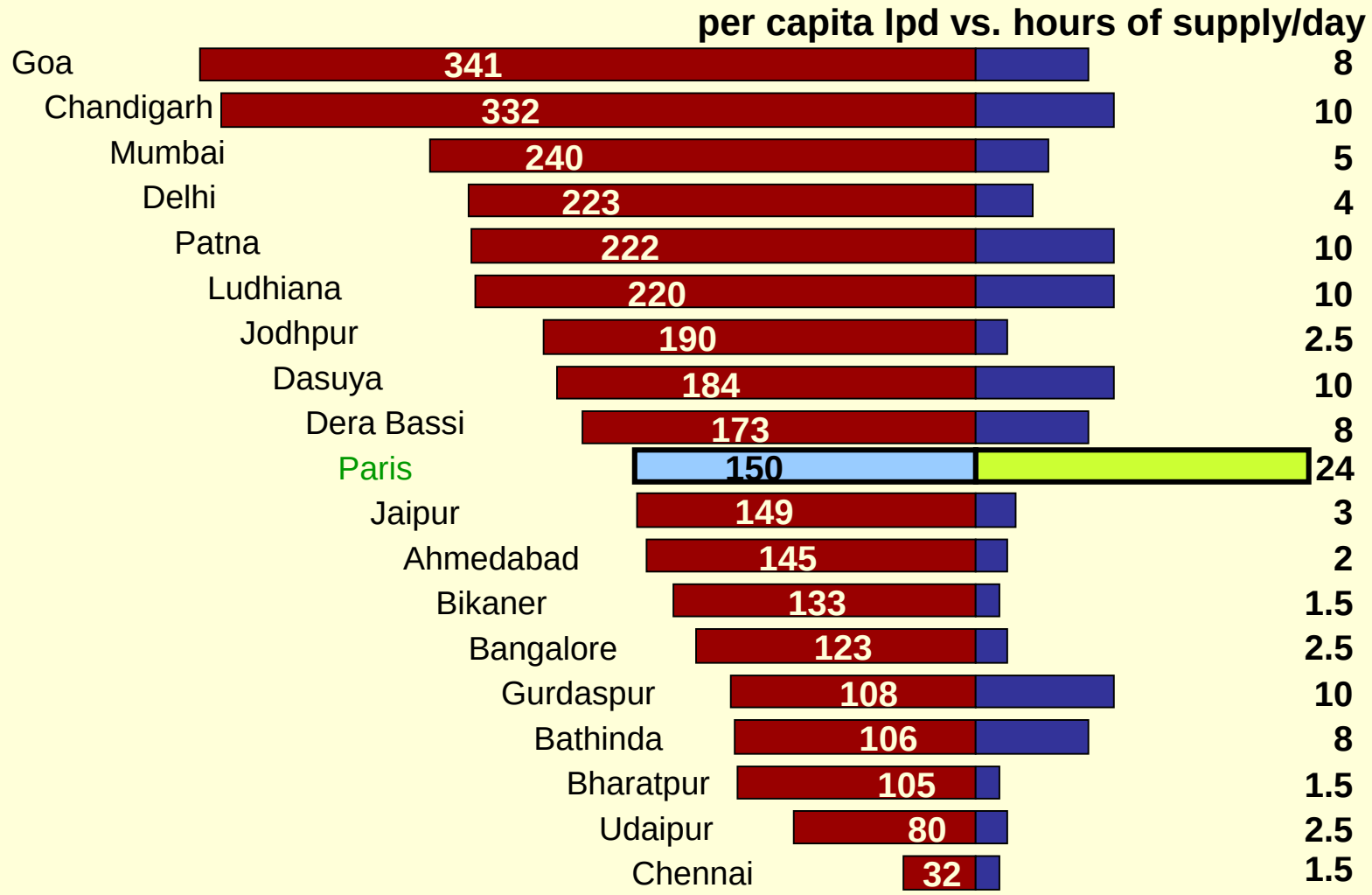


Source: WDI Indicators Database

I. Infrastructure in India and Africa

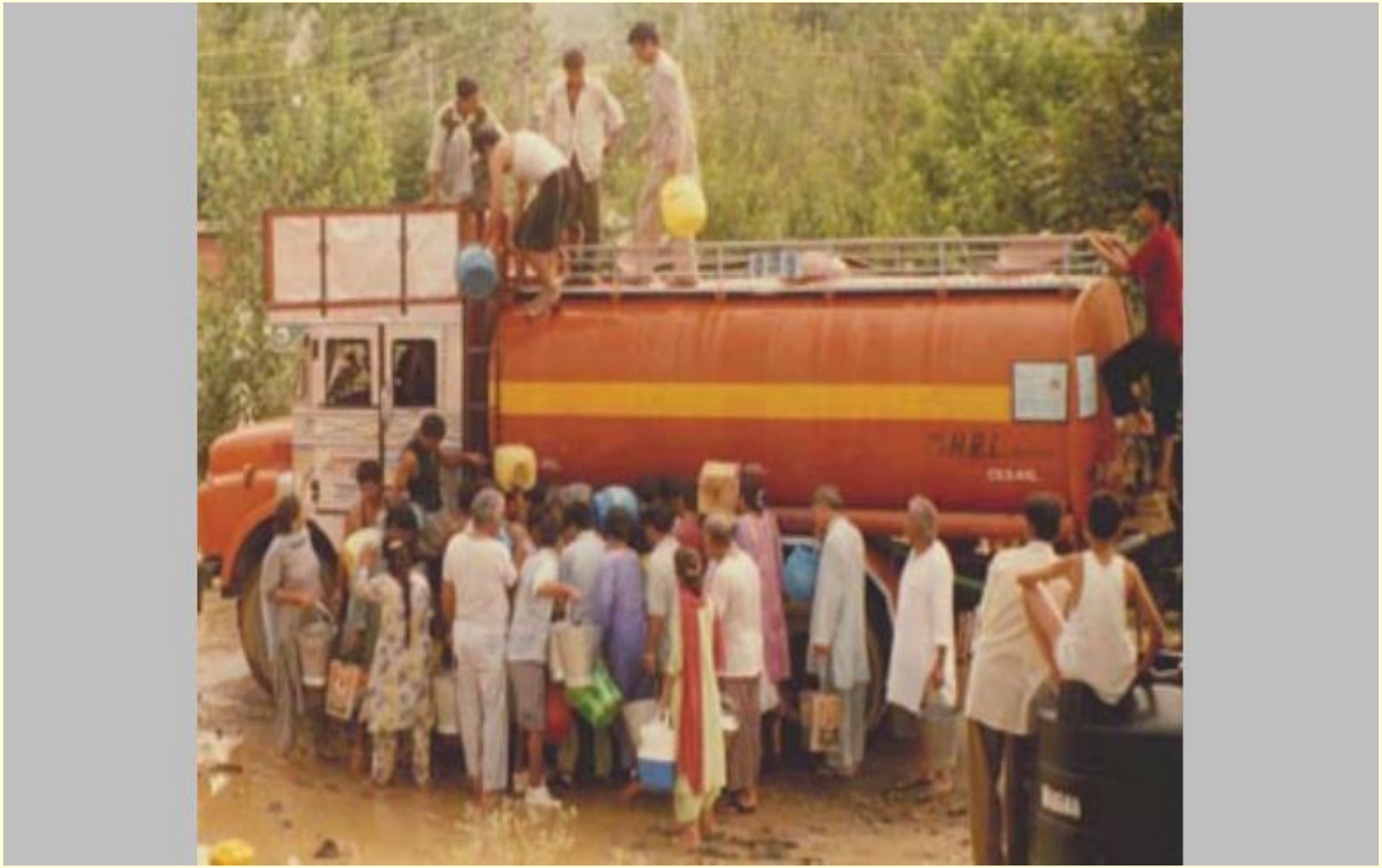
- Water in India

24x7 water: A pipe dream?

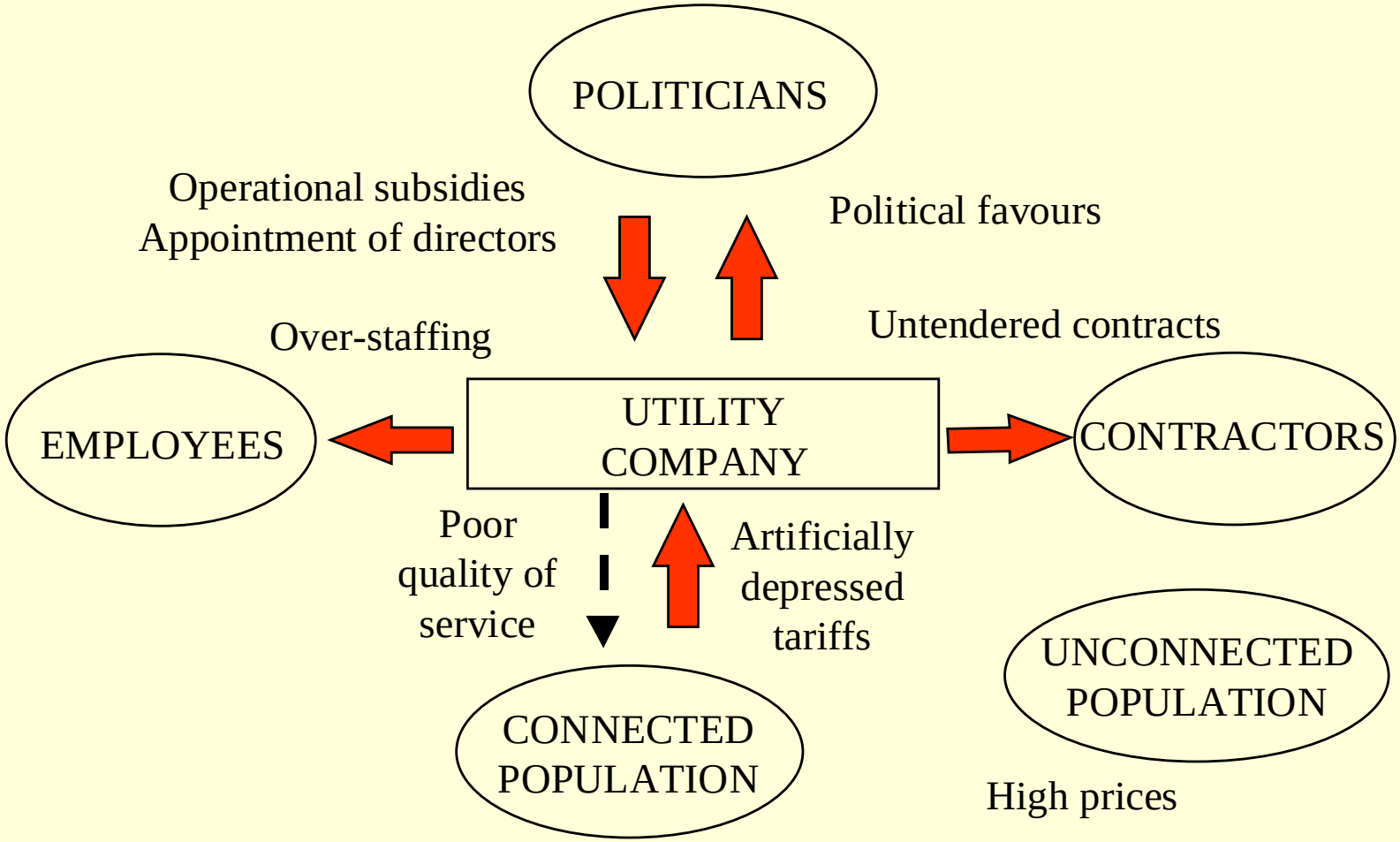


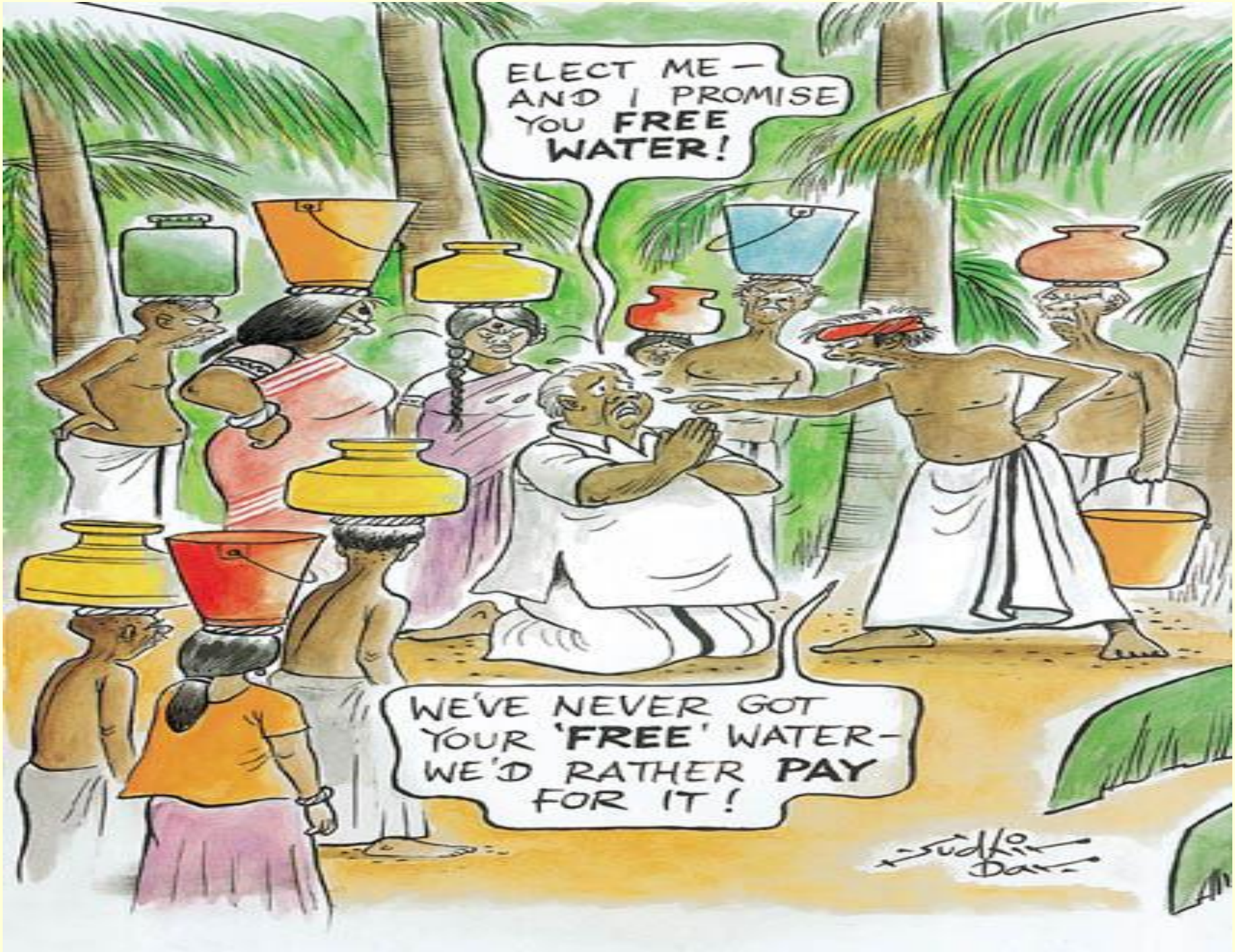
Source: Data collected from the water boards or utilities

Service to the poor is big business



Politics, patronage, & network services

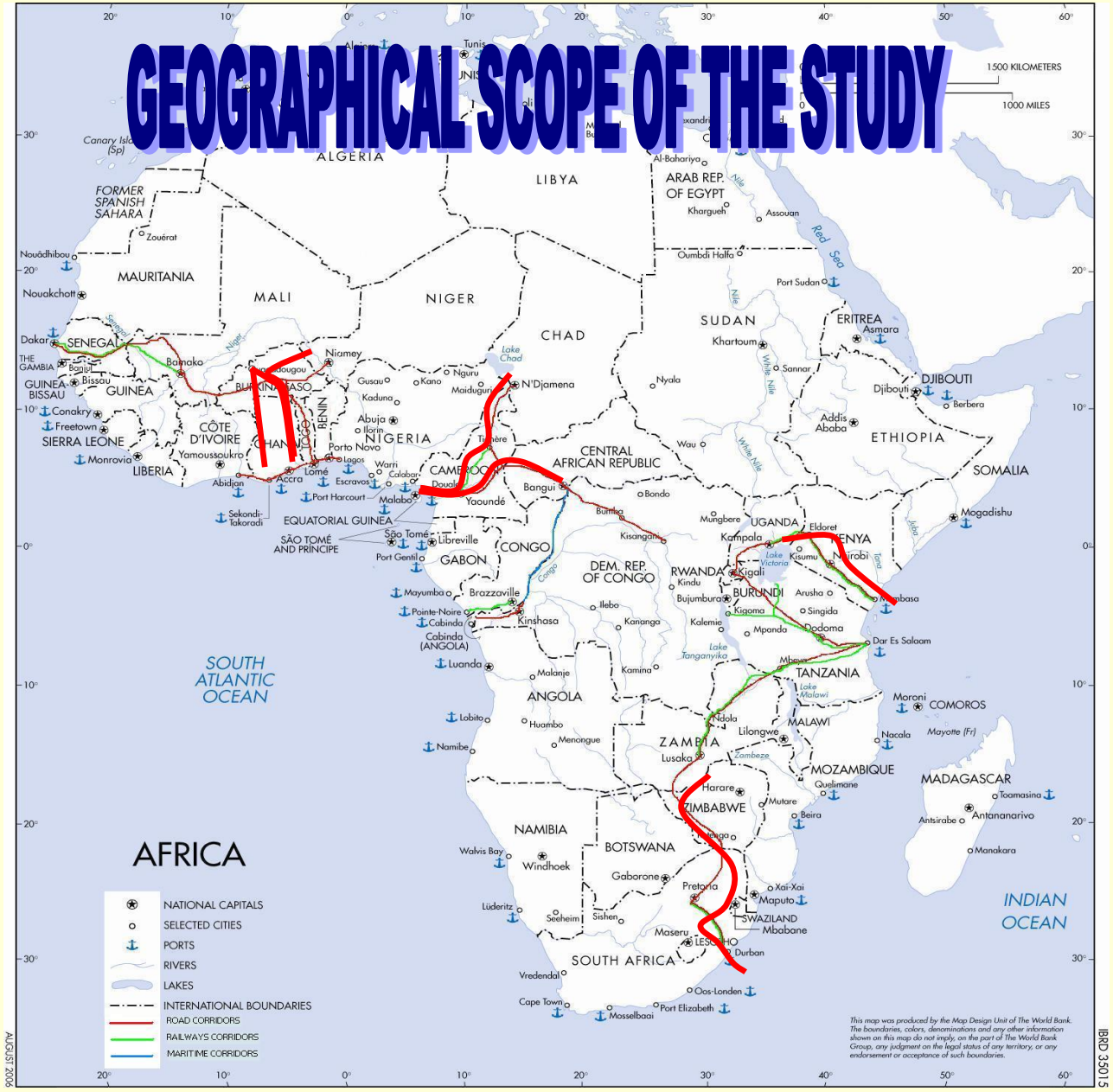



ELECT ME — AND I PROMISE YOU FREE WATER!
WE'VE NEVER GOT YOUR 'FREE' WATER — WE'D RATHER PAY FOR IT!
Sudhir Dar

I. Infrastructure in India and Africa

- Water in India
- Transport corridors in Africa

GEOGRAPHICAL SCOPE OF THE STUDY



SELECTED CORRIDORS

OF THE STUDY

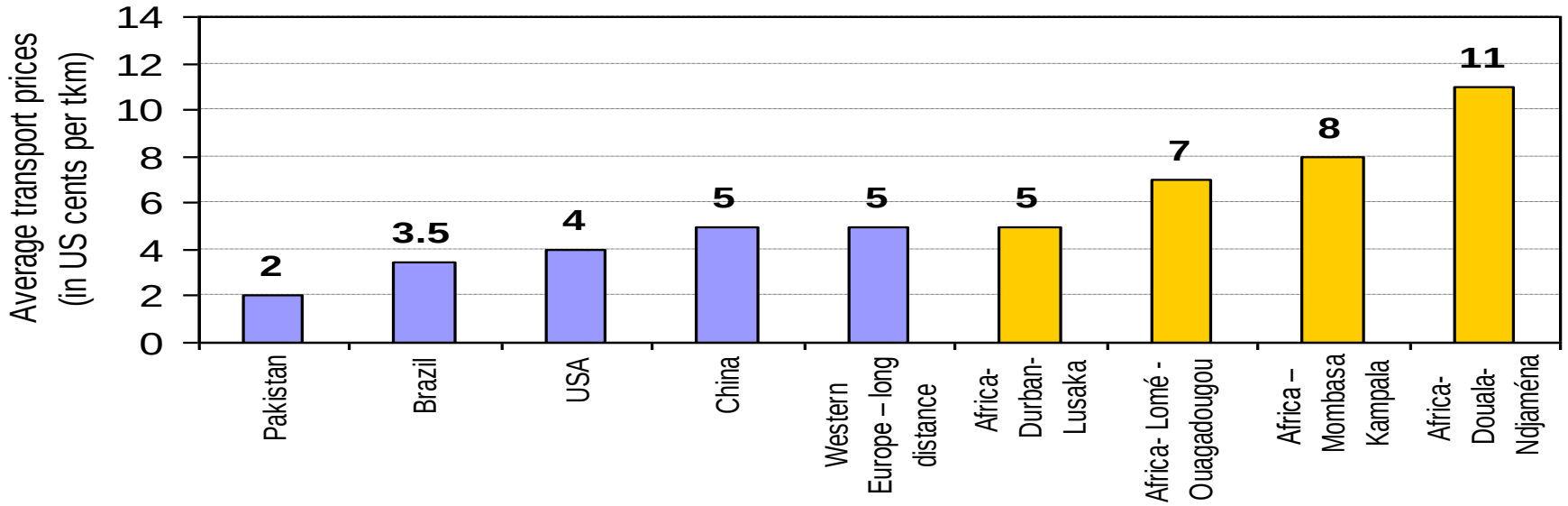
THE TRANSPORT PARADOX IN AFRICA (1)

A disconnect between low transport costs but high transport prices

Transport costs are not excessively high in Africa comparing to France for example

	Central Africa	East Africa	West Africa	Southern Africa	France
Variable costs (USD per veh-km)	1.31	0.98	1.67	1.54	0.72
Fixed costs (USD per veh-km)	0.57	0.35	0.62	0.34	0.87
Total transport costs (USD per veh-km)	**1.88**	**1.33**	**2.29**	**1.88**	**1.59**

However, average transport prices in Africa are high in a global comparison



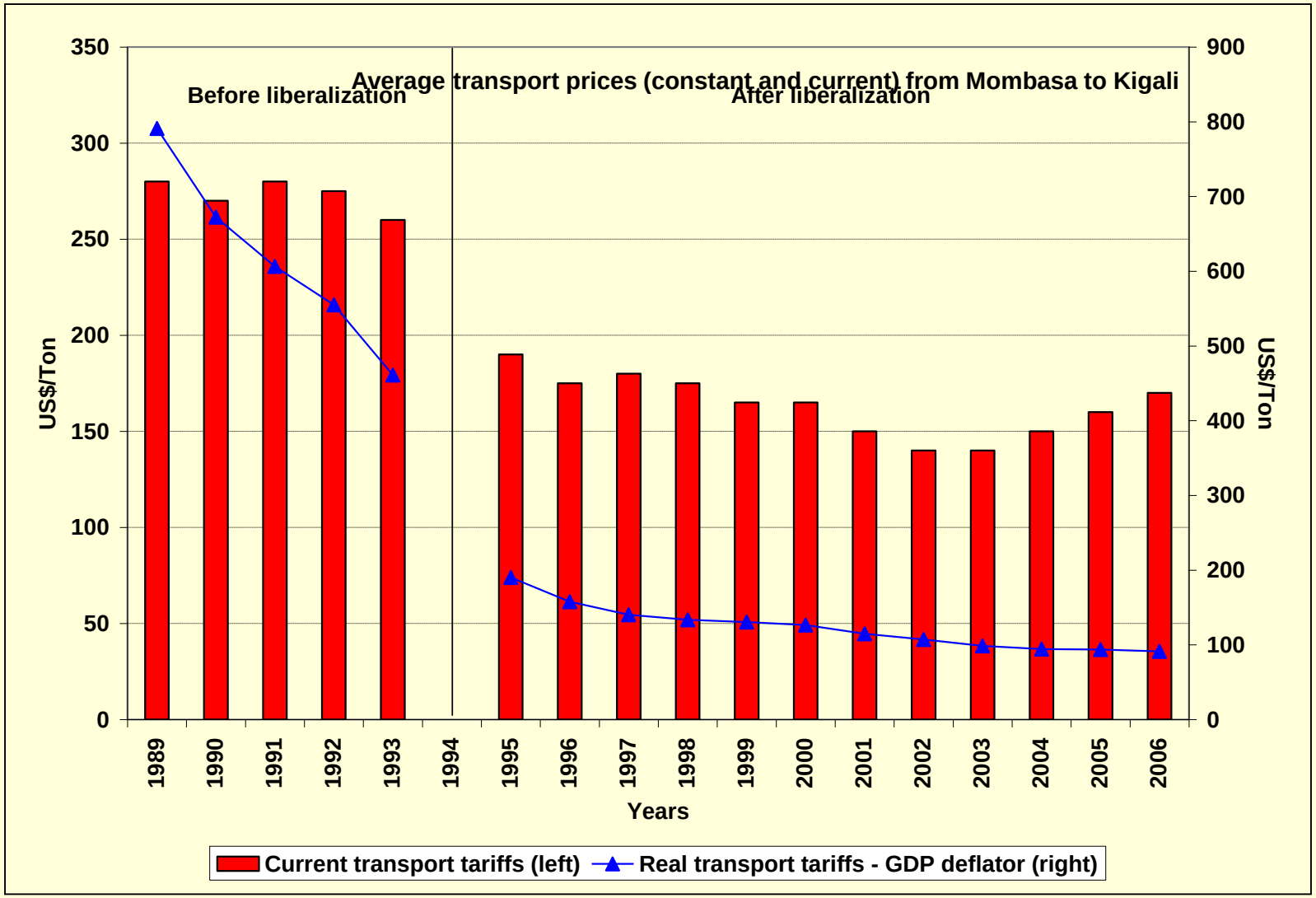
THE TRANSPORT PARADOX IN AFRICA (2)

Although low efficiency, profit margins of trucking companies are high

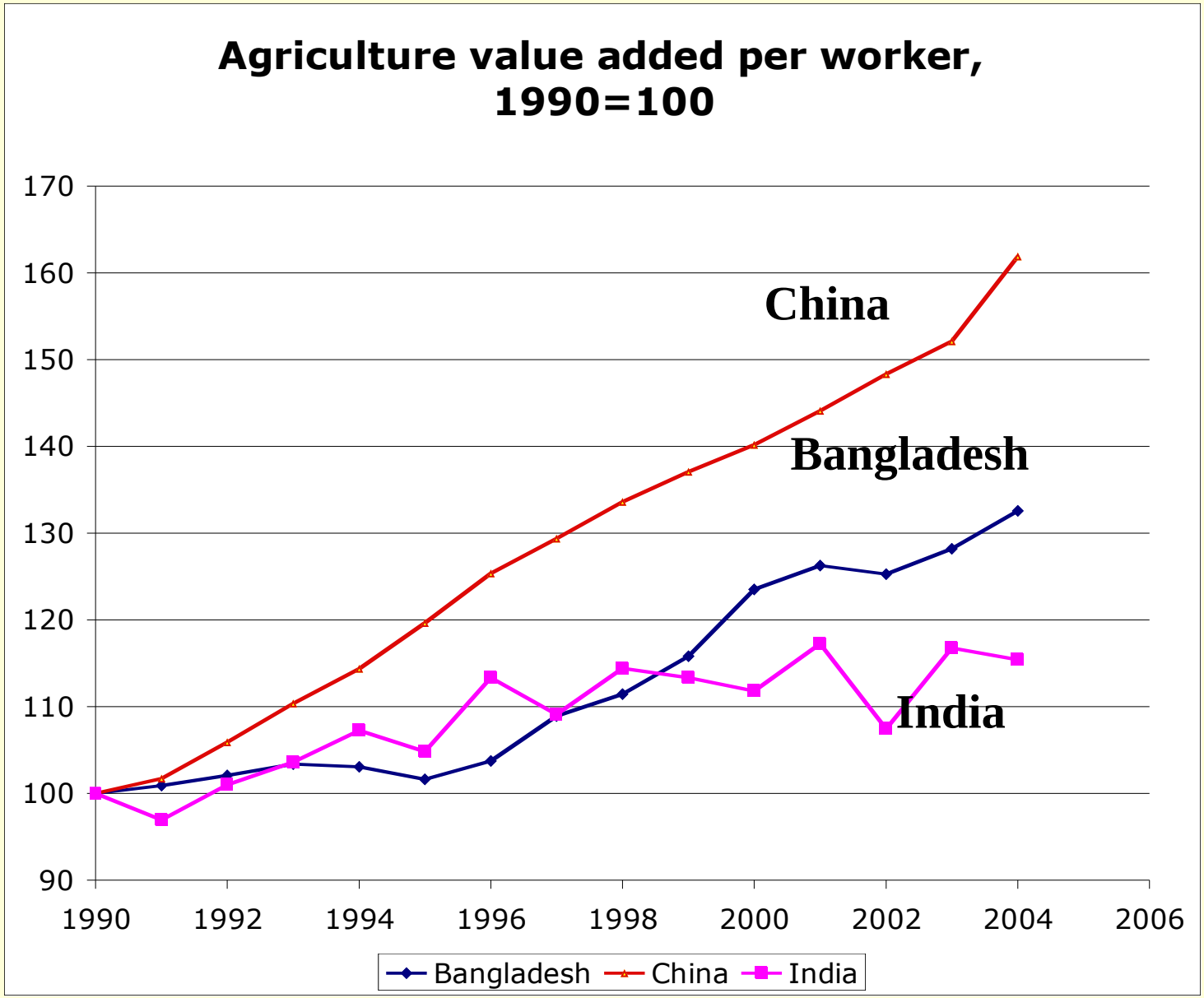
Corridor	Gateway - Destination	Price (USD/ veh-km)	Variable cost (USD/veh- km)	Fixed cost (USD/veh- km)	Average yearly mileage ('000)	Profit margin (%)
West Africa	Tema/Accra - Ouagadougou	3.53	1.54	0.66	30-40	**80%**
	Tema/Accra - Bamako	3.93	1.67	0.62	40-50	**80%**
Central Africa	Douala - N'Djaména	3.19	1.31	0.57	60-70	**73%**
	Douala - Bangui	3.78	1.21	1.08	50-60	**83%**
	Ngaoundéré - N'Djaména	5.37	1.83	0.73	20-30	**118%**
	Ngaoundéré - Moundou	9.71	2.49	1.55	10-20	**163%**
East Africa	Mombasa - Kampala	2.22	0.98	0.35	130-140	**86%**
	Mombasa - Nairobi	2.26	0.83	0.53	90-100	**66%**
Southern Africa	Lusaka - Johannesburg	2.32	1.54	0.34	160-170	**18%**
	Lusaka - Dar-es-Salaam	2.55	1.34	0.44	160-170	**62%**

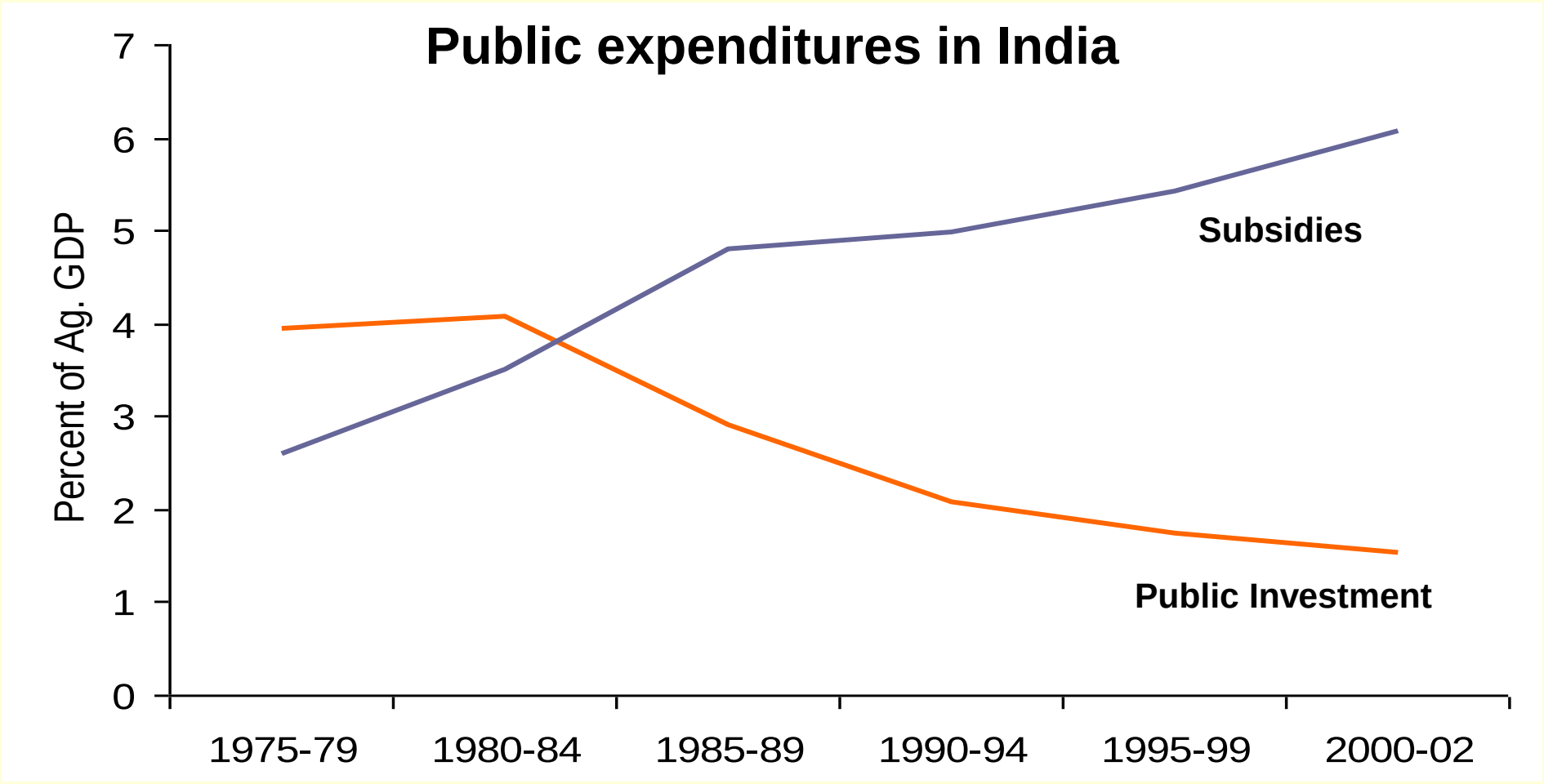
An interesting observation:
On Central Africa corridor, trucks with lower average yearly mileage have the higher profit margins

Example of the impact of market deregulation: the case of Rwanda



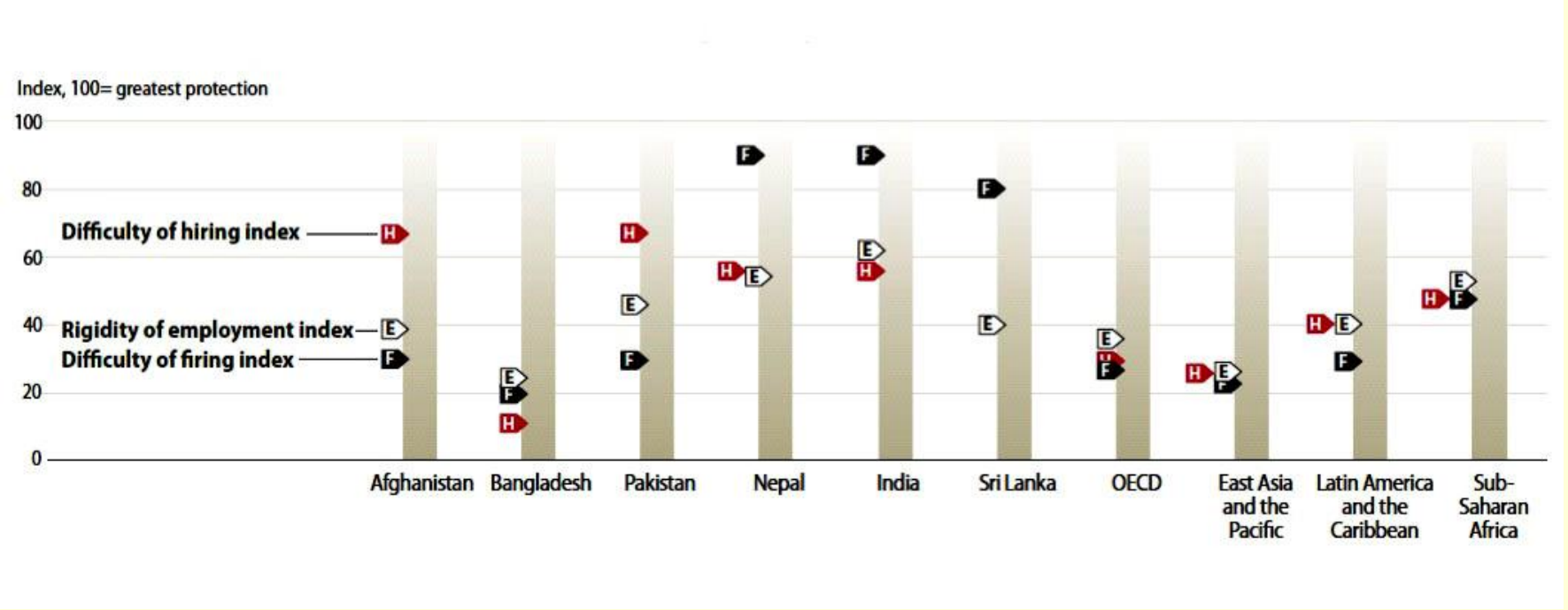
II. Agriculture in India


Agriculture value added per worker, 1990=100
170
160
150
140
130
120
110
100
90
1990
1992
1994
1996
1998
2000
2002
2004
2006
China
Bangladesh
India
Bangladesh
China
India

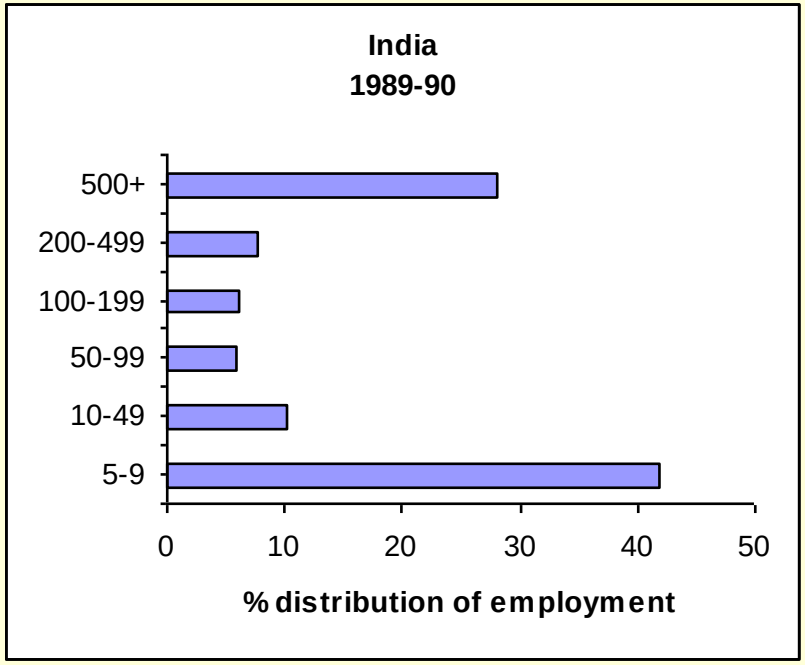

Public expenditures in India
Percent of Ag. GDP
7
6
5
4
3
2
1
0
1975-79
1980-84
1985-89
1990-94
1995-99
2000-02
Subsidies
Public Investment

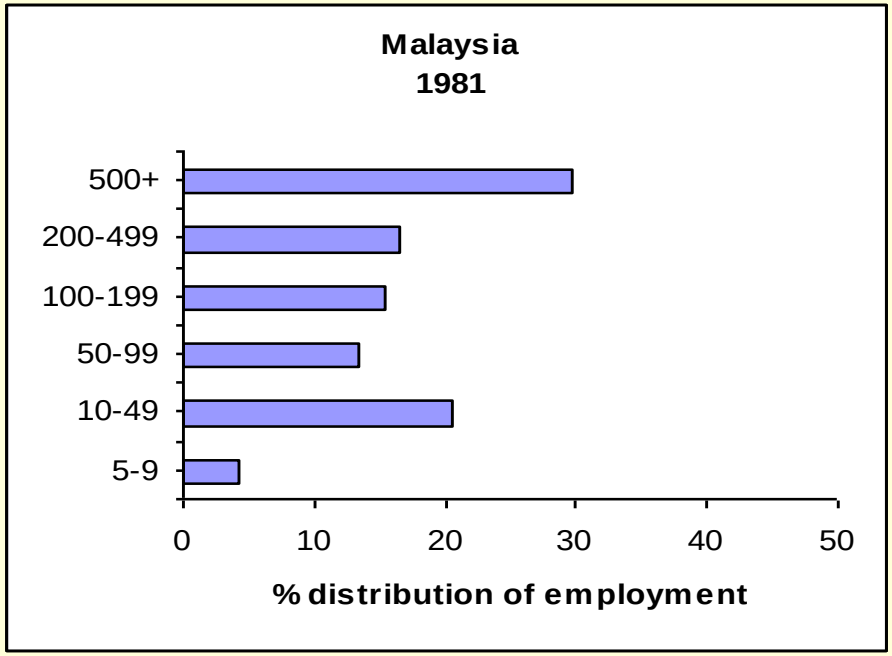
III. Labor regulations in India and Sri Lanka

Employment regulations in South Asia are among the most restrictive in the world



“Missing middle”





Complex labor legislation and regulations

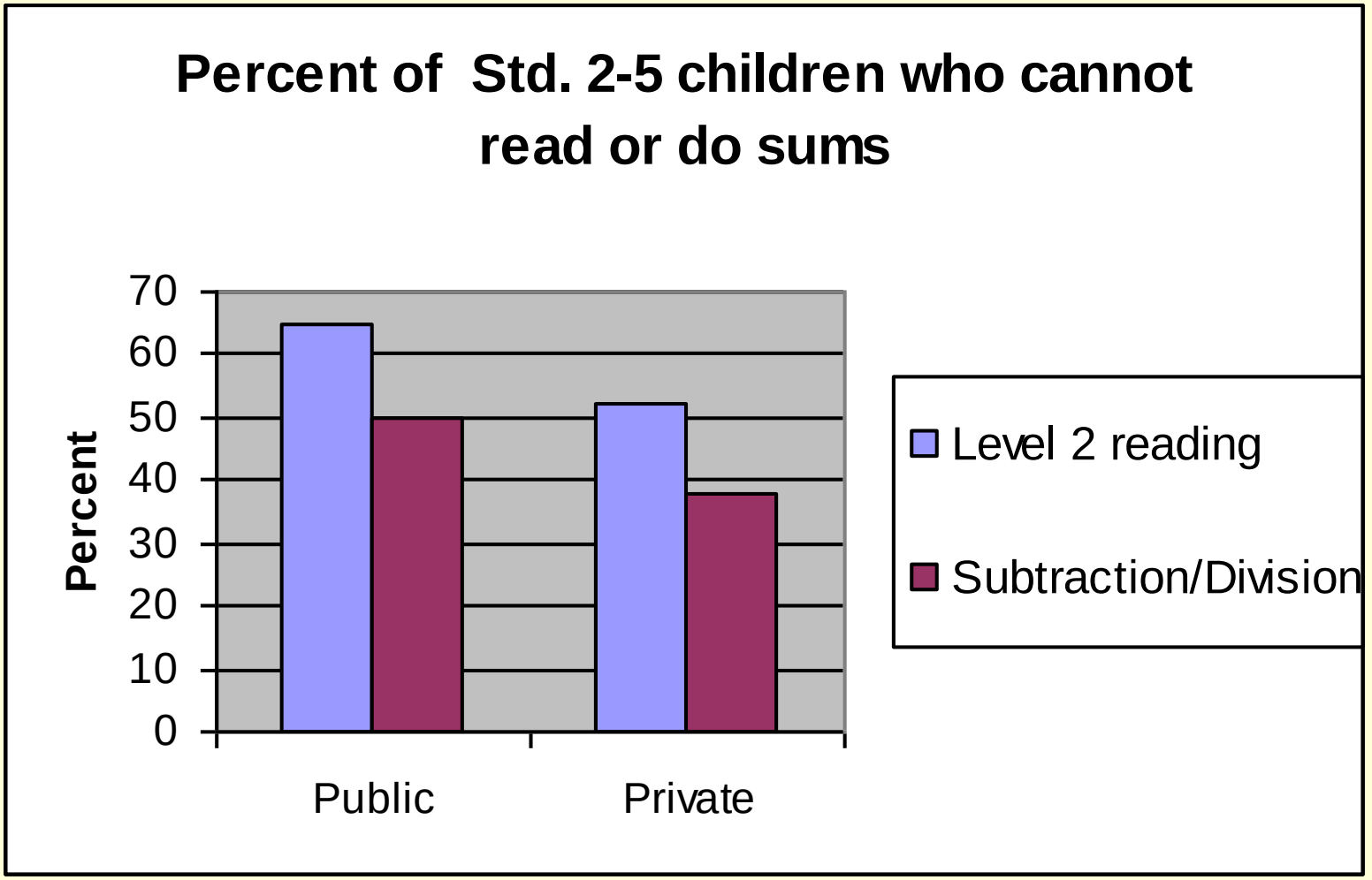
- ***Altogether about 45 central laws and 170 State statutes directly deal with labor market issues. Labor is a concurrent subject.***
- **Industrial Relations**
  - Trade Unions Act, 1926
  - Industrial Disputes Act (IDA) 1947
- **Working Conditions**
  - The Factories Act, 1948
  - The Industrial Employment (standing orders), 1946
  - The Contract Labour Act, 1961
- **Wages**
  - The Payment of Wages Act, 1937
  - The Minimum Wages Act, 1948
- **Social Security and Insurance**
  - Workmen Compensation Act, 1923
  - Employee State Insurance Act, 1948
  - Employees Provident Funds Act, 1952
- **Plus a number of state laws such as the Shops and Establishment Act**

Some 533,000 Cases pending--28,000 for more than 10 years

Major States	No. of Cases Pending	No. of cases pending for More than 10 years
Assam	189	138
Bihar	5,200	566
Delhi	28,837	2,342
Gujarat	133,916	8,616
Kerala	3,450	63
Karnataka	17,457	2,924
Maharashtra	142,345	11,508
Madhya Pradesh	89,341	0
Punjab	14,784	110
Rajasthan	20,066	775
Tamil Nadu	21,713	150
Uttar Pradesh	22,539	10,303
West Bengal	2,225	283
Total (All States & UT)	**533,038**	**28,864**

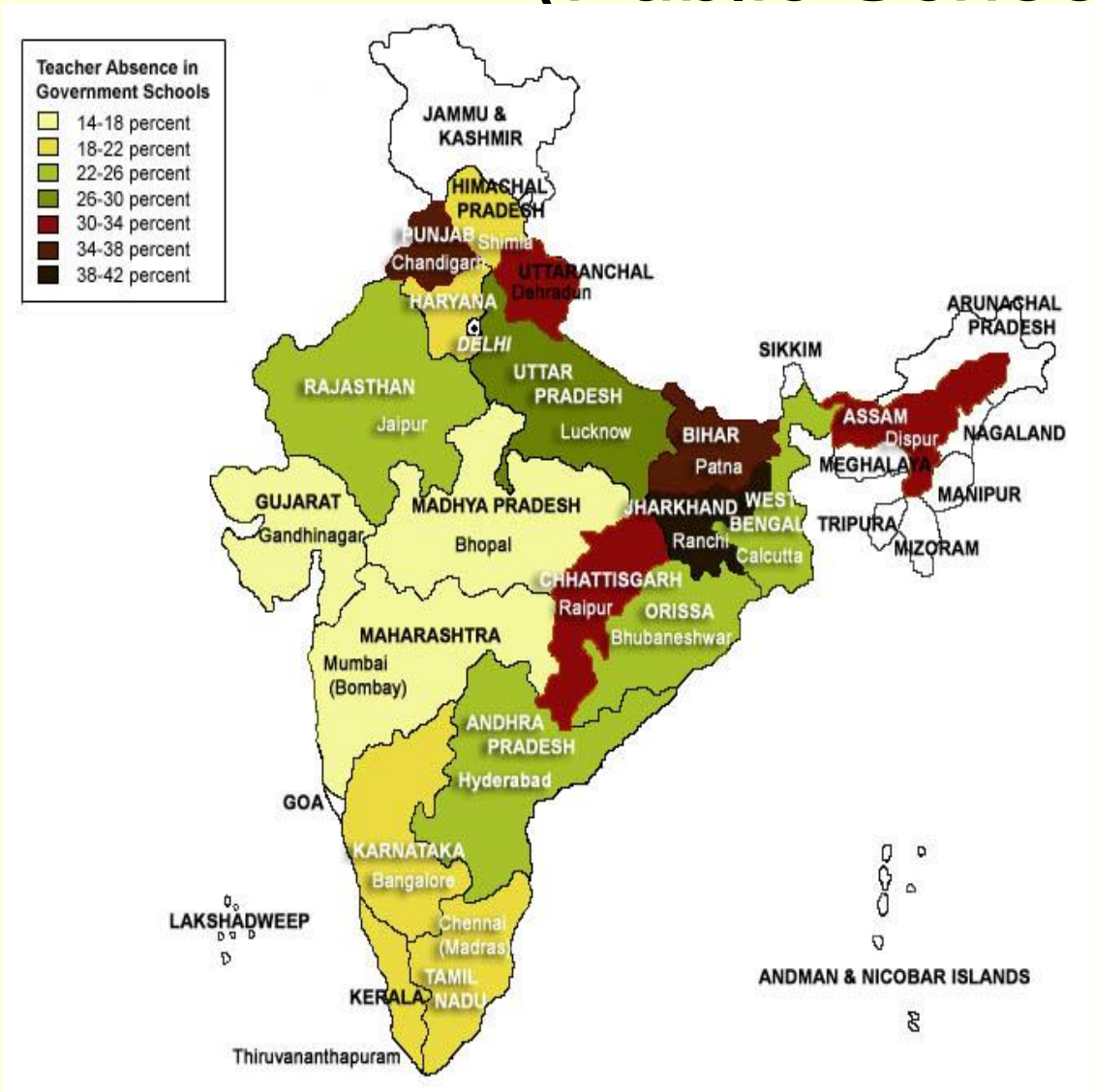
IV. Education in India and Uganda

Learning outcomes in India



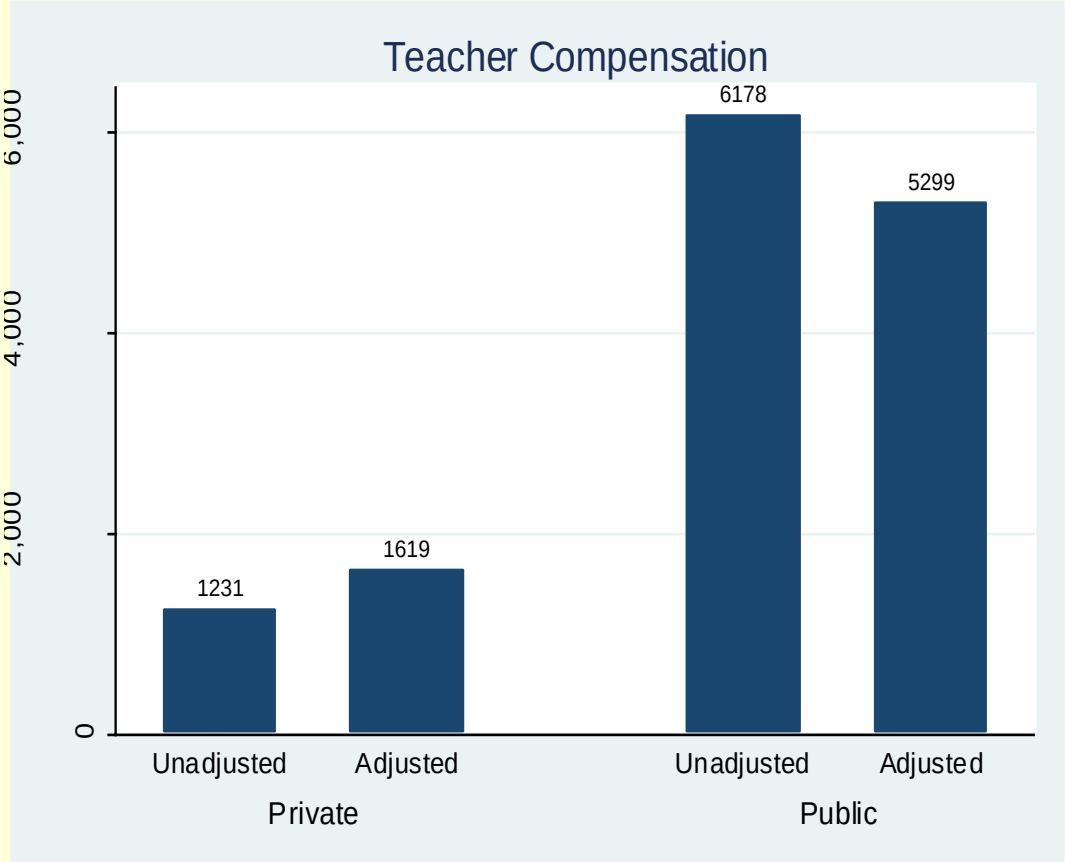
Source: ASER 2007

All India Teacher Absence Map (Public Schools)



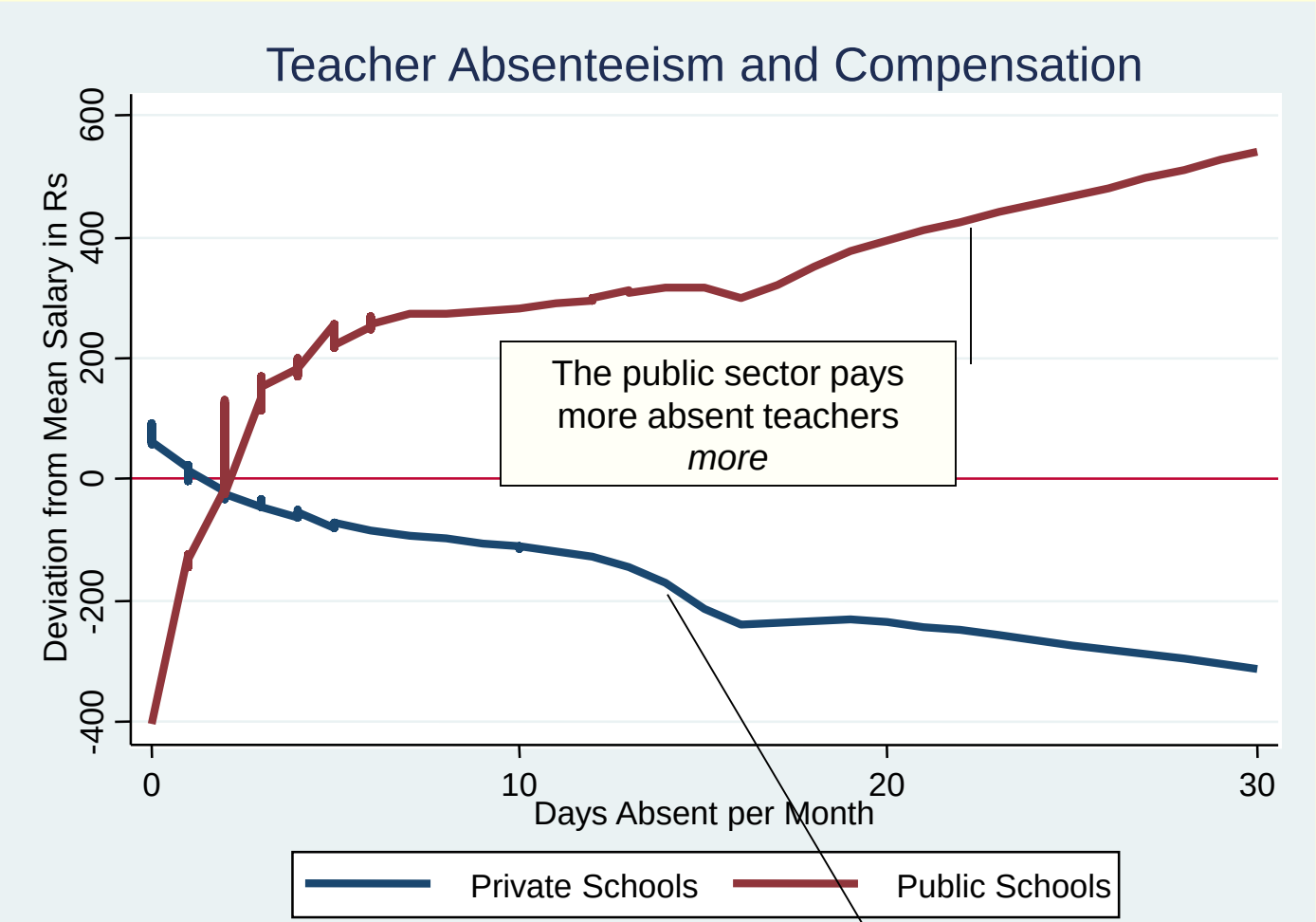
State	Teacher Absence (%)
Maharashtra	14.6
Gujarat	17.0
Madhya Pradesh	17.6
Kerala	21.2
Himachal Pradesh	21.2
Tamil Nadu	21.3
Haryana	21.7
Karnataka	21.7
Orissa	23.4
Rajasthan	23.7
West Bengal	24.7
Andhra Pradesh	25.3
Uttar Pradesh	26.3
Chhatisgarh	30.6
Uttaranchal	32.8
Assam	33.8
Punjab	34.4
Bihar	37.8
Jharkhand	41.9
Delhi	-
All India Weighted	**24.8%**

Source: Kremer, Muralidharan, Chaudhury, Hammer, and Rogers. 2004. "Teacher Absence in India."



- Definitions
- Unadjusted Wage is the average wage of teachers in the public and private sector
- The adjusted wage is what a 25 year old female with a bachelors degree and a 2-year teacher training course residing locally would earn in the public and private sector

Public School Teachers are paid a (lot) more



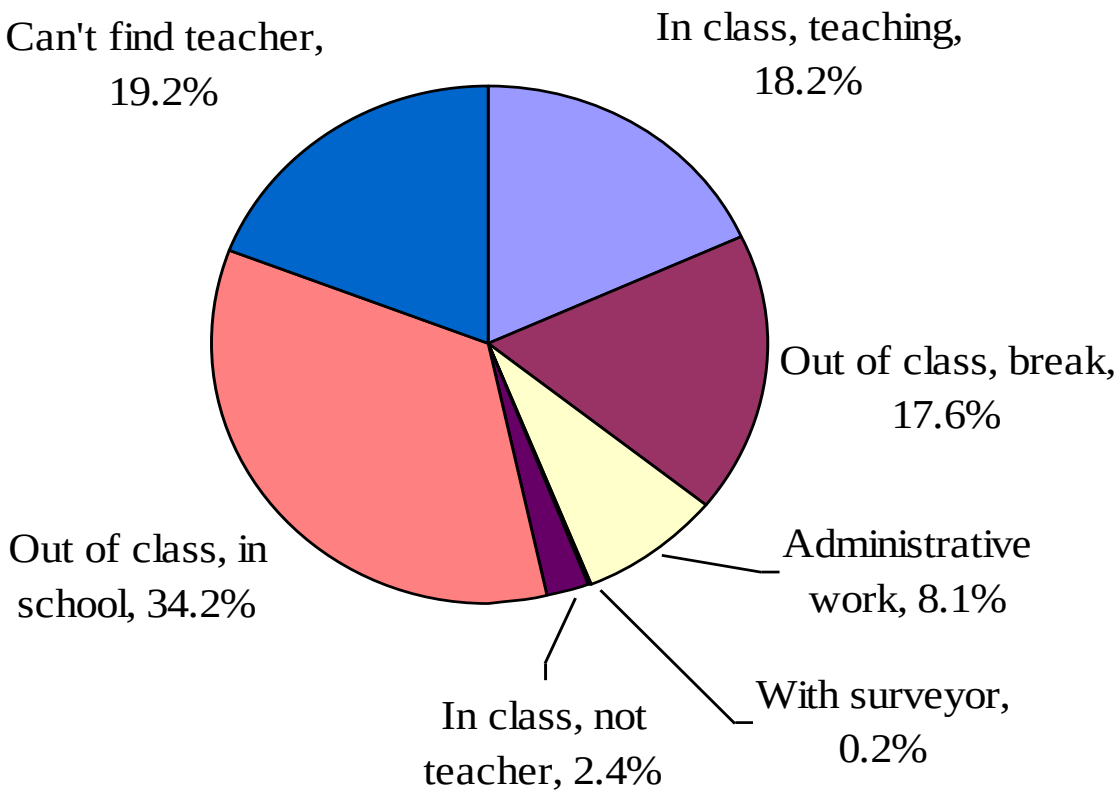
Salary results are presented as "deviations from mean". So the number 200 on the vertical axis means that the person's salary is Rs.200 more than the average salary for the sector

The figure is based on a non-parametric plot of deviations from mean salary against the number of days absent.

Absence rate among teachers

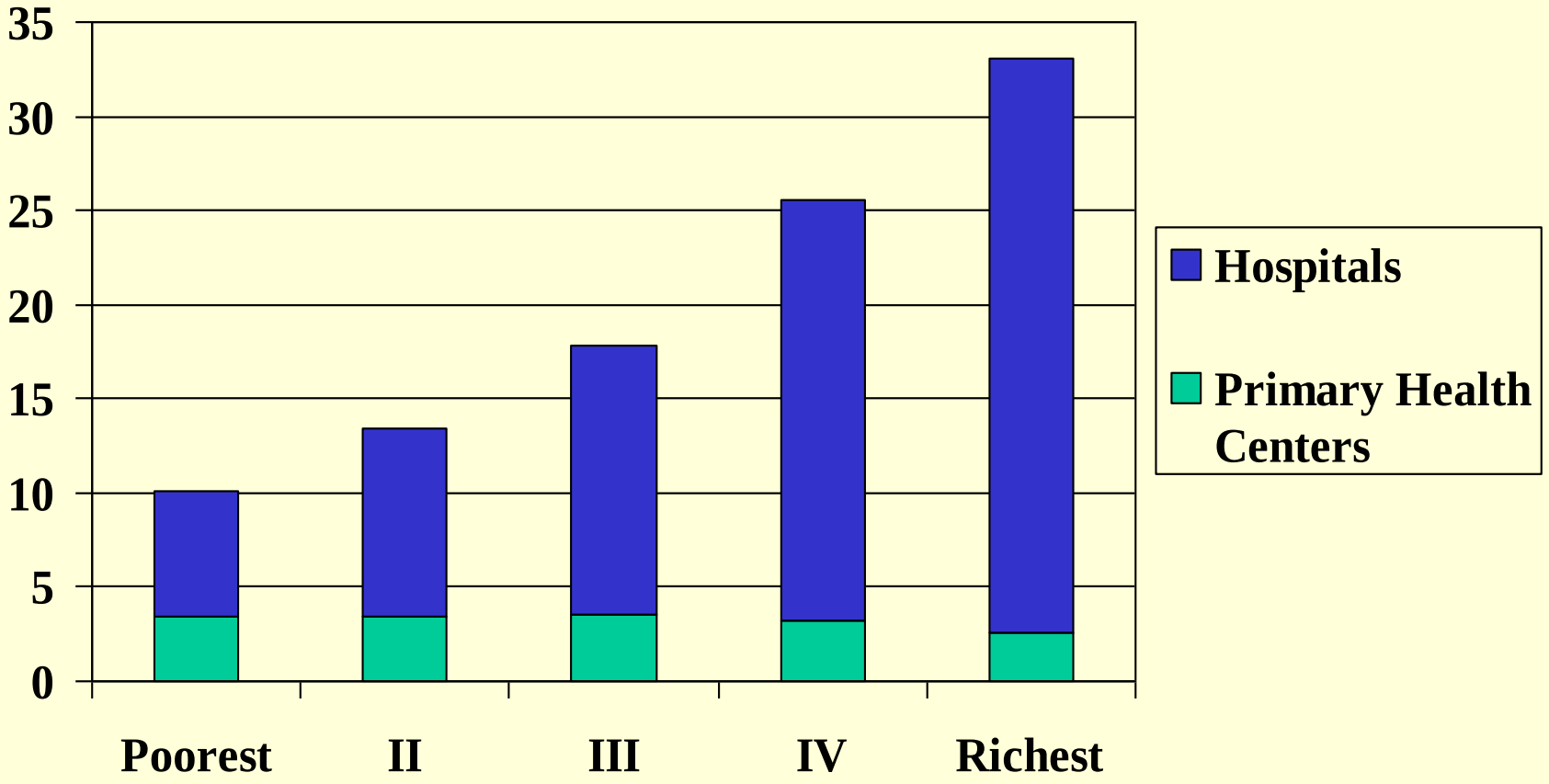
Country	*Rate (percent)*
Bangladesh	15
Ecuador	14
India	25
Indonesia	19
Papua New Guinea	15
Peru	11
Zambia	17
Uganda	27

Uganda: What enumerators found



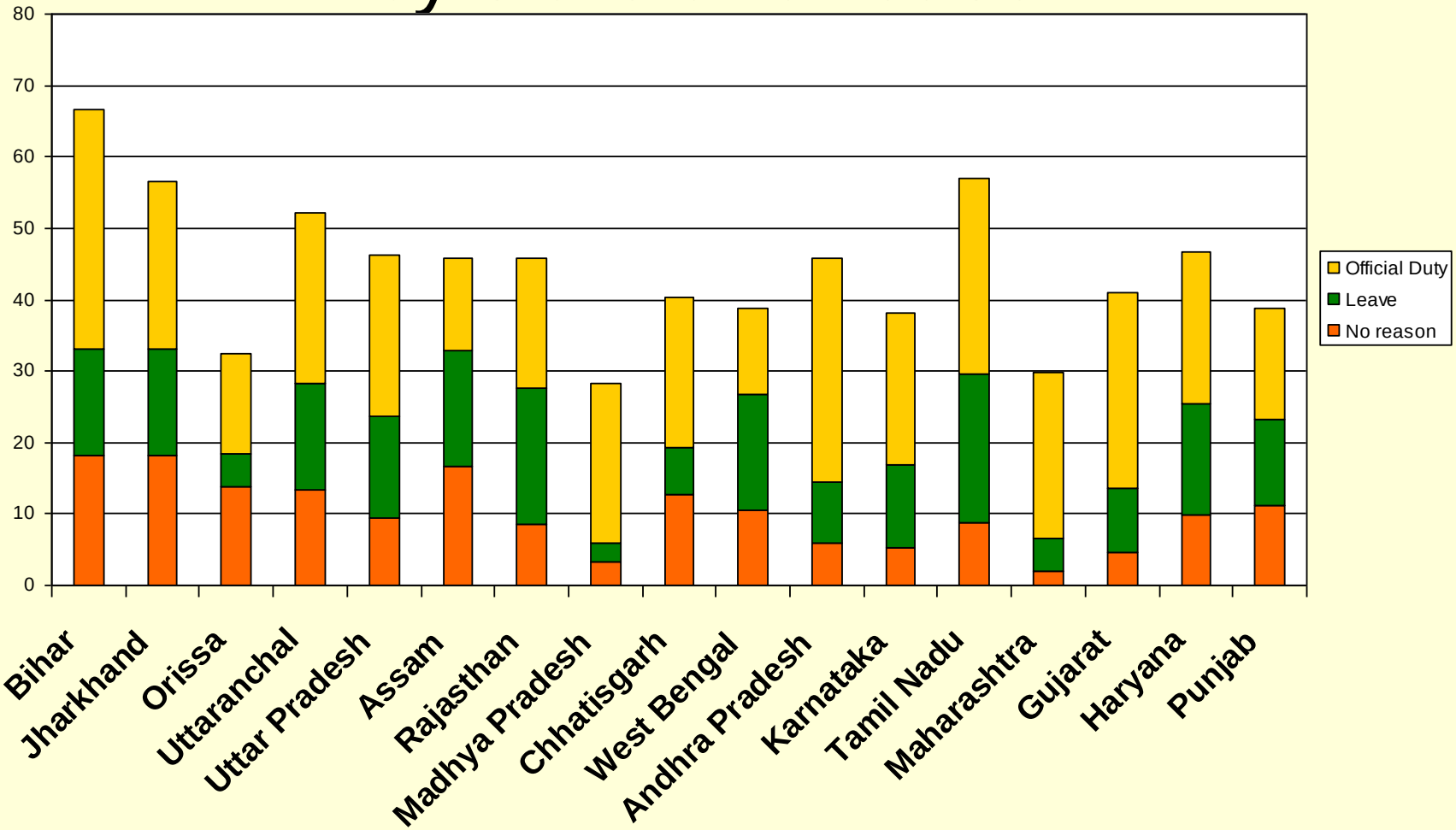
V. Health in India and Chad

Distribution of Health Care Subsidies All India, 1995-6

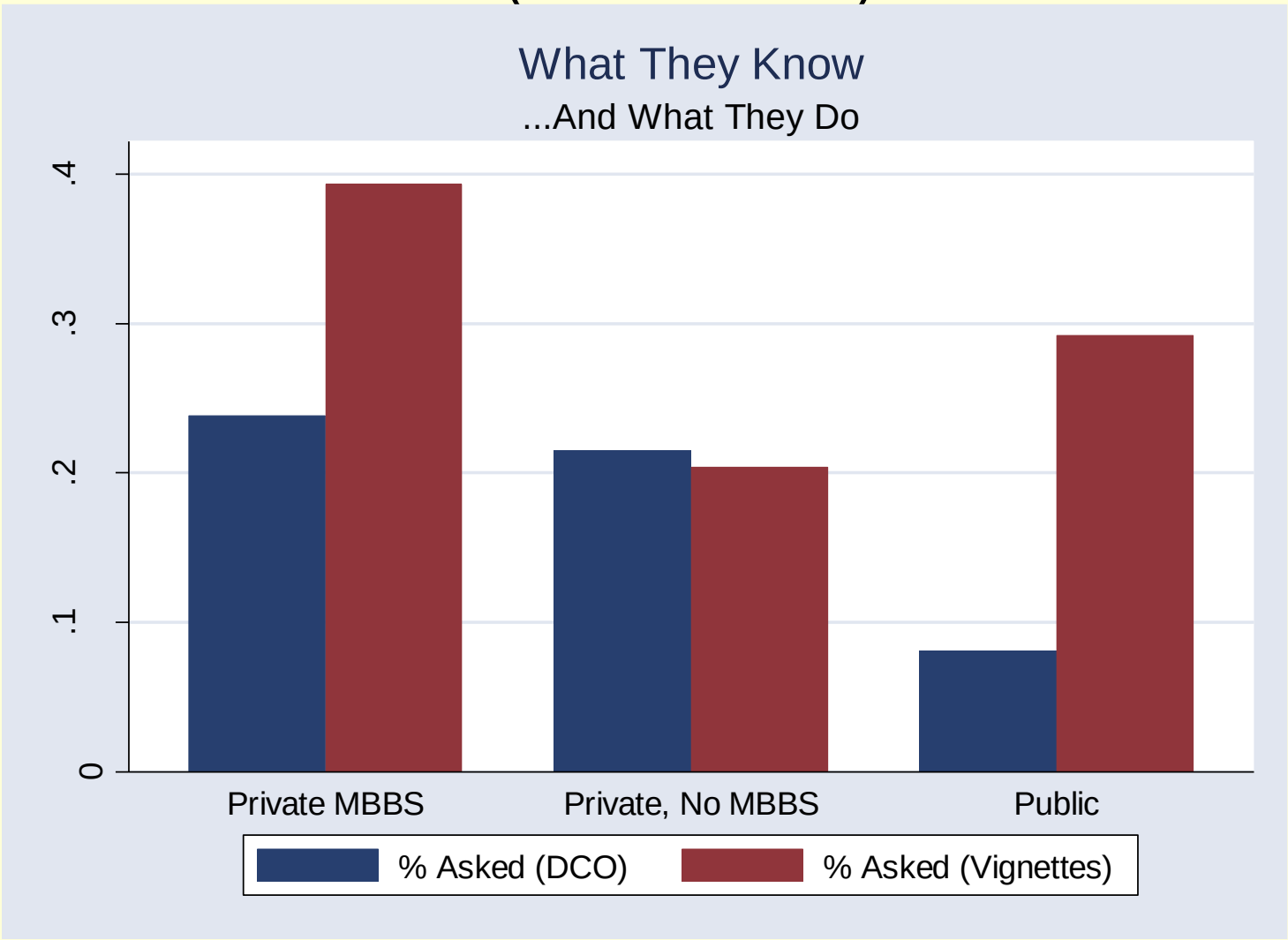


Source: calculations based on Mahal et. al. 2001 – referred to in MTA para. 2.2.68

India 2003: Doctor absence from PHC's by state and reason



Quality is low, even when present (Delhi doctors)



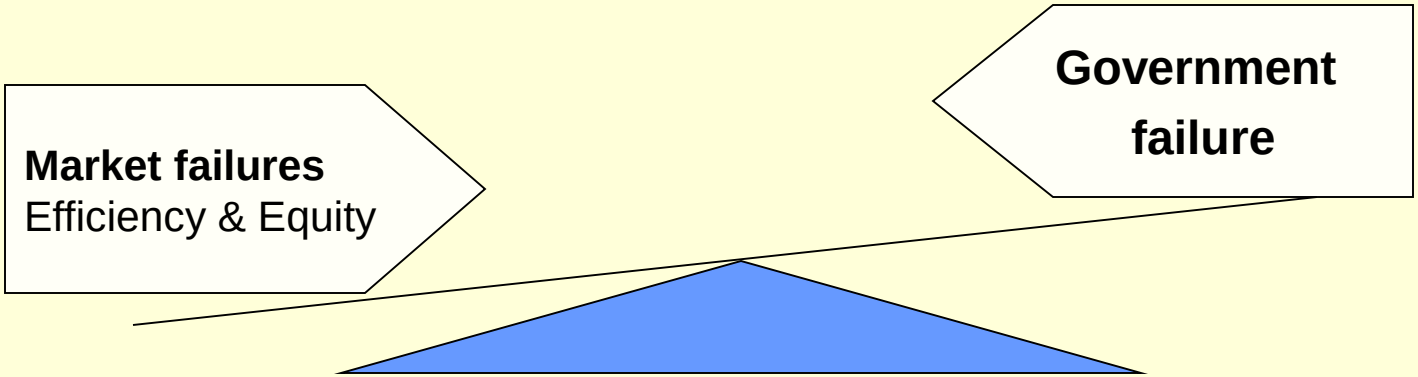
What they do is in blue, what they know is in red. MBBS doctors are (roughly) the equivalent of MDs in the US.

Chad

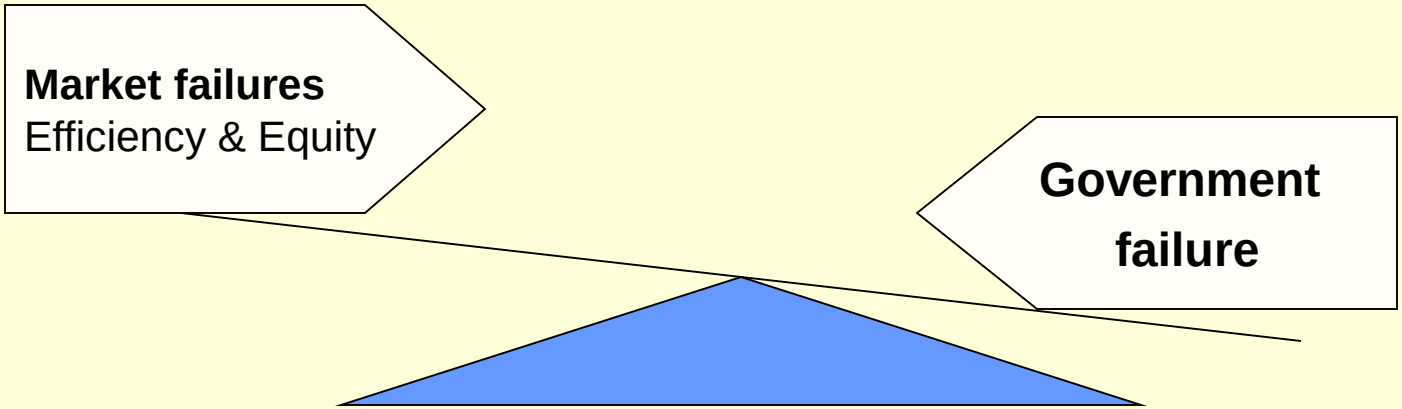
“Although the regional administration is officially allocated 60 percent of the ministry's non-wage recurrent expenditures, the share of the resources that actually reach the regions is estimated to be only 18 percent. The health centers, which are the frontline providers and the entry point for the population, receive less than 1 percent of the ministry's non-wage recurrent expenditures.”

-- Bernard Gauthier and Waly Wane, “Leakage of public resources in the health sector : An empirical investigation of Chad,” 2008.

How to end poverty



How to end poverty



“It is not sufficient to contrast the imperfect adjustments of unfettered private enterprise with the best adjustment that economists in their studies can imagine. For we cannot expect that any public authority will attain, or will even whole heartedly seek, that ideal. Such authorities are liable alike to ignorance, to sectional pressure, and to personal corruption by private interest.”

--A.C. Pigou, 1920