

Understanding Growth and Poverty

Theory, Policy, and Empirics

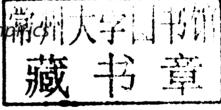
Raj Nallari and Breda Griffith



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Preface

This volume is an introduction to the theories and policies that affect economic growth and poverty. It is a compilation of lecture notes used in face-to-face and e-learning courses presented by the World Bank Institute's (WBI) Poverty Program during 2004–08. The Poverty Program is one of WBI's core learning programs. The discussion is less technical than others, and the intended audience includes policy makers, policy analysts, and representatives of donor agencies and civil society organizations.

The volume is divided into three parts. Part I discusses basic concepts and measurement issues pertaining to poverty, national income, and economic growth. Part II deals with the macroeconomic policies that are critical for economic growth in the short term. It covers government-enforced fiscal and exchange-rate policies and the roles of financial institutions, development assistance (or aid), debt relief, and trade policies. Part III covers the structural and sectoral policies that affect longer-term economic growth and poverty reduction. To underscore the impact of good governance and effective service delivery in growth and poverty reduction, separate chapters are devoted to institutional and technological development, education, health, labor, and land. Newer growth issues—urbanization, regulation, infrastructure, the informal economy, the political economy of policy making, volatility, and the

globalization of financial flows—are also discussed. So-called natural capital and climate change are introduced and linked to growth.

The volume ends with a chapter that summarizes our knowledge of growth theory, reviews the process of growth in 13 successful countries, and draws out implications for other developing countries. We hope that this chapter may be of help to policy makers in identifying the constraints to economic growth and development that may be unique to each country.

Throughout, attempts have been made to bring together theoretical discussions with empirical evidence to give readers a clearer picture of the impact of economic policies on growth and poverty reduction.

The lecture notes that underpin this volume were prepared under the guidance of Roumeen Islam. Research assistance from Indira Iyer and Oliver Rajakaruna and the financial support of the government of Japan are greatly appreciated.

Abbreviations

ADF African Development Fund

AE adult equivalent

AfDB African Development Bank AfDF African Development Fund

AIDS acquired immune deficiency syndrome
BMGF Bill and Melinda Gates Foundation

C consumption

CarDB Caribbean Development Bank

CAMELS capital adequacy, asset quality, management

soundness, earnings and profitability, liquidity,

and sensitivity to market risk

CAB current-account balance
CBN cost-of-basic-needs
CE Council of Europe

CEPR Centre for Economic Policy Research
CIS Commonwealth of Independent States

CMH Commission on Macroeconomics and Health

CPI consumer price index

DAC Development Assistance Committee
DAH development assistance for health

EBRD European Bank for Reconstruction and

Development

EC European Commission ECA export credit agency EFA Education for All

ESAF Enhanced Structural Adjustment Facility, IMF

EU European Union

FDI foreign direct investment

FEI food-energy intake
FTI Fast-Track Initiative
G-3 Group of Three
G-7 Group of Seven
G-8 Group of Eight

GAVI The Global Alliance for Vaccines and

Immunisations

GDP gross domestic product
GEF Global Environment Facility
GEM Global Entrepreneurship Monitor

GER gross enrollment rate

GF Global Fund

GFATM Global Fund for AIDS, TB, and Malaria

GHG greenhouse gas

GNDI gross national disposable income

GNI gross national income
GNP gross national product
HBS household budget survey
HDI Human Development Index

HIPC Heavily Indebted Poor Countries (Initiative)

HIV human immunodeficiency virus

I investment

IAEA International Atomic Energy Agency
IBRD International Bank for Reconstruction and

Development

ICT information and communication technology
IDA International Development Association
IDB Inter-American Development Bank

IDP internally displaced persons

IFAD International Fund for Agricultural Development

IFC International Finance Corporation

IFI international financial institution

IFMC International Monetary and Financial Committee

ILO International Labour Organization IMF International Monetary Fund

LSMS Living Standards Measurement Study

M imports

MDGs Millennium Development Goals MDRI Multilateral Debt Relief Initiative

MFI microfinance institution

NDP net domestic product

NER net primary enrollment rate

NGO nongovernmental organization

NPV net present value

ODA official development assistance

OECD Organisation for Economic Co-operation and

Development

OLS ordinary least squares
PCR primary completion rate

PEPFAR/

Emergency Plan President's Emergency Plan for AIDS Relief PFM public financial management (system)

PIU project implementation unit PPP purchasing power parity

PRGF Poverty Reduction and Growth Facility, IMF

PRSP Poverty Reduction Strategy Paper

R&D research and development

SAF Structural Adjustment Facility, IMF SAR Special Administrative Region

SEEA System of Integrated Environmental and Economic

Accounting

TB tuberculosis

TFP total factor productivity
TI Transparency International

UN United Nations

UNAIDS Joint United Nations Programme on HIV/AIDS
UNDP United Nations Development Programme

UNECE United Nations Economic Commission for Europe UNESCO United Nations Education, Scientific and Cultural

Organization

UNFCCC	United Nations	Framework	Convention	on Climate
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Change

UNFPA United Nations Population Fund UNHCR United Nations Refugee Agency UNICEF United Nations Children's Fund

UNRWA United Nations Relief and Works Agency for

Palestine Refugees in the Near East

UNTA United Nations Transitional Authority

UPE universal primary education

VA value added VAT value added tax

VSL value of a statistical life WBI World Bank Institute

WDI World Development Indicators

WEF World Economic Forum

WFP United Nations World Food Programme

WHO World Health Organization

WPI wholesale price index

X exports

All dollar amounts are U.S. dollars unless otherwise indicated.

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