

Trends in economic growth and inequalities and their impact on family poverty in the MENA region

The paper examines the trends in income distribution and poverty in the MENA region in an international context. It particularly focuses on the extent to which economic growth contributes to poverty reduction in various MENA countries. It highlights the need for family income support as genuine poverty reduction policy in most MENA countries, with the exception of least developed countries such as Yemen where economic growth is also relevant.

The recent literature on growth, income distribution and poverty analyses the triangular relationship between the three variables in a purely statistical approach which starts and ends with an empirically derived income distribution function or an assumed one such as the log-normal distribution (e.g., Bourguignon 2004). In this approach given the level of income distribution, poverty declines monotonically and in a deterministic fashion with economic growth. We show that this approach is not very fruitful, as it ignores the structural features of real economies. We show that the assumed relationship between growth and poverty breaks down in normal circumstances where poverty is confined to the tail of the income distribution function. It is argued that under these circumstances growth is neither necessary nor sufficient for poverty reduction. What is needed is focused poverty alleviation measures such as family income support.

The analysis is conducted by situating the poverty and income distribution in the MENA region in an international context and comparing the trends in poverty in these countries with the international poverty curve derived from international data. The paper also argues that personal income distribution as measured by various indicators such as the gini coefficient is not really a policy variable, but the outcome of complex interactions between policy and various other determinants. More attention should be paid to the process of growth and income generation, rather than the outcomes as reflected in the measured indicators.

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References:

F. Bourguignon, *The Poverty-Growth-Inequality Triangle*, 2004, World Bank: Washington D.C.