

ENHANCING PRODUCTIVE CAPACITY OF THE POOR IN THE COMCEC MEMBER COUNTRIES BY IMPROVING HUMAN CAPITAL

PRESENTATION TO THE WORKING GROUP –
ANKARA 27 JUNE 2013



Enhancing Productive Capacity of the Poor in COMCEC Member Countries by
Improving Human Capital

Analytical Report

- UNDP Turkey coordinated with inputs from other UNDP units
- A team of four regional experts and a team leader
- Study completed in 2 months
- Challenges in finding comparable and consistent data across countries, examples and policies meaningful for the others
- A very good start for discussions



PAPER'S HYPOTHESIS

- There are **programs and policies** that COMCEC member states can take in the field of **productive capacity of the poor** to provide an impetus for poverty reduction.
- We discuss and prove this by:
 - Examining experiences of COMCEC member countries
 - Sharing lessons learned in the areas key to enhancing human capital.



Areas of Focus

8 key areas – as they relate to human capital

- Economic situation
- Poverty
- Education
- Health
- Labour market
- SME's and micro-business,
- Social safety nets and
- Equality



MULTI-DIMENSIONAL POVERTY

- Deprivation in well-being such as inadequate income and education, poor health, insecurity and low level of self-confidence
- Inequality and vulnerability showing person's current economic status relative to others
- Addresses the future risk of falling into poverty due to economic shocks, drought and crisis, even if not necessarily poor at present.
- **Poverty has strong negative impact on productivity and employability**



COMCEC'S POVERTY STRATEGY

Objective: **ERADICATE EXTREME POVERTY AND HUNGER IN MEMBER COUNTRIES**

Steps

- Support networks of institutions to provide daily needs of the poorest in the member countries and cooperation between the public sector and civil society to effectively reach the poor
- Promote poor people-oriented programs to increase their productivity.
- Encourage member states to streamline efforts to effectively utilize financial resources
- Help develop appropriate solutions based on reliable data monitoring and reporting regarding poverty

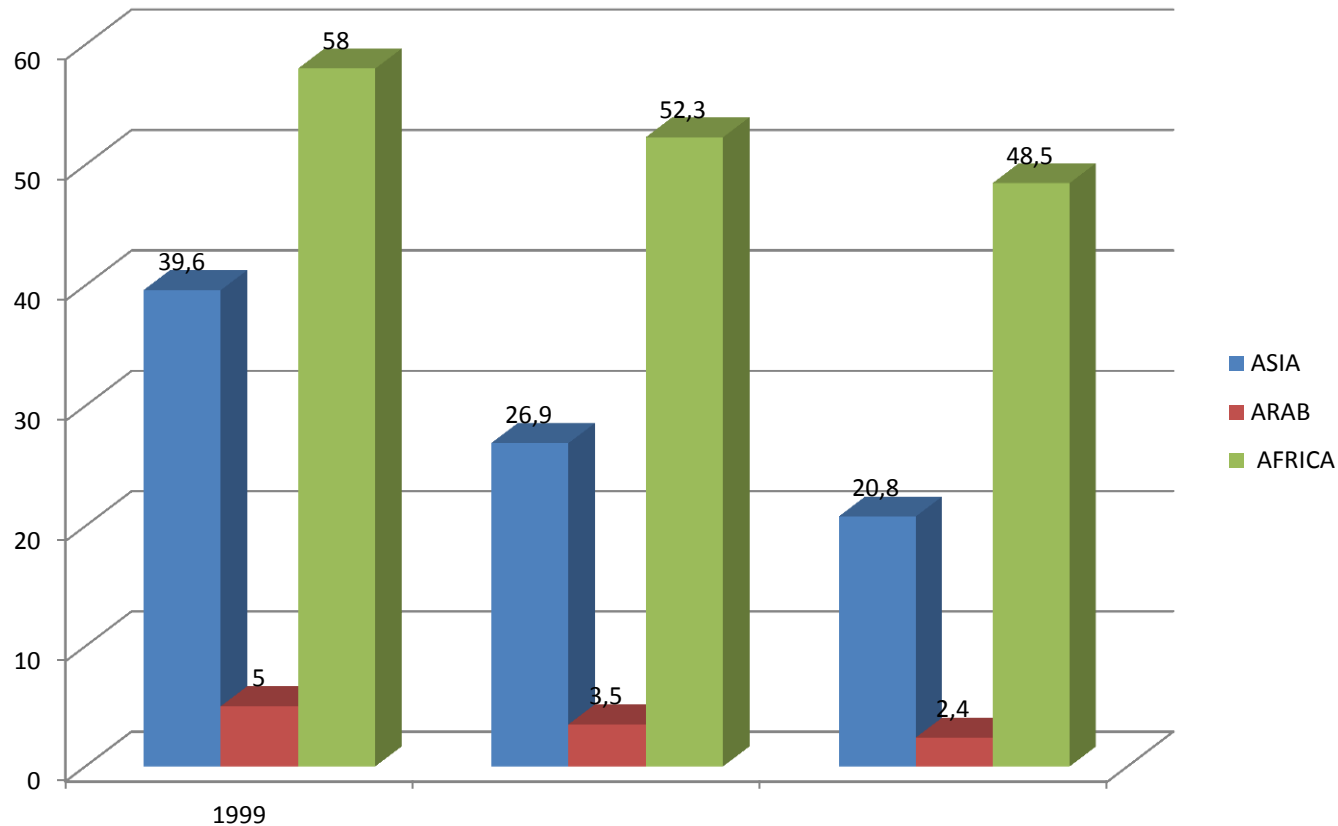


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REGIONAL POVERTY HEADCOUNT

<\$1.25

(1999, 2005, 2010)



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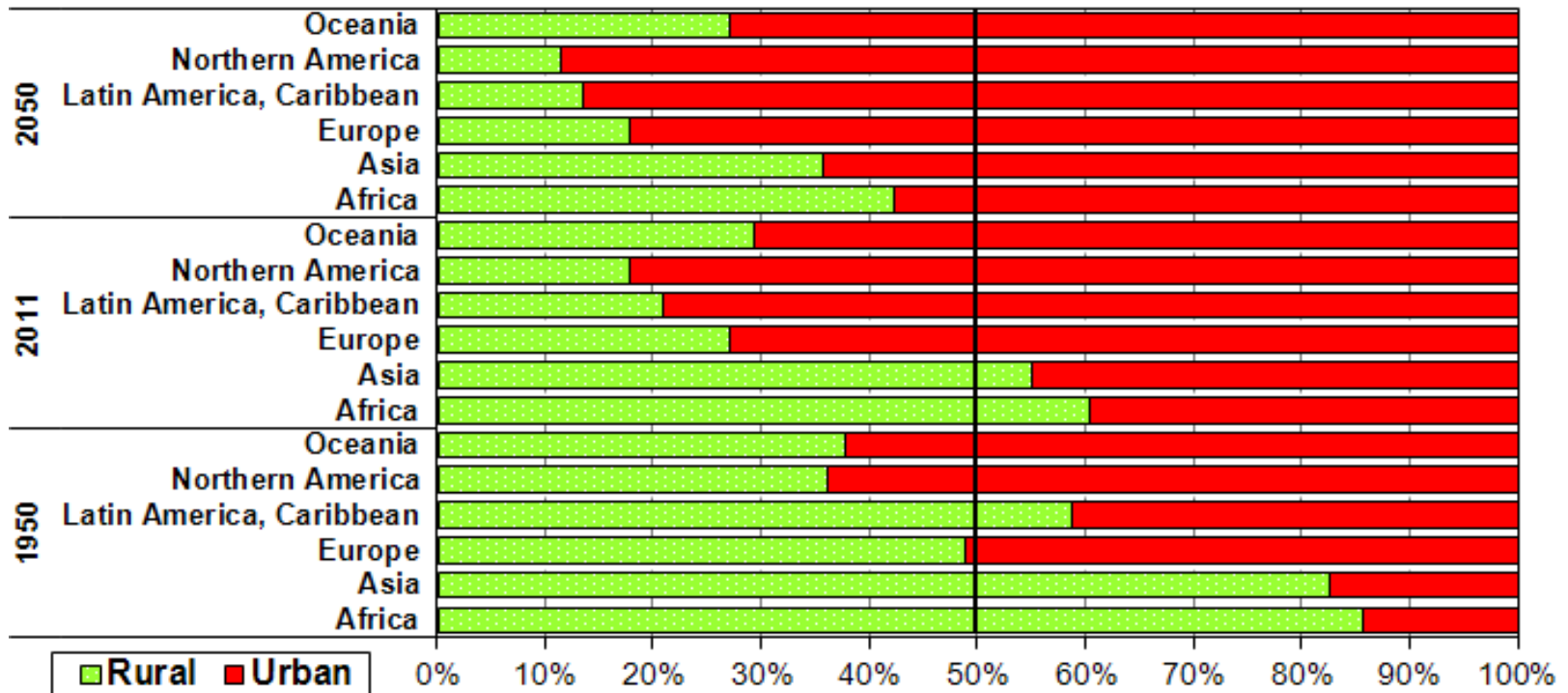
KEY ELEMENTS OF ENHANCING PRODUCTIVITY OF THE POOR

ECONOMIC SITUATION

- Rapid and sustainable economic growth is key to success but alone it is not enough.
- Much economic growth has not been socially inclusive.
- Support to labour intensive sectors helps employment creation. Sectors important (e.g. oil extracting sector not pro-poor)



URBANISATION TREND



Enhancing Productive Capacity of the Poor in COMCEC Member Countries by Improving Human Capital

THE ROLE OF AGRICULTURE

- Agriculture is a critical source of income for many
- Agricultural productivity absorbs many workers but generates limited income
- Improving agricultural livelihoods will provide additional income so the people can send children to school, improve nutrition and reduce health risks
- Extension services for better and more productive agriculture



ECONOMIC SCORECARD

- Asia – impressive growth has slowed due to global economic crisis
- Arab region – regional growth more than world average but big variations
- Africa – although slowing, economic growth has exceeded population growth



SOME ECONOMIC SUCCESS STORIES

Mali: a multi-donor integrated framework program focusing on value chains for increased productivity, linked them to global markets and increased the global share of mango producers. A 250% increase in mango exports and tripled revenue for producers.

Turkey: Export-led growth strategy, increasingly developing its competitiveness by targeting European markets and others, through free trade agreements. Helped reduce the overall unemployment rate to its lowest level in 2012 along with other policies.



KEY ELEMENTS OF ENHANCING PRODUCTIVITY OF THE POOR

EDUCATION

- Education follows employment very closely.
- The percentage of GDP spent on education varies widely as does the quality of education
- Gender parity is important
- Technical and vocational education and training (TVET) needs a high priority



EDUCATION SCORECARD

- Asia – literacy rate high - GDP spent on education varies from 1.3% to 18.7%
- Arab region – fewer in primary school than global average
- Africa - increased school enrolment - 2.6 to 24.6% of GDP spent on education

Almost everywhere inappropriate or non-existent TVET programs are stifling economic development and employment



SOME EDUCATION SUCCESS STORIES

Burkina Faso's bilingual education program: A good example. The significance of this non-formal adult literacy and rural development program is that it links literacy trainings with other skills including rural development. In a country where adult literacy rate was less than 30%, such a non-informal and intensive education program succeeded. Pass rates exceeded national averages by over 10%

Afghanistan: A community based initiative (community organized primary education) (COPE) aimed to expand education for all. Community based education services were provided in remote places in nine provinces. Given the main challenge of young people in access to education is physical remoteness, such services were extremely critical in reaching out to young people. The enrolment figures increased by 10 times in 5 years and girls formed the majority of students with easy access



KEY ELEMENTS OF ENHANCING PRODUCTIVITY OF THE POOR

HEALTH

- Healthcare is the second major pillar for increasing the quality of human capital.
- Access to healthy environments, health care providers and facilities contribute to reduced poverty and improved human capacity.
- In poor countries governments need greater effort to allocate more resources to health and to plan better strategically.



HEALTH SCORECARD

- Asia – GDP spent on healthcare from 0.9 to 6% (world average 10.1%) some progress on MDG goals. Will meet some MDG targets
- Arab region – GDP spent on health ranges from 1.9% to 8.4%. Some progress on MDG goals. Unlikely to meet targets
- Africa - GDP spent on health ranges from 1.9% to 8%. Progress precarious and more needed to achieve MDG's



SOME HEALTH SUCCESS STORIES

Turkey has made great strides in providing universal health care via primary health care centers. Health services including vaccination and maternal health services are provided through family practitioners who can refer patients to secondary health units.

Iran: Women Health Volunteers Initiative: Primary health care through volunteers in rural and urban settings. Screening and training of households. Cover 16 million people. Low-cost option with high coverage rates.

Some countries have reviewed their health financing mechanism moving to a per capita basis. Better targeting of health expenditures (e.g. Tajikistan)



KEY ELEMENTS OF ENHANCING PRODUCTIVITY OF THE POOR

LABOR MARKET

- A well-functioning labor market and a business-friendly regulatory environment facilitate employment
- The post-crisis environment continues to be a major hurdle for young people finding employment
- Employers say insufficiently skilled employees are a major obstacle to business activity. (*Mismatch*)
- Much economic activity and the labor force is outside government control and its economic and social policy. Managing informality a challenge in all countries



SOME LABOUR MARKET SUCCESS STORIES

Kazakhstan, Krygyz Republic and Turkey provide good examples of aiming to improve vocational training systems by investing in TVET, tertiary and higher education. This helps expand economic opportunities by addressing the growing demand for better and more relevant labor market skills.

Bangladesh: Rural Employment Opportunities for Public Assets Program (REOPA) Cash-for-work program for women in the rural areas for two years on road construction. With the money they made, their food security and asset base increased. Training and support allowed women to develop their own micro-enterprises. 96% of participants started their business upon graduation. Govt allocated US\$ 25 mio to further expand geographical coverage



KEY ELEMENTS OF ENHANCING PRODUCTIVITY OF THE POOR

SMES AND MICRO-BUSINESSES

- SMEs and micro enterprises are an engine of growth.
- The SME sector is underdeveloped in many countries. It needs support and comprehensive policies
- Governments have a central role to play in making it easier for SMEs to flourish
- Enabling business environment critical for SME activity



SME SCORECARD

- **Asia** - the gap in financial access between SMEs and large firms is large. In most of the countries very hard for SMEs to access to finance, some alternative models exist.
- **Arab region** – WB survey of 2/3 of the MENA banking system found SME lending was only 8% of all lending although 80-90% of enterprises are SMEs
- **Africa** – SMEs flourish in North Africa but elsewhere their rise is mixed. Countries working on reforms to simplify the procedures



SOME SME AND MICROBUSINESS SUCCESS STORIES

Turkey has experiences both in terms of SME support and entrepreneur development

Senegal's AGETIP-public works agency provides public employment support with registered businesses. Changed procedures for government contracts

Burkina Faso: introduced one-stop-shop modality and abolished the need for municipal consent. Halved the number of procedures and 2/3 reduction in time to register.

Microcredit schemes aiming at expanding financial services for the poor (e.g. Grameen Bank of **Bangladesh** and other variations particularly in Asia) have been effective



KEY ELEMENTS OF ENHANCING PRODUCTIVITY OF THE POOR

SOCIAL SAFETY NETS

- Social safety nets are central to poverty reduction
- There is a growing evidence that social safety positively impact poverty
- They help poor people meet their basic needs, including food, healthcare and education
- Conditional cash transfer most well-known modality. Mostly works for human capital, particularly education and health



SOCIAL SAFETY NET SCORECARD

- **Asia** - several countries after the global financial crisis are considering expanding their social safety net programs but delivery mechanisms are basic
- **Arab region** - non-governmental social safety nets and private income redistribution (zakat) are more efficient than official state-owned networks in delivering aid to those who need it the most
- **Africa** – social safety nets through cash transfers are working well in many countries



SOME SOCIAL SAFETY NET SUCCESS STORIES

Egypt and Tunisia: Poverty mapping exercises based on household surveys allowing the mapping of the poorest communities so that benefits can be distributed to regions with concentrated poverty areas. **TARGETING**

The national poverty targeting program in **Lebanon** and the **Yemen** social welfare fund have moved to distributing social safety net benefits based on proxy means testing taking into account income and household information to ensure that the most vulnerable benefit. **PROXY MEANS TESTING**

Lesson learned: Cash transfer programs have been effective in supporting those in the informal sector in a number of member states but these programs must target those most in need.



KEY ELEMENTS OF ENHANCING PRODUCTIVITY OF THE POOR

EQUALITY

- Women are over-represented among the poor, the more vulnerable and the lower paid sectors
- Informal sector workers have little access to social protection and other entitlements restricting their human development capacity.
- A poor education system can lead women to lower labor market participation trapping them and often their children in the poverty cycle.



EQUALITY SCORECARD

- **Asia** – East Asia does well on equality issues but South Asia lags
- **Arab region** - women in MENA have made impressive gains in many social indices but still have low labor force participation.
- **Africa** - making great strides in equality but early marriage, household power dynamics and low economic status slow progress



SOME EQUALITY SUCCESS STORIES

Micro-finance (Grameen bank is an example) is often a good way of providing the opportunity for women to begin to create a chance to produce income for themselves and their families.

The GENPROM project in Pakistan's textile industry has empowered women through skills training and job creation in partnership with the industry (13,000 workers received training). Monthly income of poor households increased by approx. USD 1 mio, 60% of which directly went to newly employed workers



CONCLUSION

- *A program which worked at one time in one country may not work in another time or place.*
 - *The experiences and contexts vary*
 - *But still some success stories enabling us to make some general conclusions*
- 1- Economic growth is a must, but not sufficient alone
 - 2- Countries which prioritize
 - Social development
 - Boost access to basic education, health, and employment and
 - Cover the population against disastersdirectly enhance individual welfare and achieve higher average incomes over the long term



CONCLUSION

3-Rural settings - Agriculture still significant. Need for increased productivity, stronger extension programs. Land titles a critical topic

4- Support to labour intensive sectors help employment creation.

5- Countries with rich natural resources need to develop other sectors, which can absorb higher labour force.

6- Technical and vocational education and training (TVET) needs a high priority-greater involvement of the private sector

7- Increased investments in health - particularly primary health services with easier access for poor.



CONCLUSIONS

8- Equal access to all levels of education is key as well as the quality. The education level of parents has a direct impact on the education levels of the children, hence their employability.

9- Access to finance is a challenge for all, but more for the poor. Alternative mechanisms can work.

10- Safety nets are key to protecting the poor against risks of poverty. Very good modalities link with health and education services, well known conditional cash transfers. **BUT NEED FOR GOOD TARGETING**

11- Managing informal sector is important. Do not kill informal sector, but protect the workers...

