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Pro-Poor Growth: Concept, Challenges, and Policy Implications in Global Economic Development

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Abstract

This paper explores the concept of pro-poor growth (PPG) in the context of global economic development. It examines the shift in development goals from solely focusing on economic growth to considering the well-being of the poor. The paper highlights the complex relationship between growth, poverty reduction, and inequality, emphasizing the need for both poverty reduction and equitable distribution of benefits. The emerging consensus acknowledges that "growth alone is a rather blunt tool for poverty reduction," leading to the concept of PPG. However, there is no consistent definition of PPG, with various interpretations and measurement approaches offered by different studies. This paper aims to provide an overview of the concept, discussing definitions, key concepts, and policy implications. Through a review of the existing literature, it addresses the research questions regarding the definition of PPG and how to promote it through appropriate policies. The paper concludes by offering policy recommendations based on empirical evidence from country cases. The findings contribute to the understanding of PPG and its implications for inclusive and sustainable development.

Keywords: Pro-Poor Growth; Economic Growth; Poverty Reduction; Inequality

Introduction

During 1980s, the Washington, D. C. -based institutions such as the International Monetary Fund, World Bank, and the US Treasury Department promoted a standard reform package for the crisis-wracked developing countries [1]. These economic reform policies, which are known as "Washington Consensus", advocate liberalization of trade and investment, privatization of state enterprises, as well as reduction of public spending on social welfare [1]. Washington Consensus believes in "trickle-down economics", which refers to the idea that the economic benefits provided by government to business and upper income levels benefit poorer members of society by improving the economy as a whole [2]. Later on, it became a dominant thinking around the world.

However, according to the "Report on the World Social Situation 2005", ever since 1980s, many countries that experienced significant economic growth also had a deteriorating wealth gap [3]. This phenomenon implies that the global economic growth during this period was at the expense of sacrificing the benefits of poorer classes. Indeed, the relationship among growth, poverty reduction and inequality is very complex and interdependent. According to studies, the rapid economic growth was associated with higher levels of poverty reduction; nevertheless, higher poverty reduction was not correlated with falling inequality but rising inequality in the 1990s [4]. Furthermore, evidence shows that social inequality can further restrict the speed of economic development [5]; and meanwhile arouse social conflict and environmental instability [6]. Therefore, in addition to poverty reduction, redistribution of benefit and income becomes increasingly important, which can boost both economic growth and equity at the same time.

Under this background, many governments and organizations around the world start to rethink their development patterns and reset their development goals: While maintaining rapid economic growth, they pay more attention to the poor. There exists an emerging consensus worldwide that "growth alone is a rather blunt tool for poverty reduction" [2]. Global economy appeals for a more pro-poor growth model. And this is the cradle, where the concept of pro-poor growth (PPG) germinates. The simple but appealing objective behind pro-poor growth is "to enable the poor to participate in the benefits of economic growth". [7].

Even though the relationship between growth and inequality has been discussed with reference to the concept of pro-poor growth for more than a decade, there is still no consistent definition of it [8]. The general concept of PPG may be referred to as "growth that benefits the poor and provides them with opportunities to improve their economic situation" [9,10]. Academics [2,7] argue that this definition is vague and offers little guidance to its measurement and policy implications. Recently, many studies [11-14] have attempted to define pro-poor growth; and each of them has its own merits and limitations.

The purpose of this paper is to provide an overview of the concept of pro-poor growth. By conducting a thorough review of existing literature, the paper aims to address the following research questions pertaining to pro-poor growth: i) What is the definition of pro-poor growth and what are its main concepts? ii) What are the policy implications for promoting pro-poor growth effectively? This paper is structured into several sections. The first section reviews and compares the main definitions of pro-poor growth (PPG) found in recent studies and explores the indicators of pro-poor growth through cross-country examples. The subsequent section delves into the concepts of growth, poverty reduction, and inequality within the context of pro-poor development. Following that, effective policy recommendations and implications are presented in the next section, drawing on empirical evidence from country cases. Finally, the paper concludes with key findings and concluding remarks.

Definition of Pro-Poor Growth

Definition of Poor

In order to ensure a comprehensive understanding of pro-poor growth (PPG), it is imperative to first establish a clear definition of "poor." This is particularly important as the choice of poverty indicators can lead to varying conclusions regarding the pathways to achieving pro-poor growth. Characteristics of these indicators can cause such conclusions to overstate or to reverse the relationships among growth, inequality, and poverty [15].

Poverty can be defined in many different approaches. Today most economists mainly use two ways to define poverty: social definition, and statistical definitions of poverty. Within the social definition, at the UN World Summit for Social Development, the Copenhagen Declaration (1995) described poverty as "a condition featured by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information". (p. 57).

However, to measure poverty in a statistical way, more rigid definitions must be used. Within the statistical definitions of poverty, the defined methods to measure and quantify poverty can be divided into relative and absolute poverty measurement. Relative poverty measure ranks the entire population in order of income or consumption per capita, then it sets the poverty line at a given percentage, typically half or a third of national mean or median income or consumption [15]. For example, the bottom of 30% (or whatever percentage the government chooses to use) is then considered as poor. However, when applying relative measurement in a global setting, the conditions of the population of the bottom 30% vary dramatically across countries.

Due to its limitation, absolute poverty measure is often applied to define poverty on a global scale. Absolute poverty measures set a poverty line at a certain income amount or consumption amount per year, based on the estimated value of a basket of goods necessary for proper living [15]. The World Bank [16] sets the absolute poverty line at an income of $2 a day or less, and extreme poverty line at $1 a day or less, which is the most commonly used definition of global poverty.

The Definitional Debate

The concept "redistribution with growth" put forward by Chenery et al. [17] stresses that distributional objectives should be integrated into the overall development strategy. This concept is lately regarded as the origin of the pro-poor growth concept. In 1990, "broad-based growth" was stated in the World Development Report by World Bank, which advocates the equalization of social benefit. Thereafter, a number of international organizations including World Bank, Asian Development Bank, United Nations etc. frequently proposed the concept of or similar to pro-poor growth. In June 1999, pro-poor growth was put forward, together with social development and good governance, by Asian Development Bank as three strategic "pillars" for contribution to poverty reduction in the Asia and Pacific regions [18].

The pursuit of PPG has been central to development thinking and practice in the 2000s [19]. An intense debate ensues over the definition of pro-poor growth (PPG). It is clear that growth is pro-poor when it raises the benefit of the poor. However, there is less clarification on how much benefit the poor need to gain for growth to be defined as pro-poor.

According to Kakwani, et al. [2], the definition of PPG can be categorized in view of whether it is a week or a strong definition of PPG (cf. p. 3). The World Bank's definition refers PPG to growth that reduces poverty, howsoever small [20]. This definition is rather too weak and will classify most of the economic growth as pro-poor growth. According to this definition, the poor may receive only a small proportion of the total benefits of growth, and it can still be classified as "pro-poor growth". Literally, the world "pro-poor" means that "the poor should receive more but not less benefits than the non-poor" [2]. Pro-poor growth has been broadly defined by some international organizations as growth that benefits the poor and leads to significant poverty reduction [9,10]. However, how much must the poor benefit from the growth that it can be considered as a pro-poor growth? And what is a

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significant reduction in poverty? Where is the demarcation line between pro-poor growth and anti-poor growth? These are the main issues of considerable debate.

The other definitions of pro-poor growth are stronger and emphasize inequality reduction that happens along with poverty reduction during the period of economic growth. These definitions imply that the measure of pro-poor growth should take reduction in poverty as well as improvement in inequality into consideration [11,12,14].

According to Kakwani, et al. [2], the stronger definitions used in different papers can be further classified in terms of relative or absolute pro-poor growth (cf. p. 4). Both of these two approaches to define pro-poor growth require that the poor can be identified by a specific poverty line, the people whose incomes lie below this line are the poor [21].

The relative concept of pro-poor growth arises when economic growth benefits the poor proportionally more than the non-poor and inequality is falling. Growth is pro-poor when poverty falls more than it would have if all incomes had grown at the same rate [11,22,23]. This definition may be referred to as a relative approach, as it implies that while growth reduces poverty, it also improved relative inequality. The merit of this perspective is that it emphasizes whether the poor benefit more or less proportionately from growth and whether inequality, a key determinant of the extent to which growth reduces poverty, increases or falls [24].

Although this definition is intuitively appealing, it presents some limitations as well. A worry about this definition is that increasing inequality during a period of overall economic growth may come together with large absolute gains to the poor, yet this growth is not deemed to be pro-poor [20]. Furthermore, in an operational context, this definition equates pro-poor growth with inequality reducing growth. By focusing attention so intensively on inequality, one policy package may prioritize an outcome that is consistent with this definition than other optimal outcome [25]. This could lead to sub-optimal outcomes for both the poor and the non-poor sectors. For example, there are two policy scenarios in real life with different outcomes: Scenario 1 has an outcome featuring with average income growth of 3 percent where the income of the poor grows by 4 percent; Scenario 2 is characterized with an outcome where average growth is 8 percent, but the income of the poor has only 5 percent. Under relative definition, a society may favor the first scenario over the other for achieving pro-poor growth. Nevertheless, it goes without saying that both the poor and the non-poor are better off in the second scenario. Last but not least, this definition may prefer policies of public sector interventions that improves inequality regardless of their influences on economic growth [25].

Conversely, the absolute definition of pro-poor growth takes only the income of the poor into account and focuses solely on the interrelation between poverty and growth. The judgment on whether the growth is pro-poor or not lies on how fast on average the incomes of the poor are rising; for example, whether the incomes of the poor are rising fast enough to reduce the number of people living below the defined poverty line in accordance with MDGs [24].

The absolute definition of pro-poor growth is "closely related to the speed at which absolute poverty is reduced: if the rate of pro-poor growth accelerates, then all standard measures of income poverty fall faster" [21]. In other word, when the income of the poor grows faster, it would lead to a more rapid poverty reduction.

The relative and absolute concepts of pro-poor growth are "both relevant, and complement each other in the analysis of growth processes from a pro-poor perspective" [24]. Which of these two pro-poor definitions in favorable depends largely on one's objective, whether it is to reduce absolute poverty or improve inequality [21]. For the former the absolute definition is evidently better, while the relative definition can ensure the achievement of inequality reduction. However, a preference for the absolute definition does not suggest that inequality reduction should be ignored in the design of pro-poor growth strategies; while a favor for the relative definition does not imply less importance of overall economic growth, either. "The outcome for poor people depends on both the overall rate of growth and changes in inequality" [26]. Therefore, the policy makers should attempt to find the most pro-poor combination of these concepts.

Indicators of Pro-Poor Growth with Gross-Country Analysis

As the definitional discussion so far has suggested, there are mainly three determinants or indicators of pro-poor growth: 1) a high rate of growth of average incomes; 2) a high sensitivity of poverty to growth in average incomes; and 3) a poverty reducing pattern of growth in relative incomes [27]. These indicators are to answer the questions of "when is the growth pro-poor" and "what is the difference between growth and pro-poor growth". Based on these indicators, some country examples and data are discussed.

According to Bird and Shepherd [28], since 2000 the economic growth in Uganda was accompanied by increasing rates of poverty. Despite increases in average real expenditure per capita, the poverty headcount in Uganda went up between 1999 and 2003. Not only are the numbers of poor rising, the poor are even becoming poorer. Spending by those at the bottom of the income distribution curve has fallen, as has consumption of items such as meat, fish and salt which are sensitive to the poverty. Obviously, the economic growth in Uganda during this period was not following a pro-poor pattern, as the poverty was not highly sensitive to growth and no poverty reduction was observed here. According to the authors, the causes lie in: a slow-down of agricultural growth; a fall in food prices between 2001 and 2002, that hit Uganda's poor, most of whom are net food producers; and reduced cooperation within households.

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It is also instructive to look at the growth path in the two most populous countries, China and India. According to Wiggins and Higgins [19], growth incidence curves are effective analytical tool for pro-poor growth, which show the rate of growth of income by percentile across the distribution for a given period, based on data from household surveys. There can powerfully demonstrate patterns of growth and their varying effects on the poor. Therefore, Figure 1 gives the growth incidence curves for the two countries in the 1990s: For China, the growth rates tend to rise as the distribution moves up, the annual rate of growth in the 1990s varies from about 3% for the poorest percentile to 9% for the richest; For India, there is a U shaped pattern, with the lowest growth rate around the third decile form the bottom, though the growth rate peaks at the high end of the distribution [20]. According to Figure 1, the rate of pro-poor growth is positive in both cases, and higher in China. In comparison, even the poorest percentile in China enjoyed a growth rate more than double that of the poorest percentile in India.

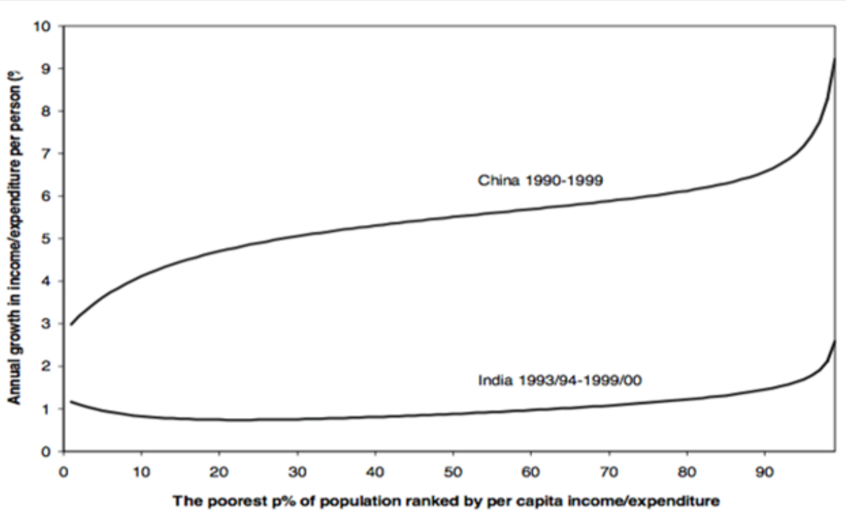

Figure 1: Growth Incidence Curves for China and India in the 1990s. (Source: Ravallion [20], p. 31)

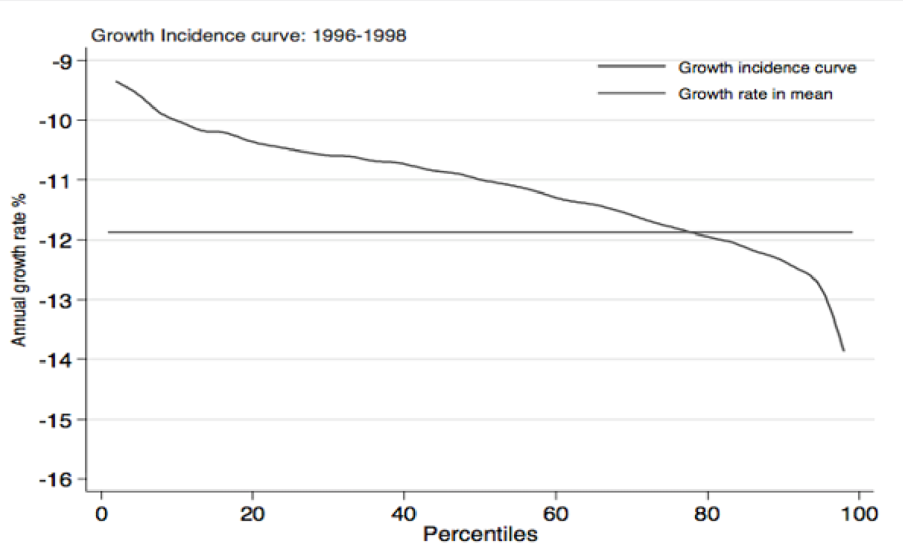

Figure 2: Growth Incidence Curves for Indonesia: Crisis Period.
(Source: Ravallion [20], p. 33)

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Another example can be Indonesia's crisis in 1998 and the subsequent recovery. Figure 2 gives the growth incidence curve for Indonesia over the period from 1996 to 1998, which embraced the financial and political crisis. In Figure 2, the average real consumption per person fell about 12% in the crisis period. However, this crisis could be "pro-poor" based on the relative definition of pro-poor growth, in that the proportionate impact was higher at higher level of consumption (rising from around 9% for the poorest to 14% for the richest [20]. From the perspective of absolute definition, it was certainly not pro-poor. Figure 3 gives the growth incidence curve for recovery, which had been largely complete by 2002. This was clearly pro-poor by the absolute definition, and by the relative definition for the poorest half of the population [20].

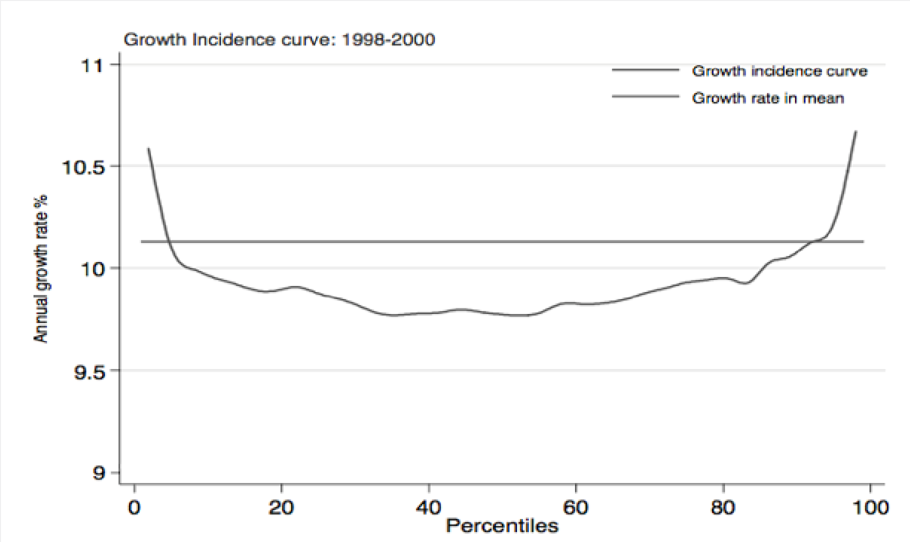

Figure 3: Growth Incidence Curves for Indonesia: Recovery Period. (Source: Ravallion [20], p. 34)

Key Concepts in the Pro-Poor Growth

Growth

Economic growth is necessary for poverty reduction. Statistics from ODI show that rapid economic growth has reduced poverty dramatically in East Asia, where the proportion of people living in extreme poverty fell from 33% in 1990 to 9.9% in 2004; and conversely, in sub-Saharan Africa, where economic growth has been developing slowly overall, the proportion has fallen only slightly from 47% to 41% [19]. Moreover, in a recent study, Kraay [27] has identified three potential sources of pro-poor growth: a high growth rate; a high sensitivity of poverty to growth; and a poverty-reducing pattern of growth. This result implies that around 70 percent of the variation in short-run changes in poverty can be explained by growth. Economic growth has played a key role in poverty reduction.

Economic growth spurts are common phenomenon worldwide. Most difficult is to maintain and sustain episodes of growth. A country's ability to do so lies largely in its policies and functional institutions, which play a central role in enabling sustainable economic growth. There is consensus about the existence of certain key factors that contribute to the overall economic growth. Essentially, sustaining economic growth requires "increasing incentives to invest and increasing the use and productivity of capital and labour across the economy through appropriate policies and institutions" [19]. DFID [29] identifies four conditions that are often associated with economic growth: strong incentives for investment, international economic links, access to assets and markets, reducing risk and vulnerability. A historical overview of determining factors on economic growth is summarized in the following diagram by Shirai (2004). See Figure 4.

According to Wiggins and Higgins [19], the key factors that contribute to growth include macroeconomic stability, institutions with good governance and a favourable investment climate that ensures secure property rights and efficient markets. Moreover, the drivers of economic growth may change with the development of economy and different issues arise at each stage. Countries that fail to recognize the changing nature of the challenges and the correspondingly different requirements for institutions and policies may experience a stalling growth. Each country needs to develop its own marketing-supporting institutions and sets of rules; for example, the growth take-offs of the UK, Japan, and China have differed from each other so much, and many economists could not have imagined that the Chinese model of capitalism would have worked [19].

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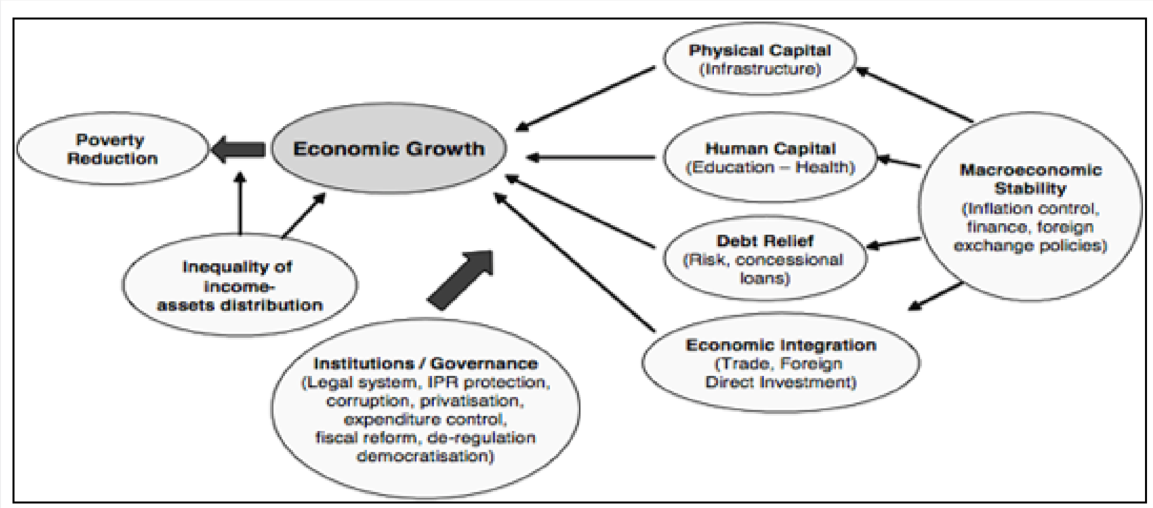

Figure 4: Economic Growth and Poverty Reduction – Determining Factors. (Source: OECD [27], p. 5)

Even though growth is necessary for poverty reduction, growth alone is not enough. Otherwise, the distinction between growth as a public policy goal and pro-poor growth will be nonsense. Since it is difficult to argue that sustained poverty can be achieved with redistribution policies along with economic stagnation, growth associated with progressive distributional changes will have a greater impact in reduction poverty than growth that leaves the distribution unchanged [30].

Poverty Reduction

Poverty reduction mainly deals with "improving human well-being, in particular that of poor people" [11]. The assessment of well-being can be interpreted in terms of capabilities and functioning's; a functioning is an achievement, whereas a capability is the ability to achieve [31]. Therefore, functioning is more directly related to living conditions, and capability is connected with the freedom people have in their choice of life or functioning's. In this sense, pro-poor growth is expected to enable the poor to actively participate in and significantly benefit from economic activities [11].

Recent cross-country studies show that there is a strongly positive correlation between growth and poverty reduction [32,33]. However, the cross-country analysis is only indicative of average trends, while the individual country experience can be significantly different. Ravallion [20] found that a 1% increase in per capita incomes can reduce poverty by as much as 4% or by less than 1%, depending on the country ad the time period. In many countries, the high incidence of poverty persisted despite the decent growth rate. It is the slower rate of poverty reduction in many countries that has raised the main interest in the concept of pro-poor growth.

The degree of poverty reduction depends on two factors: average income and income inequality [32]. An increase in average income reduces poverty and an increase in income inequality increases it. Recent empirical studies also found that the degree of poverty reduction along with economic growth also depends on initial inequalities in income and assets [34,35].

The variable impact of growth on poverty reduction lies in the degree of access that poor have to the markets and the terms on which they participate in such markets, which can be broken down into the following elements: lack of physical access – some people cannot take advantage of opportunities owing to the costs of reaching the market; market failures – particularly in the cases of finance, land, and labour, the poor cannot obtain the resources needed to invest and innovate; lack of human capital of the poor – low levels of basic education and vocational skills, and higher levels of ill-health, often leave the poor unable to get better-paid jobs; and exclusion – discrimination of race and ethnicity, language, religion, caste, and gender can exclude poor people from jobs and public services [19].

Inequality

Alesina and Perotti [36] state that growth increases as inequality falls based on the sociopolitical instability approach. Firstly, a highly unequal society encourages individuals to engage in activities against normal market rules, such as crime; secondly, sociopolitical instability discourages accumulation because of current disruptions and future uncertainty.

Galor and Zeira [37] argue that higher inequality lead to lower growth through presence of credit market imperfections that exclude the poor, or from a political economy in which policy distortions arise from the lobbying of the rich. It reduces the

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ability of poor people to contribute to production, and causes social and political tensions that discourage investment. Aghion et al. [38] also note that inequality would be detrimental to growth by concentrating investment in fewer richer people.

According to Birdsall, et al. [39], inequality of assets is strongly relative to slower economic growth. When income and asset inequality are both introduced as explanatory variables for growth rates, only asset inequality remains important. Nevertheless Barro [40] argues that when the country sample is divided into low- and high-income countries, income inequality is also an important predictor of subsequent slower growth in low-income countries, but of faster growth in high-income countries. In unequal low-income countries, a large proportion of the population are excluded from competing in education and entrepreneurship, which restricts competition, reduces the number of users, and loses scale economies in provision [40]. Therefore, resources become less efficient and productive and growth is restricted. Since inequality is usually associated with a low elasticity of growth to poverty reduction. Therefore, lowering high levels of inequality is important for growth and for poverty reduction in many low-income countries.

Promoting Pro-Poor Growth

Agriculture Sector Development

In most poor countries, agriculture sector is the main source of livelihoods, national income and export earnings, and offer a number of vital environmental services [41]. It remains the backbone of the rural economy, and employs the majority of the world's poor people. At the macro level, growth in agriculture sector has consistently performed to be more pro-poor than growth in other sectors. In some South Asian countries, poverty reduction through growth in agriculture was higher than that through growth in manufacturing [42].

Despite agriculture's importance for poor people and growth, investment and policy attention from governments have generally decreased, partly because of doubts about the effectiveness and feasibility of public intervention in this sector [42]. Renewed government and donor engagement in agriculture is essential to achieve pro-poor growth.

According to OECD [42], there are at least three key elements to an effective pro-poor growth strategy: i) enhancing agricultural sector productivity and improving market opportunities; ii) promoting diversified livelihoods; iii) reducing risk and vulnerability. Enhancing agricultural productivity relies on a supportive policy environment that enables rural producers to use the available assets more efficiently and sustainably. However, a focus on increasing productivity is not enough. It is also necessary to enhance the connection between the agricultural and non-agricultural, and rural and urban economies. Securing land rights and improving the function of land markets enable people to diversify their livelihoods, and invest in or move into higher return sectors. Governments' interventions to reduce risk and vulnerability are also crucial elements of an effective pro-poor policy. They can protect the poor people and enable them to undertake new, viable, but more risky livelihoods.

The poverty levels in countries in Africa, for example, are highly responsive to agricultural growth. In Uganda from 1992 to 2003 agricultural growth accounted for over 50% of the reduction in head count poverty [43]. In Ghana from 1991 to 1998 growth in agricultural sector resulted in about 44% of the reduction in poverty [44]. However, the agricultural productivity in Africa still lags behind that of other developing regions both in terms of output per unit of land and per unit of labour [45]. Limited agricultural technology, low access to existing technology and declining investments in rural infrastructure all lead to limited productivity improvement in Africa agriculture.

Redressing the imbalance in policy attention and public expenditures toward agriculture requires the development of an agricultural lobby, which can emerge from the most rapidly growing segment of African agriculture, the export sector. Creating an export push in agriculture is one of the most important building blocks for pro-poor growth in Africa and has positive poverty impact [46]. For example, as export crops expanded, there were concurrent productivity gains in food-crops. Furthermore, agricultural exports offer possibilities for African farms to learn how to penetrate external markets, how to handle the complex logistics of international trade, and how to master new technologies, which can also be adapted to other economic activities and which can help raising productivity [46]. The other building blocks of pro-poor growth in Africa, according to Page [46], are managing natural resource revenues, and strengthening sub-regional integration.

Another example is the Indonesian growth process. Indonesia is one of the few countries where a pro-poor strategy has been purposely designed and implemented over many years [7]. According to Osmani [47], the adoption of new agricultural technologies counts as the major engine of Indonesia's pro-poor growth. The Indonesian embarked on a program to promote rice cultivation, which was based on four pillars: i) introduction and diffusion of new agricultural technology in order to make it available for everyone; ii) subsidization of agricultural inputs; iii) investments in infrastructural development; and iv) regulation of the price scheme. Thanks to this program, many small-scale rice farmers could increase their productivity, so that millions of people could be raised above the poverty line in only a few years.

Private Sector Development

The private sector benefits the poor in two main ways: employment creation and changes of price. Private sector development provides opportunities for the poor to raise productivity and efficiency, thus reducing the prices of goods. Therefore, developing country governments have a strong interest

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in fostering a business environment that promotes the private sector to flourish and fulfil its role as the main engine of growth [48].

Through support for private sector to accelerate pro-poor growth, some priorities need to be in place: i) encouraging entrepreneurship and investment by reducing risks and costs; ii) enhancing the growth of sectors which have a high growth potential and the greatest potential for up-stream and down-stream linkages to other sectors; iii) identifying and unlocking the potential for economic development in sectors and regions where the poor are concentrated; iv) removing barriers to formalisation; v) implementing competition policy in developing countries; vi) strengthening the functioning of natural resource markets by improving legal, regulatory and administrative frameworks; and vii) improving access to infrastructure, services, skills and knowledge [41,48].

Almost one-third of the world's poor live in India in 1990s, which makes the goal of halving poverty become very much an Indian challenge. India's success story can be reflected by the significant decrease of the population remaining below the absolute poverty line. While in the 1970s almost 56% were forced to survive with less than 1$ per day, in 2000 only 28.6% remained there [7]. Besley and Cord [48] note that the overall growth was particularly driven by the industrial and services sectors, that is, by non-agricultural factors. They also derive several policy propositions essential for relating poverty reduction to economic growth in India: i) improving the investment climate so that the poor can be directly involved in the economy; ii) improving access to capital, which encourages the creation of non-agricultural activities; iii) identifying some industrial and service sectors and expanding the branches to some remote areas; and iv) promoting education so as to enhance private sector growth by providing more skilled labour force and enable the workers to gain higher return employment.

Employment and Social Protection

According to OECD [50], productive employment and decent work are the main routes out of poverty. One of the many reasons why people remain poor is because they are excluded from labour market. A well-functioning labour market and an enabling environment for local entrepreneurship are essential to increase employment opportunities for the poor. It is crucial to increase the employability of the poor, especially for women and youth, unlock their potential to contribute to growth [50]. Ludi and Bird [41] state that enhancing employment and returns to labour requires following efforts: i) strengthening the productive resources and capacity of poor people; and ii) creating opportunities for everyone to make full use of the productive resources at hand (cf. p. 3).

Social protection refers to policies "which enhance the capacity of poor (…) to escape from poverty and enable them to better manage risks and shocks" [50]. Social protection directly leads to poverty reduction, stimulates the involvement of poor people in the economy and contributes to social cohesion and stability. Social protection makes growth more pro-poor through improved health outcomes, increased school attendance, hunger reduction and livelihoods promotion [50].

The government has the primary role in providing a framework for delivering social protection, which reinforces a social contract that legitimises and strengthens the country [50]. For example, in Nepal social protection is on the agenda to consolidate the reform process as a step of state-building. In Mexico and Indonesia cash transfer initiatives have compensated the poor for reduced price subsidies [50]. Bolivia established a social pension program with the proceeds from the privatisation of public enterprises [51].

Infrastructure Construction

Reliable, efficient infrastructure, i.e. transport, energy, information and communication technology, and water resources for drinking, sanitation and irrigation, is crucial to economic and social development that promotes pro-poor growth. OECD [52] has developed four guiding principles on using infrastructure to reduce poverty and promote pro-poor growth: i) use partner country-led frameworks as the basis for co-ordinated donor support; ii) enhance infrastructure's impact on poor people; iii) improve management of infrastructure investment to achieve sustainable outcomes; iv) increase infrastructure financing and use all financial resource efficiently (cf. pp. 23-36).

Based on these four principles, Ludi and Bird [41] gives a deeper insight into the pro-poor as well as pro-growth infrastructure development. A comprehensive infrastructure strategies should be developed linked to other economic and social sectors and plans; the poor communities should be actively involved in prioritising, designing, planning and implementing local infrastructure; the sustainability of infrastructure should be enhanced by developing a cost-recovery system that allows maintenance and expansion while taking into account poor people's ability to pay, fostering public-private partnerships, enhancing accountability of agencies for overseeing, regulating and delivering infrastructure services, promoting transparency and reducing corruption, and by ensuring that negative impacts on the environment and the poor groups are prevented; financial resources should be better utilized by improving efficiency and cost recovery, improving private participation, and providing more predictable public funding and donor assistance [41].

China's impressive economic development is the result of many factors, including promotion of private sector, investment in infrastructure and opening policy. To reduce poverty in the hinterlands, China has embarked on a "go west" strategy, part of which involves construction of a 625 kilometre railway from Chongqing to Huaihua, meanwhile increasing access to the Red Basin and its 120 million inhabitants [52]. This new railway is a

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good example of a transport project that aims to reduce poverty by increasing transport efficiency and economic growth. Firstly, the railway connects a large number of poor townships and small cities to the railway. Secondly, the construction of the railway creates opportunities for manufacturing and services as alternatives to farming in mountainous areas. Thirdly, other infrastructure developed during railway construction, such as roads, bridges, buildings, drinking water stations, electricity lines, is designed for permanent use. Lastly, employment is generated for the local poor through labour contracts and procurement of local construction material [53,54].

Conclusion

The relationship among economic growth, poverty reduction and inequality has been discussed by researchers and economists with reference to pro-poor growth for more than a decade. This paper has attempted to discuss the definitions and concepts of pro-poor growth. It also proposes effective policy implications and meanwhile gives country examples. Different definitions of pro-poor growth lead to different assessments of growth processes. Depending on the absolute or relative understanding of pro-poor growth, policy makers may establish different pro-poor strategies, either with focus on economic growth or including equality in the development process. However, as mentioned before, a preference for the absolute definition does not suggest inequality reduction should be ignored in the policy design; while a favor for the relative definition does not imply less importance of overall economic growth. The policy makers should try to apply the most pro-poor combination of these concepts.

Promoting pro-poor growth is to promote a pattern of growth that enables the poor to participate in, contribute to and benefit from the growth, which is critical in achieving sustainable poverty reduction and meeting the Millennium Development Goals. Evidence suggests that if pro-poor growth is to be attained, attention should be focused on productive sectors and on developing an enabling environment. Based on the discussion of pro-poor growth definitions and the OECD's DAC Guidelines and Reference Series, this paper sets out the policies required to promote pro-poor growth in four aspects: agriculture sector development, private sector development, employment and social protection, and infrastructure construction. There is also growing evidence that substantial synergies exist between areas of agriculture, infrastructure, social protection, and the private sector, which can lead to improvements to the productive capabilities of the poor [41].

It is important for the policy makers to keep in mind that there is no unique recipe for pro-poor growth and poverty reduction across regions. While applying the general guiding principles for promoting pro-poor growth, each country needs to identify the combination of economic and social policies that best suits its own condition.

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