REMARKS AT THE CONCLUDING SESSION OF THE UZBEKISTAN INTERNATIONAL POVERTY REDUCTION FORUM (Bukhara, May 27, 2022)

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Mr. Deputy Prime Minister, Distinguished Panelists, Ladies and Gentlemen:

I appreciate the opportunity to provide some final thoughts, not as a summary, which would quite impossible, given the richness of the debate and the wide coverage in this important event, but more some personal reflections about the Forum.

It has been an important undertaking because the Government of Uzbekistan has been clear that is wants to foster open discussion on issues that matter to its citizens, and poverty reduction and who benefits from growth is one of those important topics.

It is also symbolic of the reality that Government is determined to improve the Standards of Living of ordinary Uzbek citizens and that is committed to do this as part of its 2022-2026 National Development Strategy. So now what do I take away from this Forum?

First there is a lot of good news:

* Poverty measures are improving
* Social policies are being targeted on the basis of who is in need
* The Poverty Line calculation has been reset, helped by a newly established Minimum Consumption Basket, and
* Income support will be not only targeted based on more accurate metrics, but will also be adjusted for inflation, something important in 2022 in particular with rising prices.

ALL THIS SIGNIFIES THAT GOVERNMENT IS SERIOUSLY COMMITTED TO POVERTY REDUCTION

But there are also observations that highlight challenge based on Not-so-good News:

* It seems based on the World Bank’s Systemic Country Diagnostic that the benefits of growth are not shared widely enough throughout the economy
* Their analysis shows that much of the growth in GDP has come from capital and natural resources, and too little from productivity gains, not good news for wage earners.
* Moreover, employment elasticities are low---5% growth only increases job creation by 1%--so this is an area of concern
* The way I like to think about it as follows: GROWTH IS THE NECESSARY FUEL FOR THE ECONOMY AND THE DISTRIBUTION OF INCOME IS THE MACHINE THAT DETERMINES WHO BENEFITS AND WHO IS LEFT BEHIND, AND ULTIMATELY PROGRESS ON PVERTY REDUCTION

MY SECOND OVERARCHING OBSERVATION IS THAT TRANSFERS, HOWEVER WELL TARGETED, ARE SECOND-BEST SOLUTIONS. THE BEST INTERVENTIONS PROVIDE ECONOMIC OPPORTUNITY—ACCESS TO EDUCATION, EARLY ACCESS TO HEALTHCARE, ACCESS TO MARKETABLE SKILLS AND CHANCES FOR JOBS AND INCOMES. YES, TRANSFERS ARE DESIRABLE AND NECESSARY, BUT THEY ARE THE SECOND LINE OF DEFENSE AGAINST POVERTY.

MY THIRD OBSERVATION IS THAT ALL POOR ARE NOT CREATED EQUAL.

* Poverty tends to be higher in certain groups, especially among women, which is why, among other reasons, many cash transfer programs target female heads of households
* In fact, there is a gender element that should not be ignored when speaking of poverty and economic opportunity. Empowering women means providing them with economic assets, with land titles and inheritance rights, with special program to access credit, with interventions to overcome labor market barriers. These measures counteract poverty.
* There is also evidence that older women in Uzbekistan are less protected from risks that can push them below the poverty line because women aged 55-64 have less by way of social protection (aka social security). This is a major problem in some advanced economies, like South Korea, the so-called ELDER POOR, something to be avoided.

I OFFERED SOME VIEWS ON THE DO AND DON’TS OF REGIONAL INTERVENTIONS YESTERDAY SO I WON’T REPEAT THOSE HERE, BUT ALLOW ME INSTEAD TO OFFER MY FOURTH AND FINAL OBSERVATION, WHICH IS: DESPITE THE ENORMOUS IMPORTANCE OF ABSOLUTE POVERTY REDUCTION, RAPIDLY GROWING ECONOMIES LIKE UZBEKISTAN NEED TO WATCH OUT FOR RELATIVE INCOME INEQUALITIES AS WELL.

What do I mean by this?

Moving to Middle Income status is not a linear process and equally the benefits of growth are not distributed proportionately. So income distribution becomes more important, and efforts are needed to avoid large increases in inequality.

This is not a problem today; however, public sector vigilance about who shares in the benefits of growth is fundamental to societal stability and citizen buy-in for the next and more difficult stage of reforms. WHAT SHOULD BE DONE ABOUT IT?

Several areas merit attention when we speak of relative income patterns and income inequality:

* One area that warrants more effort is competition policies that protect the consumer, and also provide more entrepreneurial opportunity—like startup that can become gazelles and hopefully unicorns
* A second area for analysis concerns fiscal incidence analysis of who pays taxes and who benefits from transfers
* A third is to start to design policies to reduce the shadow economy in a way that doesn’t disproportionately hurt small business activity, but also allows for more accurate data on income distribution.
* THANKS TO THE WORLD BANK AND THE MINSTRY OF ECONOMY FOR INVITING ME