



# The poverty and inequality nexus in Africa

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### A. Poverty trends in Africa

1. The incidence and depth of poverty in Africa are falling, but at a slow pace:

- In Africa, the proportion of people living in extreme poverty (defined as those living on less than \$1.90 per day) declined from 38.7 per cent in 2010 to 34.8 per cent in 2013, which is the latest available estimate for Africa as a whole;
- In Africa, excluding North Africa, extreme poverty fell from 46.5 per cent to 42.3 per cent during the same period;<sup>1</sup>
- The poverty gap, a measure of how far incomes fall below the poverty line, declined in Africa from 22.5 per cent in 1993 to 13.5 per cent in 2013.

2. Aggregate poverty figures, however, mask substantial sub-regional and country variations:

- Extreme poverty was higher in Africa, excluding North Africa (42 per cent in 2013) than it was for North Africa (2.71 per cent in 2013);
- Excluding North Africa, extreme poverty was highest in Central Africa (54.0 per cent in 2013) and lowest in Southern Africa (17.7 per cent in 2013). In West Africa, it was 43.3 per cent and in East Africa it was 40.9 per cent;
- At the national level, extreme poverty ranged from less than 0.37 per cent (Seychelles) to 77.8 per cent (Madagascar);
- Algeria, Cabo Verde, Egypt, Ghana, Mauritania, Mauritius, Morocco, Seychelles and Tunisia were in the top poverty quintile (that is, they have the lowest poverty rates);
- Burundi, Central African Republic, the Democratic Republic of the Congo, Guinea-Bissau, Lesotho, Madagascar, Malawi, Mozambique and Rwanda were in the bottom poverty quintile (that is, they have the highest poverty rates);
- On an annual basis, Cabo Verde, Egypt, the Gambia, Guinea and Morocco experienced the

largest decline in extreme poverty (see table 1);

- The biggest increases in extreme poverty were observed in Guinea-Bissau, Kenya, Mauritius, Seychelles and South Africa (see table 2);
- The Democratic Republic of the Congo, Egypt, Ethiopia, Nigeria and the United Republic of Tanzania were the five most populous countries in Africa (see table 3);
- All but one (Nigeria) of the most populous countries in Africa experienced a decline in extreme poverty, but only two (the Democratic Republic of the Congo and the United Republic of Tanzania) experienced a decline in both poverty and inequality (see table 4);
- Nigeria experienced virtually no change in extreme poverty (0.0003 per cent) during the period 2004–2009. Meanwhile, inequality increased during that period (see table 4).

**Table 1: Countries with the sharpest decrease in poverty and that experienced a decline in inequality (according to annual change in ascending order, as a percentage)**

Country	Reference years	Proportion of population living below \$1.90 per day (percentage, 2011 PPP*)			
		Poverty rates	Change	Annual change	Gini Coefficient
Gambia	2010	25.08	-59.5295	-11.9059	43.57
	2015	10.15			35.92
Egypt	2010	3.02	-55.298	-11.0596	31.52
	2015	1.35			31.82
Cabo Verde	2002	16.01	-49.594	-9.9188	52.50
	2007	8.07			47.19
Morocco	2001	6.27	-50.2392	-8.37321	40.64
	2007	3.12			40.72
Guinea	2007	59.7	-40.9213	-8.18425	39.36
	2012	35.27			33.73

**Note:** Egypt and Morocco were the exceptions with marginal increases in inequality.

\*PPP: purchasing price parity

<sup>1</sup> World Bank, PovcalNet: an online analysis tool for global poverty monitoring. Available at <http://iresearch.worldbank.org/PovcalNet/povOnDemand.aspx>.

**Table 2: Countries with the sharpest increase in poverty based on recent data and that experienced a rise in inequality (according to change in ascending order, as a percentage)**

Country	Reference years	Proportion of population living below \$1.90 per day (percentage, 2011 PPP)			
		Poverty rates	Change	Annual change	Gini Coefficient
South Africa	2010	16.46	14.52	2.90	63.38
	2015	18.85			63.03
Guinea-Bissau	2002	53.87	24.52	3.06	35.57
	2010	67.08			50.66
Mauritius	2006	0.42	26.19	4.36	35.65
	2012	0.53			35.84
Seychelles	2006	0.37	186.49	26.64	42.77
	2013	1.06			46.82

**Table 3: Poverty rates in the most populous African countries**

Country	Population, 2017 estimate (millions)	Poverty estimates		
		Proportion of population living below \$1.90 per day (percentage, 2011 PPP)	Year of estimate	Estimated number of people (millions)
Democratic Republic of the Congo	81.3	77.1	2012	62.7
Egypt	97.6	1.3	2015	1.3
Ethiopia	105.0	26.7	2015	28.0

**Table 4: Most of the most populous African countries experienced an increase in inequality**

Country	Population, 2017 estimate (millions)	Proportion of population living below \$1.90 per day (percentage, 2011 PPP)			Inequality trend in reference years	
		Reference year	Latest poverty rates	Annual change	Gini Coefficient	Inequality trend
Democratic Republic of the Congo	81.3	2005/2012	77.1	-2.58	47.3/42.10	Decrease
Egypt	97.6	2010/2015	1.3	-11.06	31.52/31.82	Increase
Ethiopia	105.0	2010/2015	26.7	-4.08	33.17/39.07	Increase
Nigeria	190.9	2004/2010	53.5	0.003	40.06/42.97	Increase
United Republic of Tanzania	57.3	2007/2012	49.1	-3.62	40.28/37.78	Decrease

- The absolute number of people in extreme poverty is rising, despite the overall decline in the poverty rate:
  - In terms of absolute numbers, poverty in Africa increased from approximately 280 million in 1990 to 389 million in 2013, due in part to high population growth rates;<sup>2</sup>
  - In comparison, according to recent United Nations data, 783 million people (11 per cent of the world population) lived in extreme poverty in 2013.
- Women, children and rural dwellers bear the brunt of poverty:
  - Close to half (49 per cent) of the children in Africa, excluding North Africa, have been living in extreme poverty.<sup>3</sup>

2 Kathleen Beegle, and others, Poverty in a Rising Africa (Washington, D.C.: World Bank Group, 2016). Available at <http://documents.worldbank.org/curated/en/949241467996692059/Poverty-in-a-rising-Africa>.

3 United Nations Children's Fund (UNICEF) and the World Bank Group, Ending extreme poverty: a focus on children (October 2016). Available at [www.unicef.org/publications/index\\_92826.html](http://www.unicef.org/publications/index_92826.html).

## B. Drivers of poverty in Africa

### 1. Limited pace of economic growth:

- The prevailing sentiment is that higher rates of gross domestic product (GDP) and per capita income growth reduce poverty;<sup>4</sup>
- The average pace of growth, however, was (5 per cent) below the 7 per cent threshold considered necessary for transformative reductions in poverty, even with the continent's pre-crisis growth acceleration;
- Rapid population growth (approximately 2.6 per cent annually) resulted in modest growth in per capita income.

### 2. Limited inclusiveness of growth:

- Beyond the pace of growth, the sources of growth have an impact on poverty;
- Growth in Africa is largely driven by capital-intensive primary commodity exports and as a result, it is volatile and weakly inclusive, with limited influence on employment and poverty reduction;
- The limited impact that growth has on poverty is manifested by the high levels of underemployment and vulnerable jobs;
- Notwithstanding some improvements, Africa has the largest share of working poor globally;
- Six out of every 10 workers in Africa are engaged in vulnerable employment. Young people and women are more vulnerable;
- One third of the working population in Africa, excluding North Africa, lived in extreme poverty in 2015, down from more than half (52.8 per cent) in 2000;
- Proportionately more working women (35.1 per cent) live in poverty, compared with working men (32.1 per cent).

### 3. Weak social protection systems:

- Weak social protection programmes have exacerbated the limited impact that poverty has on growth;
- Less than one per cent (0.7 per cent) of unemployed people in Africa have received any form of support, compared with approximately 45 per cent globally.

### 4. Climate change and rising food insecurity:

- Aggravated by climate change, severe food insecurity increased to 26.1 per cent in 2016, from 25.3 per cent in 2014;
- In 2015, more than 350 million people in Africa were moderately or severely food insecure.

### 5. High initial levels of inequality:

The impact that growth has on poverty is mediated by prevailing levels of inequality;<sup>5</sup>

For any given growth rate, low (high) initial levels of inequality further reduce (increase) poverty: directly, by boosting incomes of the poor; and indirectly, by spurring additional growth through increased savings and human capital investments.<sup>6</sup>

## C. Trends in inequality in Africa

### 1. Income inequality:

- Estimated using the Gini Coefficient, income inequality in Africa, excluding North Africa, was approximately 0.43 in 2011, one of the highest rates of inequality globally;<sup>7</sup>
- The top quintile group (i.e. best performers) for income inequality comprises Algeria, Egypt, Ethiopia, Guinea, Liberia, Mali, Mauritania, the Niger, Sao Tome and Principe, and Sierra Leone;
- The bottom quintile group (i.e. worst performers) for inequality comprises Botswana, Central African Republic, Eswatini, Guinea-Bissau, Lesotho,

4 Augustin Kwasi Fosu, "Growth, inequality and poverty reduction in developing countries: recent global evidence", *Research in Economics*, vol. 71, No. 2 (June 2017), pp. 306–336.

5 Michael Bruno, Martin Ravallion and Lyn Squire, "Equity and growth in developing countries: old and new perspectives on the policy issues", in *Income Distribution and High-quality Growth*, Vito Tanzi and Ke-young Chu, eds. (Washington, D.C., Palgrave Macmillan and World Bank, 1998, pp. 117–146).

6 Oded Galor and Joseph Zeira, "Income distribution and macroeconomics", *The Review of Economic Studies*, vol. 60, No. 1 (January 1993) pp. 35–52.

7 United Nations Development Programme, *Income Inequality Trends in sub-Saharan Africa: Divergence, Determinants, and Consequences* (September 2017). For more information, see <http://www.africa.undp.org/content/rba/en/home/library/reports/income-inequality-trends-in-sub-saharan-africa--divergence--dete.html>.

Namibia, Rwanda, South Africa and Zambia.

and falling income were equally responsible.

## 2. Spatial inequalities in access to basic social services:

- Beyond income, inequality is manifested by disparities in access to social services;
- In 2015, approximately 43 per cent of the rural population in Africa, excluding North Africa had access to safe drinking water services, compared with 82 per cent of the urban population;
- Similarly, only 37 per cent of the rural population had access to electricity, compared with 88 per cent in North Africa.<sup>8</sup>

## D. Growth, inequality and poverty nexus in Africa

### 1. The relationship between poverty and inequality is country-specific and depends on institutions and policy measures adopted:<sup>9</sup>

- Low poverty can coexist with low inequality (e.g. Algeria, Ethiopia and Mauritius);
- Low poverty can coexist with high inequality (e.g. Botswana, Cabo Verde, Cameroon and South Africa);
- High poverty can coexist with high inequality (e.g. Benin, Central African Republic and the Gambia);
- High poverty can coexist with low inequality (e.g. Burundi, Sierra Leone and the United Republic of Tanzania).

### 2. The impact that growth has on poverty is higher when inequality is addressed:<sup>9</sup>

- Income growth is the largest driver of poverty reduction in Africa; it is estimated to account for, on average, approximately 80 per cent of the (predicted) decline in poverty;
- According to studies, however, poverty might have declined even faster if inequality had not increased, as in the case of Chad, Ghana, South Africa and Togo, for example;
- In cases where poverty rose, increasing inequality

## E. Policy recommendations

Countries should:

- **Invest in socioeconomic infrastructure** to enhance productive capacities and income earning opportunities, in particular for rural dwellers, women and young people;
- **Promote value addition and economic diversification** to improve the quality of growth, create employment opportunities, boost incomes, reduce inequality and minimize vulnerability to internal and external global price volatility and the effects of climate change;
- **Strengthen social protection systems**, including through universal health coverage and employment insurance schemes to reduce inequalities and strengthen resilience of vulnerable groups to poverty;
- **Boost intra-African trade** to expand markets and increase the scope for job creation and increased income. In this regard, operationalization of the African Continental Free Trade Area should be a priority;
- **Leverage partnerships** between Governments, development partners, the private sector and civil society to enhance resource mobilization, strengthen programme implementation, promote accountability and optimize resource use;
- **Strengthen planning capacities to identify catalytic interventions that leverage intersectoral synergies.** Countries and development partners should identify and reinforce interactions among the various Sustainable Development Goals, for example: Goal 8 – inclusive growth to provide decent jobs for all; Goals 3, 4, 6 and 15 – provision of basic social services for human development; Goals 5 through 10 – reducing inequalities, providing social safety nets; and Goals 12 through

<sup>8</sup> Economic Commission for Africa and others. 2018 Africa sustainable development report: tracking progress on Agenda 2063 and the Sustainable Development Goals (forthcoming).

<sup>9</sup> Augustin Kwasi Fosu, "The 2030 Agenda for Sustainable Development Reducing Poverty and Inequality in Africa: Options, Challenges and Opportunities", paper commissioned by ECA (Macroeconomics and Governance Division), Addis Ababa, 2018.

14 – sustainable land use to enhance food security, promoting diversification and combating climate change.

- **Strengthen statistical systems and promote evidence-based policymaking.** Governments,

with the support of development partners, should appropriately resource their national statistics offices to support the generation of timely disaggregated data to inform evidence-based policymaking and targeted actions for poverty reduction.



