



EXTENSION OF
THE RESEARCH
FACILITY ON
INEQUALITIES



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Growth, Poverty, and Inequality in Africa

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AFD
AGENCE FRANÇAISE
DE DÉVELOPPEMENT



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Growth, Poverty, and Inequality in Africa

Let's not forget the lessons of
the last decade as we move
beyond the COVID-19
pandemic



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unsustainability
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1. The unsustainability of the state of affairs

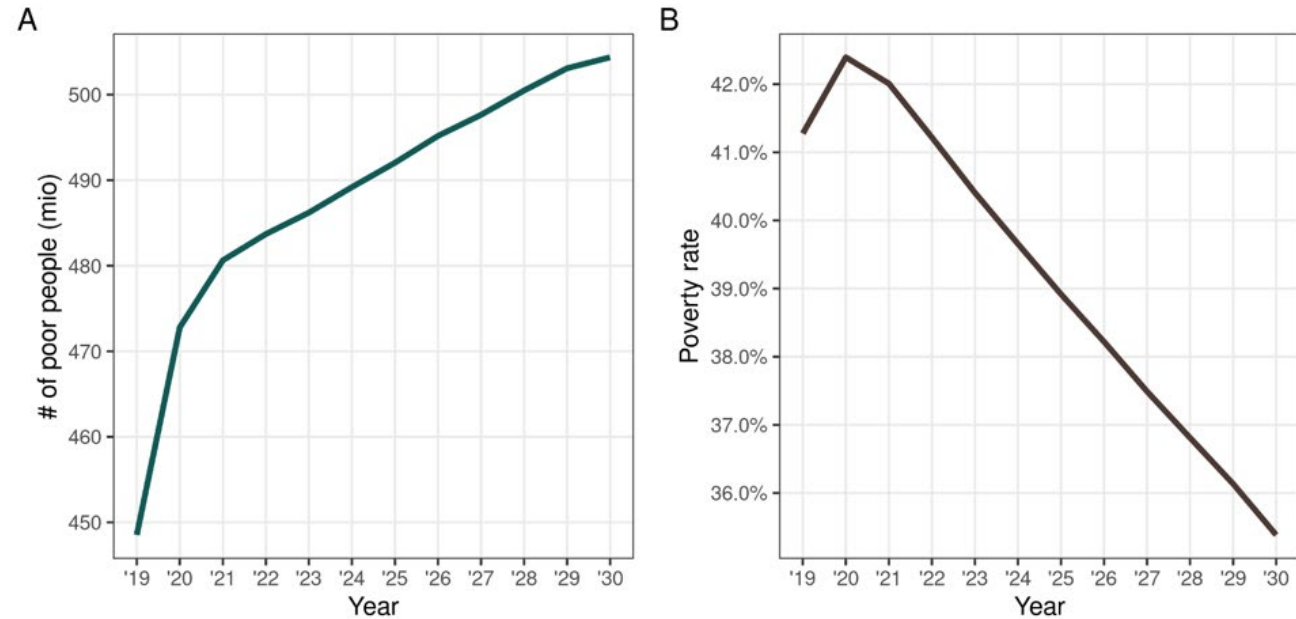
The urgency of the discussions related to sustainability, climate change and climate breakdown and the discussions about de-growth and post-growth requires us to understand how economic growth, poverty and inequality interact in Africa.

In Africa, the different outcomes of economic growth, poverty and inequality are mediated by the nature of economic growth and the structure of inequalities.

1. The unsustainability of the state of affairs

- Africa will have up to 85% of the world's poor by 2030 (Lakner, 2022).
- The effectiveness of economic growth in reducing poverty is the lowest globally.
- These are the prologue to the climate emergency and the Covid-19 pandemic, the ongoing shocks of war in Europe and their ripple effects.

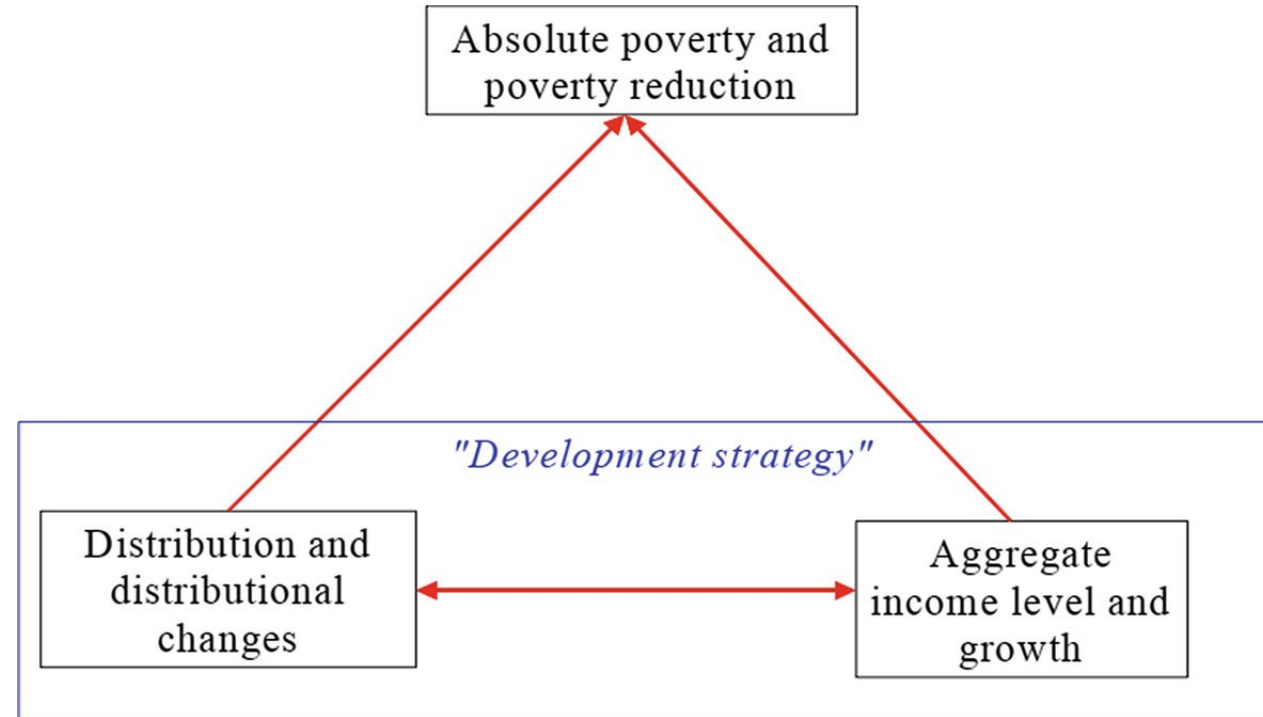
Figure 1. Projected share of the population living in multidimensional poverty (A) and number of people in income poverty in millions and as a percentage in Sub Saharan Africa (B) between 2019 and 2030



Source: Tarp (2021) based on data from Flentø (2021). Data on poverty is from Lakner et al. (2020). Projections use the baseline configuration.

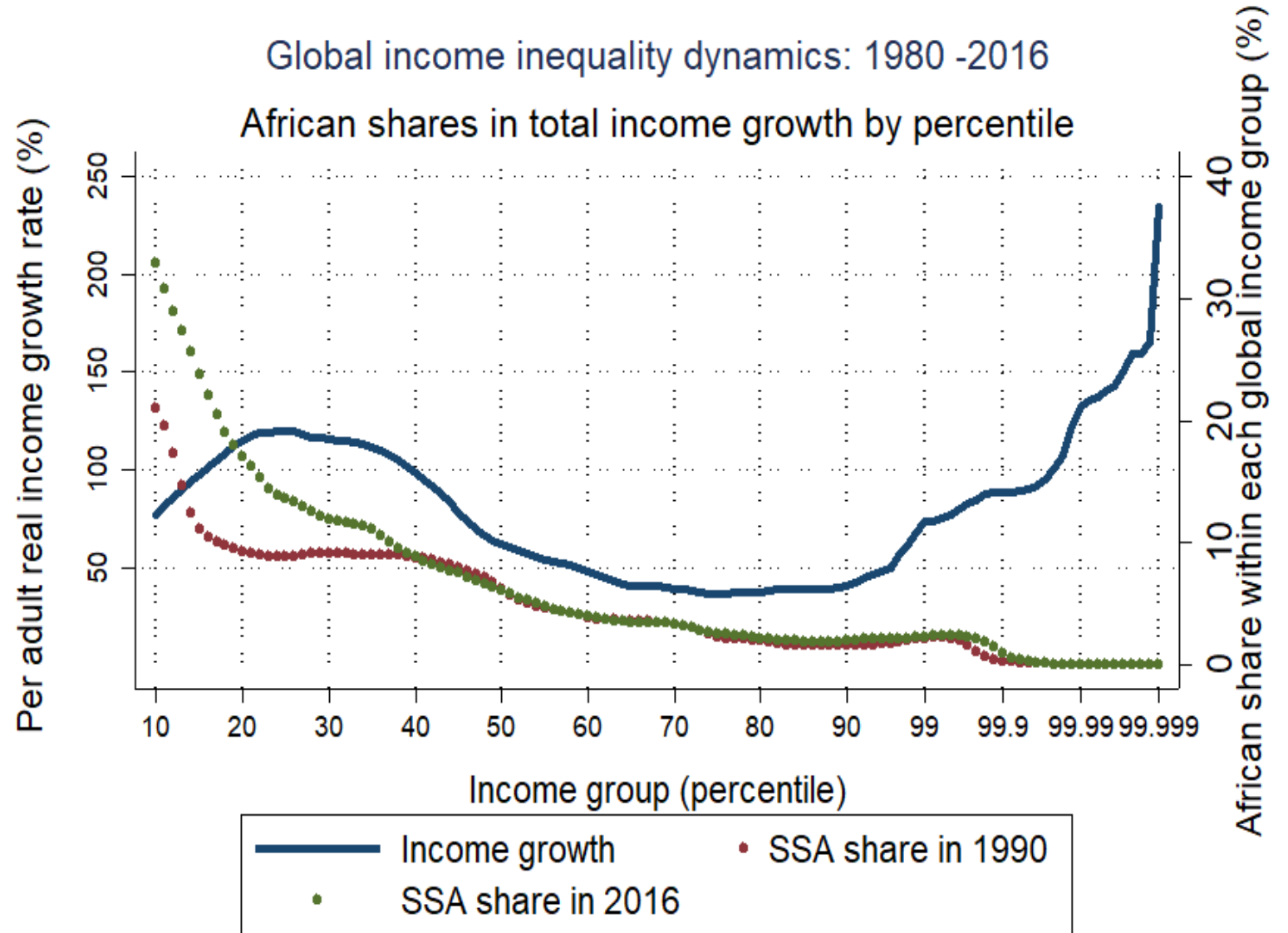
2. Revisiting Bourguignon's triangle

- Bourguignon's triangle should not be seen as a framework that closes the discussion about how growth, poverty and inequality relate, but rather as a framework that evinces the complexity of these relations.
- Growth can be pro-poor and inequality reducing if and only if there are real conditions (opportunities) that allow the poor to participate and benefit from economic growth.



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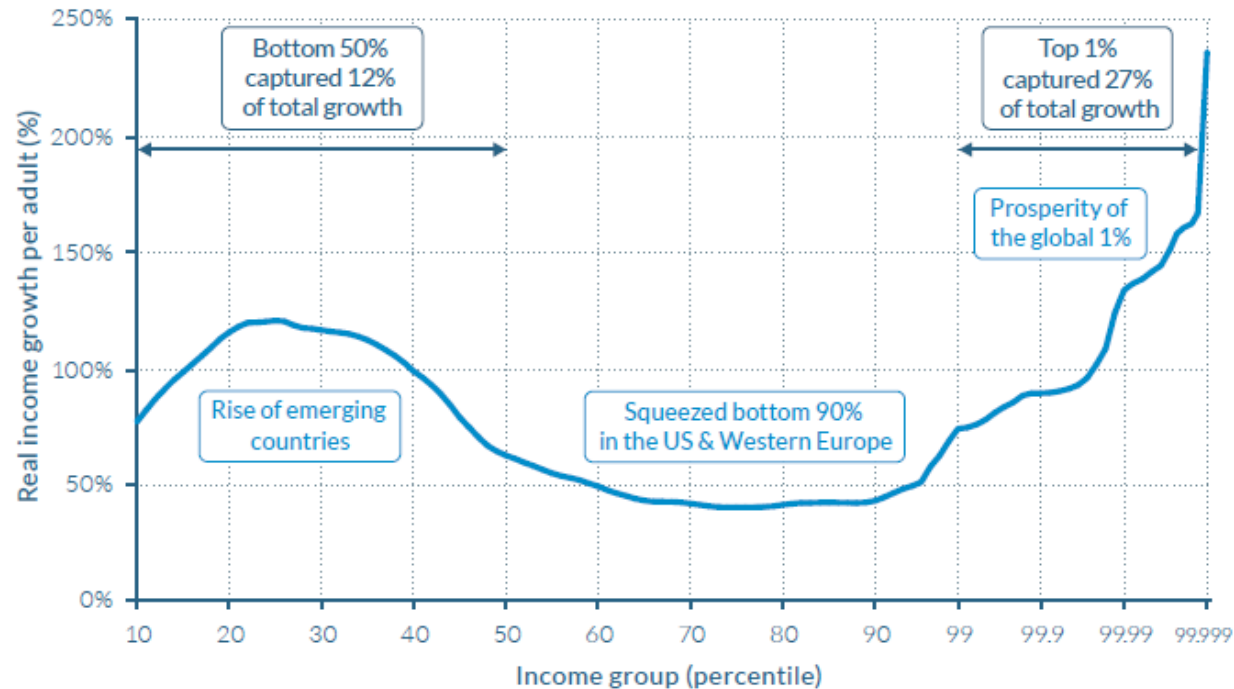
Describing the different patterns and trends between growth, poverty, and inequality in Africa



Cumulative growth rate between 1980 and 2016 of pre-tax national income measured in 2016 PPP euros.
 Key: Incomes within percentile p99p99.1 (bottom 10% of the top 1% of global earners) grew at 73% between 1980 and 2016.
 The top 1% captured 28% of total growth. All data from WID.world.
 In 2016, 33% of the population of the world's 10th percentile of the income distribution were residents of Sub-Saharan Africa

3. Describing the different patterns and trends between growth, poverty, and inequality in Africa

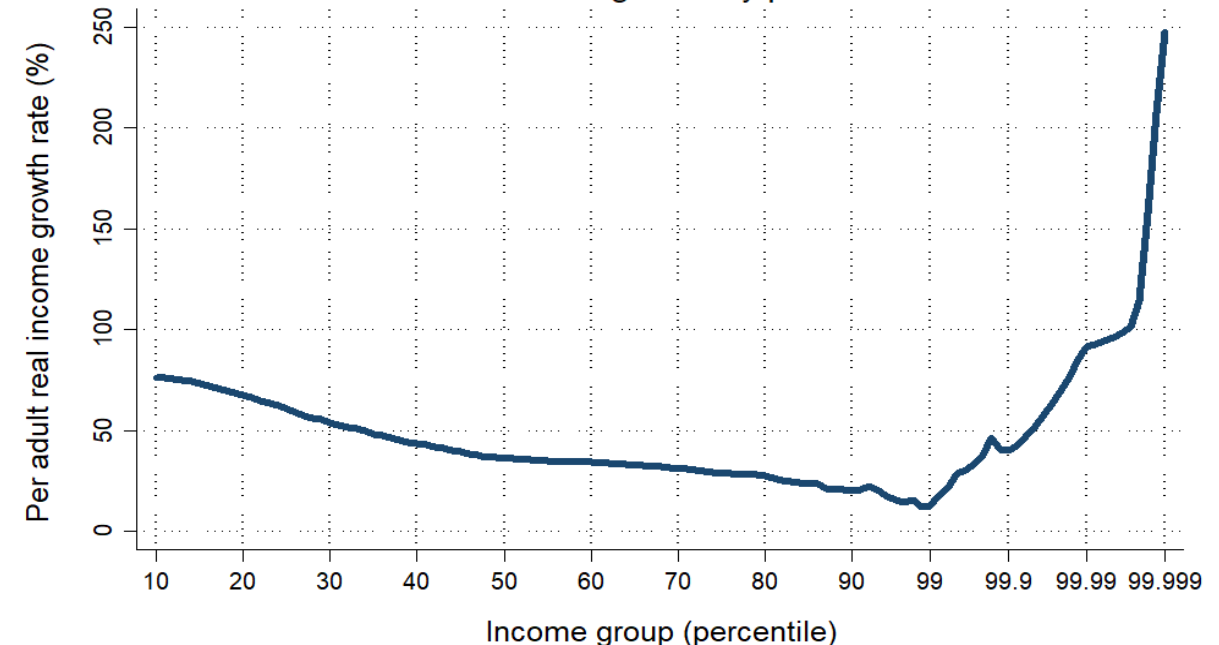
Global income inequality dynamics



Source: WID.world (2017). See [wir2018.wid.world](https://www.wid.world) for more details.

On the horizontal axis, the world population is divided into a hundred groups of equal population size and sorted in ascending order from left to right, according to each group's income level. The Top 1% group is divided into ten groups, the richest of these groups is also divided into ten groups, and the very top group is again divided into ten groups of equal population size. The vertical axis shows the total income growth of an average individual in each group between 1980 and 2016. For percentile group p99p99.1 (the poorest 10% among the world's richest 1%), growth was 74% between 1980 and 2016. The Top 1% captured 27% of total growth over this period. Income estimates account for differences in the cost of living between countries. Values are net of inflation.

African income inequality dynamics

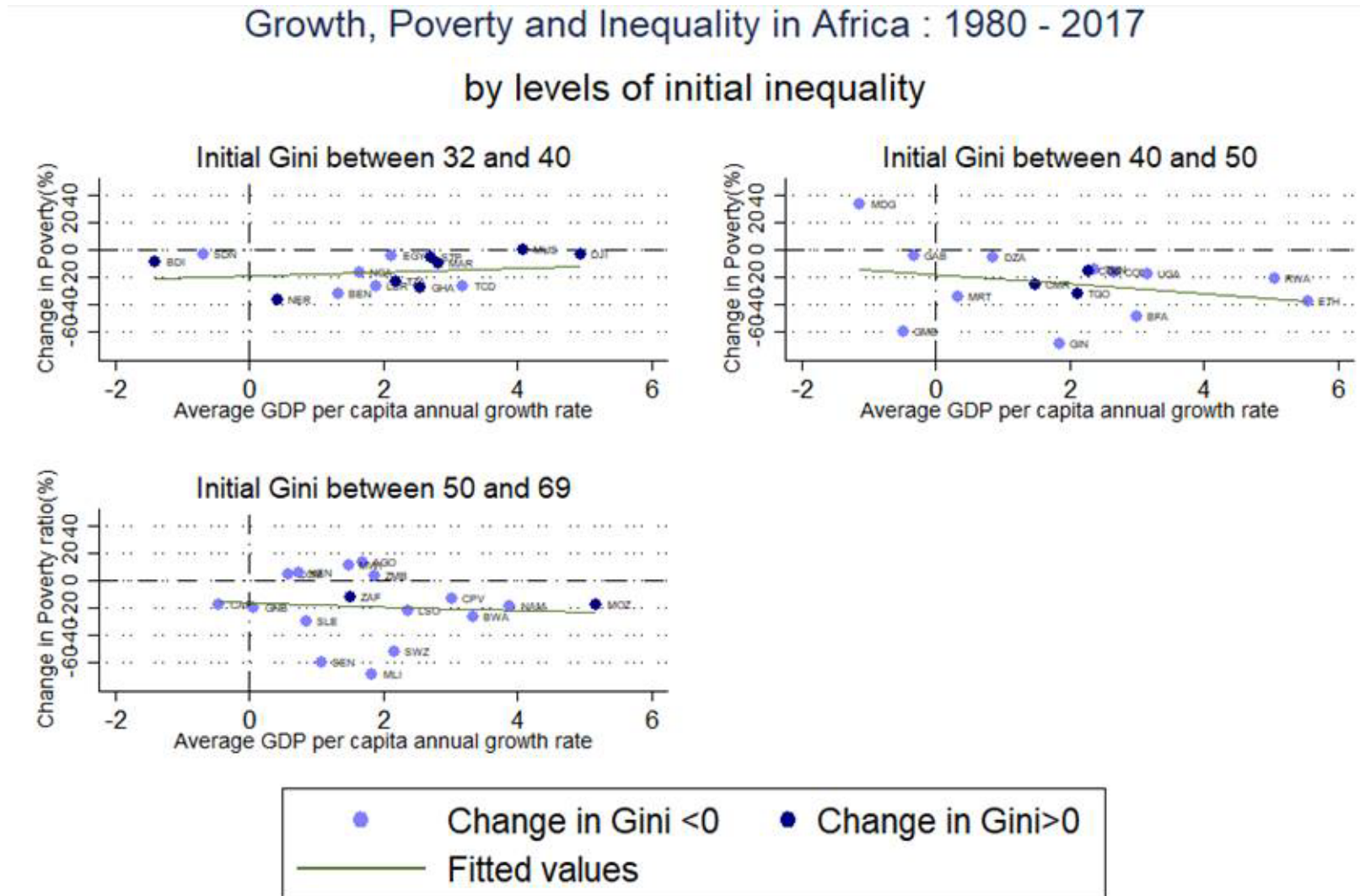


Cumulative growth rate between 1980 and 2016 of pre-tax national income measured in 2016 PPP euros.
Key: Incomes within percentile p99p99.1 (bottom 10% of the top 1% of global earners) grew at 13% between 1980 and 2016.
The top 1% captured 27% of total growth. All data from WID.world.

3. Describing the different patterns and trends between growth, poverty, and inequality in Africa

- The continent observed an important reduction in poverty between 1980 and 2017.
- Poverty reduction seems to have been greater in countries that observed a reduction in inequality, and more frequent in countries that observed positive economic growth.
- The continent continues to be, home to the world's highest levels of extreme poverty and has several of the world's 10 most unequal countries in the planet (Zizzamia, David, Leibbrandt, 2021).

3. Describing the different patterns and trends between growth, poverty, and inequality in Africa



Poverty refers to poverty headcount ratio at \$1.90 a day (2011 PPP) (%)
Inequality measure based on country's change in gini index between 1980 and 2017
Data from World Bank. Data for earliest and latest available years
Note: South Sudan, an outlier, is excluded

3. Describing the different patterns and trends between growth, poverty, and inequality in Africa

- Countries with the lowest initial inequality experience a decline in poverty and never experienced an increase in poverty, even when economic growth was negative.
- Countries with the lowest level of initial poverty mostly do not experience an increase in inequality nor poverty, and this independently of the changes in GDP.
- In Africa, the nature of economic growth, and the initial levels of both poverty and inequality condition the sustainability and unsustainability of current patterns of economic growth.

4. Conclusions and future research agenda

- Going back to the old strategies of reigniting growth will not produce the expected results and that seeking growth without distributive concerns will fail to address the objective of reducing poverty.
- The imperative of climate action makes the business-as-usual economic growth strategies even less likely to succeed in providing an enabling environment for the whole population of the continent.
- Initial inequality levels shape the joint trajectories of growth and poverty reduction.
- With wealth inequalities on the rise, the scene for the poverty reduction in the next decades looks dire if the path-dependency of growth patterns remains as strong as in the past.
- Identifying how is growth distributed across the population in real time is a promising research agenda (Blanchet et al, 2022).

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Million people
fell into extreme
poverty in
Africa during
the pandemic



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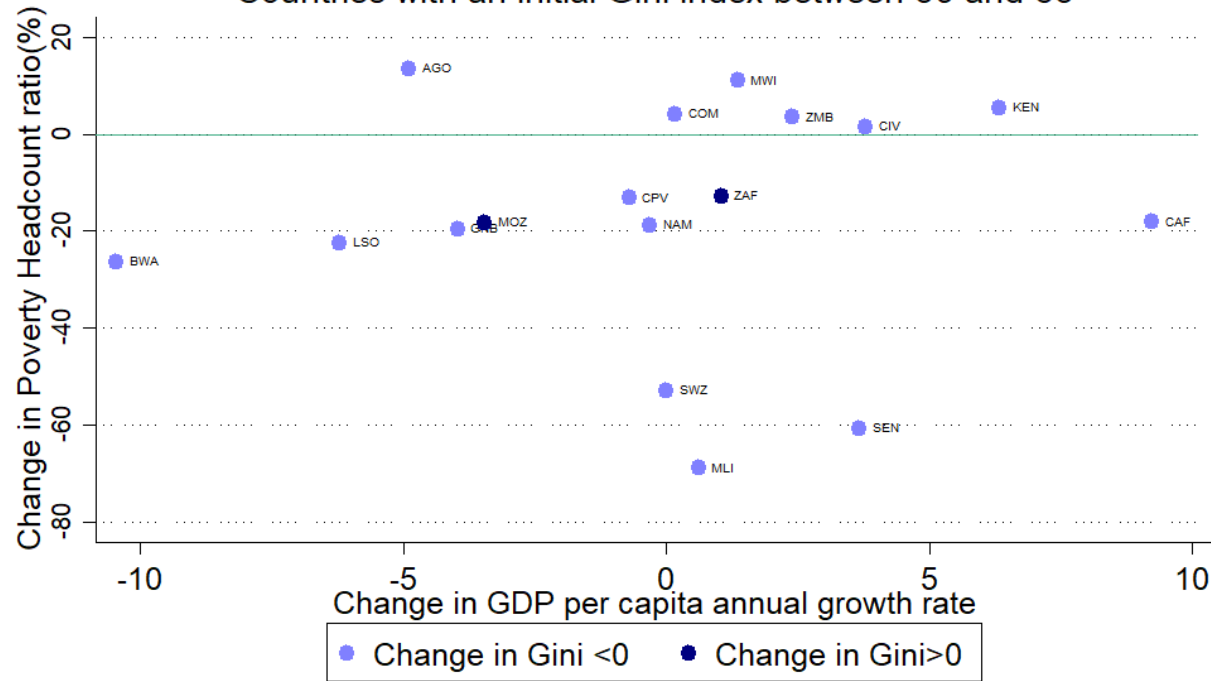
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3. Describing the different patterns and trends between growth, poverty, and inequality in Africa

Growth, Poverty and Inequality in Africa : 1980 - 2017

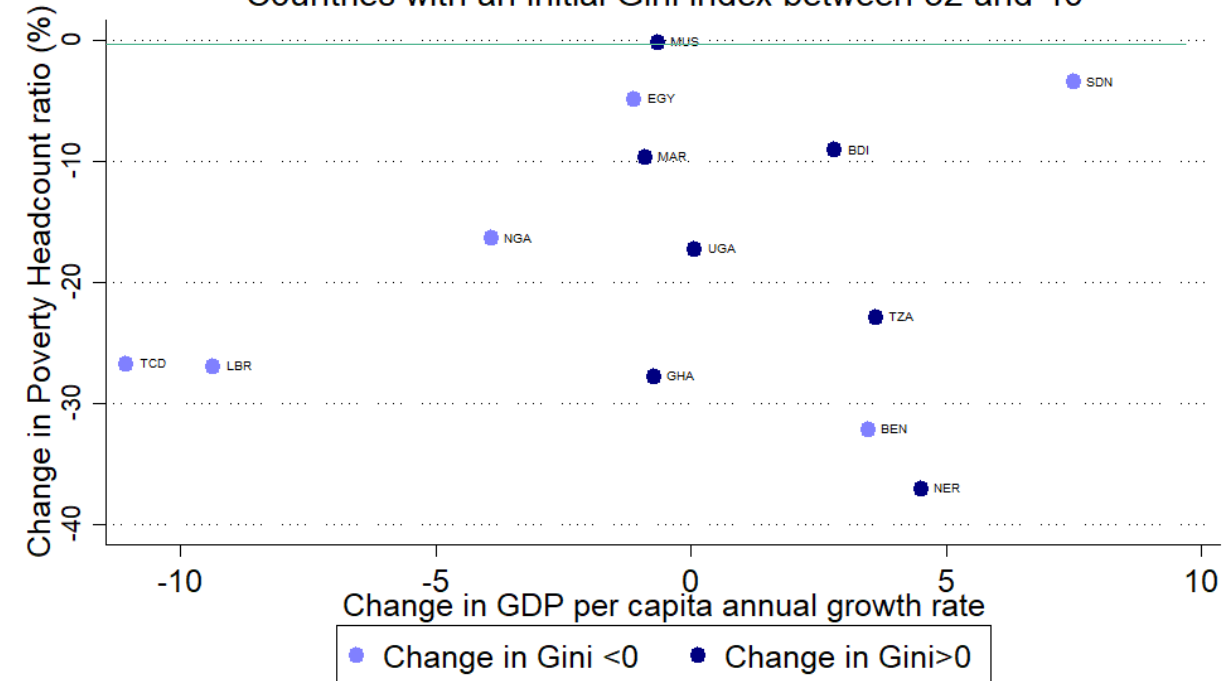
Countries with an initial Gini index between 50 and 65



y axis: Poverty headcount ratio at \$1.90 a day (2011 PPP) (%)
Gini measure based on country's change in gini index between 1980 and 2017
Data from WID.world and World Bank
Data for earliest and latest available years

Growth, Poverty and Inequality in Africa : 1980 - 2017

Countries with an initial Gini index between 32 and 40



y axis: Poverty headcount ratio at \$1.90 a day (2011 PPP) (%)
Gini measure based on country's change in gini index between 1980 and 2017
Data from WID.world and World Bank
Data for earliest and latest available years