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TAKING STOCK OF THE COMPLEXITIES BETWEEN ECONOMIC GROWTH, POVERTY, AND INEQUALITY IN AFRICA

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Taking stock of the complexities between economic growth, poverty, and inequality in Africa

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Abstract
Whether economic growth is good or bad for the reduction of poverty and inequality and sustainable development outcomes in general depends on the specific economic and societal contexts within which economic growth is taking place and the nature of that economic growth. Yet, discussions about the anticipated effects of economic growth on poverty and inequality are often brought to the public sphere without sufficient context. The stubbornly high levels of poverty and inequality in Africa, and the continent's current lacklustre performance in achieving the goals of both the Sustainable Development Goals (SDGs) and the African Agenda 2063 despite three decades of strong growth performance in many African countries, illustrate the urgency of moving into more comprehensive understandings of the relation between economic growth and poverty and inequality. If we aim to propose better plans of action to achieve the goals of the SDGs and the Africa Agenda 2063, we need to make explicit the different factors that modulate the relation between economic growth, poverty and inequality on the continent. In this paper, the authors illustrate some of the complexities associated with the relationship between economic growth, poverty, and inequality in Africa. They show that these relations are context-specific and highlight some of the contextual factors that condition these impacts. There are few stylised facts, and this paper makes the case for the importance of understanding these complexities in each country context in order to design more effective policies and interventions to reduce poverty and inequality in that country, and then across the continent.

Keywords
Poverty, inequality, growth, Africa, Sustainable Development Goals, Africa Agenda 2063.

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1. Introduction

From the second half of the 20th century, economic growth has often been seen as central to economic development, with the contested, use of the change of gross domestic product (GDP) as the dominant indicator of the development of a society.[2] However, the debate on economic growth and poverty and inequality reduction has been dominated by very heated positions on whether economic growth is in fact "a tide that lifts all boats",[3] or a curse that sinks some people into poverty and deepens inequality. This either/or framing has eclipsed the nuances about the importance of the structure of economies, and the nature of economic growth in conditioning the processes that bring about different outcomes with regards to poverty and inequality.

More recent debates have focussed on how to attain economic growth that can be inclusive of all, while respecting the natural and material boundaries necessary to avert climate breakdown.[4] While these discussions are crucial on a global scale, they are particularly relevant for Africa. The continent has the highest share of the world's poor,[5] and is expected to be home to 85% of the world's poor by 2030.[6] Considering that Africa (according to some projections) will host almost 4 Billion people, almost 40% of the world population by 2100,[7] and comprising almost half of the world youth by 2100,[8] it is not hyperbole to state that the future of poverty in the world hinges on what will happen with poverty in the continent.

The persisting levels of poverty and inequality at regional, national, and local levels are the outcome of long-run historical processes where colonialism, corruption (Cross ref – Corruption systems ch), and cronyism have co-created and conditioned a situation in which there have been limited opportunities for equitable and sustainable development. Consequently, high levels of poverty and inequality remain the prevailing conditions in which countries and communities find themselves in Africa and which set the stage for the difficult task of trying to achieve the goals set by the SDGs by 2030, and the Africa Agenda by 2063.

Poverty reduction is of primary importance for the future of Africa. However, levels of poverty and poverty change interact with existing levels of inequality.[9] Millions of livelihoods are already precarious,[10] often correlated with lower life expectancies,[11] lower educational attainment, making the lives of millions in the continent unequal and vulnerable to external shocks. Take for example, the evidence on gender disparities in the continent presented, that shows stark gendered inequalities

[2] Current debates are challenging the idea of envisioning economic growth or development as a measure of the health of a society, for such debates related to economic growth see for example. Briefing: from growth to 'beyond growth' : Concepts and challenges.
[3] Cornia et al., 2017.
[4] De Schutter, O., 2024.
[5] Aikins & du Toit McLachlan, 2022.
[6] Lakner, C., et al., 2022.
[7] UNDESA, 2022.
[8] Rocca, C., & Schultes, I., 2020 ; Lam, D. & Leibbrandt, M., 2023.
[9] Atamanov, A. et al., 2024.
[10] On average, the proportion of African households with a consumption level below 5.5 USD/day was 80% in 2021. As reported by UNCTAD (2021).
[11] Life expectancy in Africa in 2019 was 56 years.

across the continent. These inequalities limit poverty reduction, basic human rights and potentially the pathways for equitable development. These inequalities including extremely high inequalities of opportunities are important constituent parts of contexts where poverty is widespread.[12,13]

Poverty and inequality are not homogeneous across the continent, however and, in some areas of the continent, the inequalities are more visible, as in the case of the Southern Africa region.[14] Despite this heterogeneity, there remain significant gaps between the expectations of what life should be, as defined in the SDG and AA2063 pledges that countries have made, and what currently is available for a significant portion of the continent's inhabitants.

This paper makes the case for the need to move beyond simplistic claims on the relation between economic growth, poverty and inequality, and tries to highlight the need for a nuanced assessment of these relationships within the African context. We argue that such assessment is more likely to form the basis for intervening to support more virtuous relations between growth, poverty and inequality.
We start by discussing the evidence on the persistence of poverty and inequality in Africa. Then, leaning on the "growth, inequality, and poverty triangle" (GIP) presented by Francois Bourguignon as a framework, we make explicit the different links and complexities between economic growth, income poverty and income inequality.[15] We proceed to reflect on how the impact of economic growth on poverty and inequality in Africa is influenced by the initial levels of poverty and inequality. Finally, we make the case for considering these initial conditions of poverty and inequality when designing interventions to effectively reduce poverty and inequality and create pathways for sustainable and equitable development.

2. The persistence of poverty and inequality in Africa

There is consensus on how poverty and inequality are important barriers to the achievement of any developmental goals. It is thus no surprise that poverty is the first goal of the SDGs, and inequality is the tenth goal. The first aspiration presented by the AA2063 encompasses both poverty and inequality and the need for "inclusive growth". Any intervention or policy aiming to reduce poverty and inequality,[16] will inevitably have to deal with the existing barriers.

The challenge of these high levels of poverty and inequalities informs the social and political tensions that in some cases will lead to violence, and instability which will be detrimental to any developmental gains or their prospects. While apparently obvious, it is important to state that Africa finds itself being the region that is most vulnerable to climate shocks, political instability, and geopolitical tensions in the planet.[17] At least 21 countries in Africa are facing, or at risk of debt distress, bringing the risk of the

[12] As Branko Milanovic describes, "less than 1% of Africans have an income above the rich world's median income". https://x.com/BrankoMilan/status/1703475455637008536?s=20
[13] See footnote 9.
[14] Sulla, V. et al., 2022.
[15] Bourguignon, F., 2004.
[16] In this paper when we use the term poverty we refer to income poverty, and when we speak of inequality we refer to income inequality.
[17] UN, 2023 a.

cessation of the provision of basic public services. The absence of resources to finance the work of states, mismanagement, and cronyism compromise the wellbeing of citizens in the continent.

Clearly, achieving lower levels of poverty and inequality remain necessary conditions for more robust and resilient societies.[18] Yet, we are more than halfway to 2030 and nowhere near achieving the SDG's and the AA2063 goals associated with poverty and inequality.[19] Here we take stock of the goals we have set with regards to poverty and inequality and the current state of affairs in order to describe the extent of the challenge ahead.

2.1 Poverty

The goals presented by the SDGs, and Africa Agenda 2063 related to poverty were multiple and comprehensive (see Table 1).

Table 1. List of SDG goals and the Africa Agenda 2063 related to Poverty

SDG Goals	Agenda 2063 Goals
By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than $1.25 a day.	A high standard of living, quality of life and well-being for all citizens.
By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.	Well educated citizens and skills revolution underpinned by science, technology, and innovation.
Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable.	Healthy and well-nourished citizens.
By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.	Full gender equality in all spheres of life.
By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social, and environmental shocks and disasters.	Transformed economies.

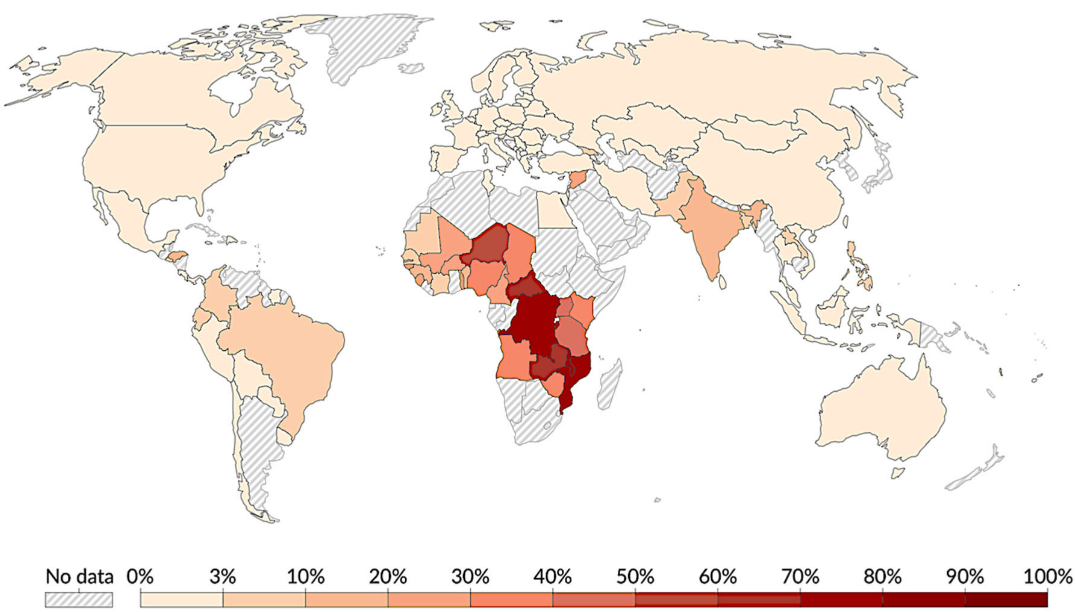
Source: Own elaboration based on the Sustainable Development Goals[20] and the Africa Agenda 2063[21] goals associated with poverty.

[18] Pickett, K., & Wilkinson, R., 2010.
[19] Ibid.
[20] UNDESA, 2024.
[21] AU, 2024.

The achievement of these goals has become harder (see Figure 1). As reported by the UNDP, as a result of the aftereffects of the COVID-19 pandemic, poverty increased, and is forecasted that by 2030, at least 575 million people in the planet will still be living in extreme poverty,[22] and it is expected that 492 million people will be experiencing extreme poverty in Africa by 2030- Africa will hold the majority of the world's poor.[23]

While there was important progress made in the continent by extending the coverage of social protection systems during the pandemic,[24] this progress departed from contexts in which social protection was extremely limited.[25] Also, questions have emerged in relation to the sustainability of these measures, as globally, more than 80 percent of these measures were short-term in nature.[26] In addition, the resources available for states to protect their citizens remain limited and are under pressure, given that development assistance is declining, and government budgets are strained due to increases in debt across the continent.[27]

Figure 1.
Share of population living on less than USD 2,15[28] per day (by country) in 2023



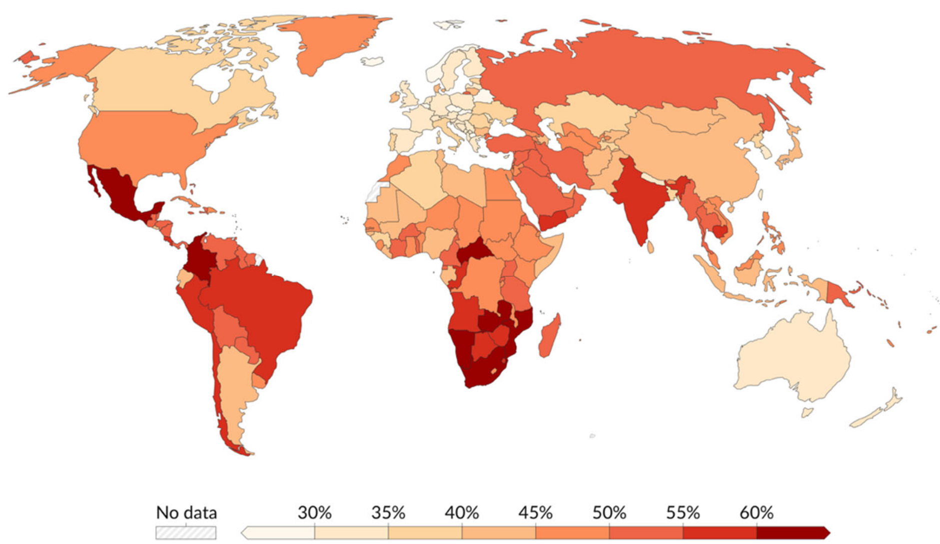
Source: Our world in data

[22] UN, 2023 b.
[23] AU/UNECA/AfDB/ UNDP, 2022.
[24] Bhorat, H., 2023.
[25] ILO, 2021.
[26] Ibid.
[27] UNCTAD, 2024.
[28] This value is referred to as the international poverty line.

2.2 Inequality

Looking at the distribution of incomes across the population through the lens of how much of the total income is held by the richest 10% of the population, it can be seen that the levels of income or consumption inequalities in Africa are high.[29] Some regions of the continent (Southern Africa), in fact observe the highest levels of inequality across the globe. This panorama has been worsened by the impact of the pandemic. Indeed, significant increases in the wealth inequalities have taken place,[30] and that this increasing divergence is in fact widening the pre-existing gaps within African countries.[31] Average incomes were increasing, potentially leading to decreases in income inequalities in Sub-Saharan Africa. However, only in 37.9 percent of countries in the region did the incomes of the poorest 40 percent grow faster than the mean, indicating that such reductions in income inequalities have not been realised in most countries.[32] The average income increases that reflect economic growth seem to have led to increases in income inequalities within and between countries.[33,34]

Figure 2.
Income or consumption share of the richest 10% of the population (by country) in 2022



Source: Our world in data

The current situation poses challenges to achieving the targets sought by both the SDGs and the Africa Agenda 2063 (see Table 2) and compromises the idea of development altogether. Rather, toxic synergies between external shocks, instability, poverty and inequality have affected wellbeing in different dimensions, compromising the sustainability of societies.

[29] Usually, inequality is measured via the Gini index, a measurement of inequality, that measures income inequalities by comparing the degree of concentration of income of the different members of a population. This index ranges between 0 and 1, 0 meaning complete equality (everyone has the same income) and 1 meaning absolute inequality (one person holds all the income and the rest of the population holds no income). Indicators such like the Gini index, do not show

[30] OXFAM, 2022 a.

[31] OXFAM, 2022 b.

[32] UNDESA, 2023 b.

[33] Chancel et al., 2023 ; Beegle et al., 2016.

[34] Mahler, D. et al., 2022.

Table 2. List of SDG goals and the Africa Agenda 2063 goals related to Inequality

SDG goals related to inequality	Africa Agenda 2063 goal areas related to inequality
By 2030, progressively achieve and sustain income growth of the bottom 40 percent of the population at a rate higher than the national average.	A high standard of living, quality of life and well-being for all citizens.
By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.	Healthy and well-nourished citizens.
Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.	Well educated citizens and skills revolution underpinned by science, technology and innovation.
	Engaged and empowered youth and children.
Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.	Transformed economies.
Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations.	Full gender Equality in all spheres of life.
Ensure enhanced representation and voice for developing countries in decision-making in global international economic and financial institutions in order to deliver more effective, credible, accountable and legitimate institutions.	Democratic values, practices, universal principles of human rights, justice and the rule of law entrenched.

Source: Own elaboration based on the Sustainable Development Goals[35] and the Africa Agenda 2063[36] associated with poverty and inequality.

These worsening trends help to understand why the global number of refugees from Africa to other parts of the world between 2015 and 2022 has surged.[37] Inequality plays a significant role in driving migration, as individuals seek better opportunities and living conditions. As Branko Milanovic's exemplifies, a Tunisian migrant to France while being in the bottom 20% of the income distribution in France will still triple their income after migrating and will have access to greatly improved health and education for his offspring.[38] In addition, for 2024, out of a forecast of a population of 130 million being

[35] See footnote 21.
[36] See footnote 22.
[37] UNHCR, 2023.
[38] Milanovic, B., 2023.

forcibly displaced and stateless requiring protection of their human rights, Africa accounts for 38% of the total global population requiring protection. People are leaving the continent not necessarily because they aspire to become European or North American, but rather because the risk to their lives is extremely high and the probability of forging a livelihood is extremely low. From these examples, the rationality of the choice of migrants and refugees taking perilous paths to Europe and North America, or the growth internal migration of Africans within the continent in the last decade becomes evident.[39] These realities are loud canaries in the coalmine that call us to act decisively and effectively in the reduction of different forms of poverty and inequalities. The challenge is complex, as addressing poverty and inequality relates to the capacity to the exercise of human rights and directly to the provision of opportunities and the removal of barriers that limit the potential of humans in the continent.[40] To understand this complexity,[41] we proceed to present the growth, poverty, and inequality triangle (GIP) as a framework.

3. Moving past invocations and curses about economic growth, poverty, and inequality

In this article we argue that there are multiple channels that lead to different outcomes related to how economic growth impacts inequality and poverty. To understand how economic growth impacts poverty and inequality, we must identify the conditions under which it leads to different outcomes and how these can be represented and measured across diverse context.[42]

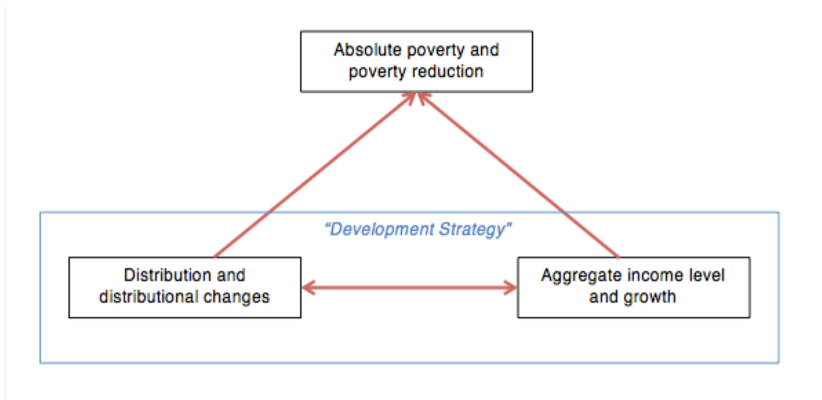
We cannot expect a single figure to surface the structures conditioning the different outcomes with regards to poverty and inequality and their relation to economic growth across different contexts. To use an analogy, if we want to identify an ailment associated with high temperature, we use a thermometer as a tool to help us indicate whether there is fever or not, but to correct the ailment, we need to move beyond the indicator, and further our understanding of the patient to propose the treatment plan. The previous section presented inequality and poverty indicators to evidence lack of progress in line with SDG and African Agenda 2063 goals. While necessary, these do not constitute by themselves sufficient tools to bring a prognosis.

The "growth, poverty, and inequality triangle" (GIP) presented by Francois Bourguignon offers one way of surfacing and understanding this complexity.[43] Figure 3 presents the growth, poverty, and inequality triangle (GIP) (see Figure 3) as a framework that makes explicit the different links between economic

[39] Shimeles, A., 2010. See also https://worldmigrationreport.iom.int/what-we-do/world-migration-report-2024-chapter-3/africa
[40] While there is an important discussion differentiating the differences between inequalities of opportunities and inequalities of rewards, this discussion, while important, remains beyond the scope of this document. For a discussion about this, see https://www.imf.org/en/Blogs/Articles/2019/11/07/the-threat-of-inequality-of-opportunity
[41] While many dimensions of poverty and inequality (for example, gender inequalities), it remains hard to present a detailed quantitative description of all these different dimensions of poverty and inequality in Africa.
[42] Ferreira, F. H., 2010.
[43] Bourguignon, F., 2004.

growth, income poverty and income inequality. This framework considers economic growth, poverty, and inequality and their different interactions in the contexts in which they take place (see Figure 3).

Figure 3. The Growth, poverty, and inequality triangle



Source: Bourguignon, 2004

When the GIP framework speaks of poverty (upper part of the triangle), it refers to the percentage of the population living below an income poverty line. When it speaks of economic growth (bottom right of the triangle), it refers to the rate of change of the economy, usually measured via the rate of change in the gross domestic product of an economy (GDP growth). Finally, the bottom left of the triangle depicts the inequality of a country, usually measured via a Gini index of income to measure income inequality.

As the framework indicates, poverty can be described as conditioned by both the nature of existing inequalities and economic growth; it also illustrates how income inequality and economic growth affect each other. Thus, changes in poverty in each society can be described as depending on three things: 1. The aggregate income level and economic growth of an economy, 2. the existing inequality structure of a country (the distribution), and 3. the changes in inequalities (changes in the distribution). Amongst other things, Bourguignon's triangle highlights the importance of two important factors for understanding the relation between economic growth, poverty, and inequality. They are: 1. the nature of growth (what is the source of economic growth in an economy), and 2. the initial levels of income, poverty and inequality.

According to this framework, in a country with positive economic growth, in a context of stark and deepening inequalities, it is extremely unlikely that poverty will decline due to the economic growth. On the other hand, in a country with lower levels of initial inequality, economic growth is more likely to significantly lower poverty and further reduce inequality.

Bourguignon's triangle implies that neither economic growth, the size of an economy, nor changing the nature of inequalities by themselves are sufficient to change the levels of poverty in a country. In fact, evidence from Africa illustrates how economic growth per se (without changes in inequality) is insufficient to reduce poverty.[44] This underscores the importance of addressing inequalities as inequality mediates not only economic growth, but also the form and possibilities for the reduction of poverty. This point is highlighted in practice by how institutions like the World Bank nowadays account for inequality as one of its indicators of poverty, i.e., inequality is constitutive of poverty.[45]

However, many influential narratives and policy discussions seem to assume that economic growth always benefits low-income earners. Policy cannot be built based on our more optimistic assumptions. Given this, for each country, it is imperative to embed the discussion of economic growth in an understanding of the initial levels of income poverty, income inequality and the structure of economies. Surfacing this information for different African countries will lead to a better understanding of what policies could be implemented to promote economic growth in ways that reduce inequality and poverty.[46] We proceed to discuss the evidence of the role of economic growth on inequality and poverty in Africa.

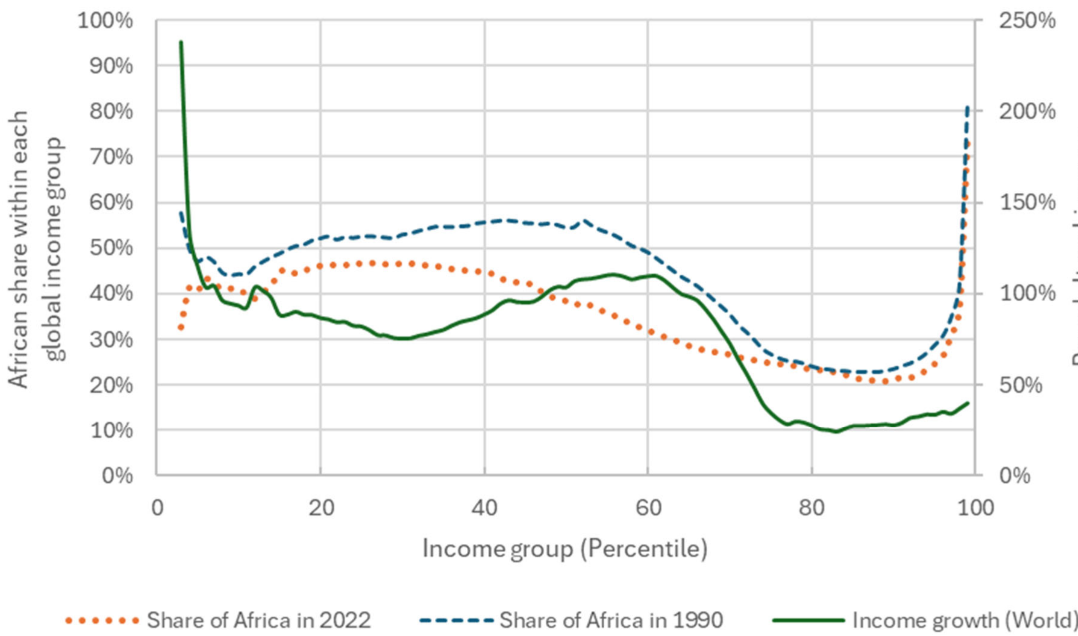
4. What do we know about economic growth, poverty, and inequality in Africa?

The impact of economic growth on poverty and inequality reduction in Africa has been less than global averages.[47] Indeed, the continent and its economies remain characterised as contexts in which the effectiveness of economic growth in reducing poverty and inequality is the lowest globally.[48,49]

We start by comparing the growth of incomes of Africans in Sub-Saharan Africa between 1990 and 2022 against global incomes in Figure 4. We use the data from the World Inequality Database (WID) for each income group in both 1990 and in 2022 to compare the shares of Sub-Saharan Africa's population income growth against global income groups.[50] This indicates that within a global comparison, Africa has fared worse in comparison with other regions in the world. This also surfaces the daunting fact that African countries are trying to achieve meaningful reductions in poverty and inequality from a base of by far the most extreme levels of global poverty and globally high levels of inequality. The income of Africans as a share of the global average income for each percentile has worsened across the distribution from 1990 to 2022 – see dotted lines.

[44] This is referred to in the development economics literature as the elasticity of growth on poverty, or the elasticity of growth on inequality. See Ochi (2023), also see Wu, H., et al., (2024).
[45] Haddad,C. et al., 2024.
[46] Ferreira, et al., 2023.
[47] See footnote 45.
[48] The poverty elasticity of growth is a term used to refer to the reduction in poverty rates associated with a change in gross domestic product (GDP) growth rates.
[49] It has been estimated that in a non-African country where 50% of the population is below the poverty line, a 1% growth rate in the gross domestic product leads to a reduction of 0.53 percentage points a year in the incidence of poverty. In contrast, in African countries, the same growth rate in the gross domestic product reduces the incidence of poverty by only 0.16 percentage points. See Thorbecke, E. (2023), Fosu (2023), and more recently Wu et al., (2024).
[50] The reason we show the shares in 1990 and not 1980 is because between 1980 and 1990, the geographic repartition of global incomes evolved only slightly, and the data allow for more precise geographic repartition in 1990.

Figure 4. Share of Africa within global income groups in 1990 and 2022[51]

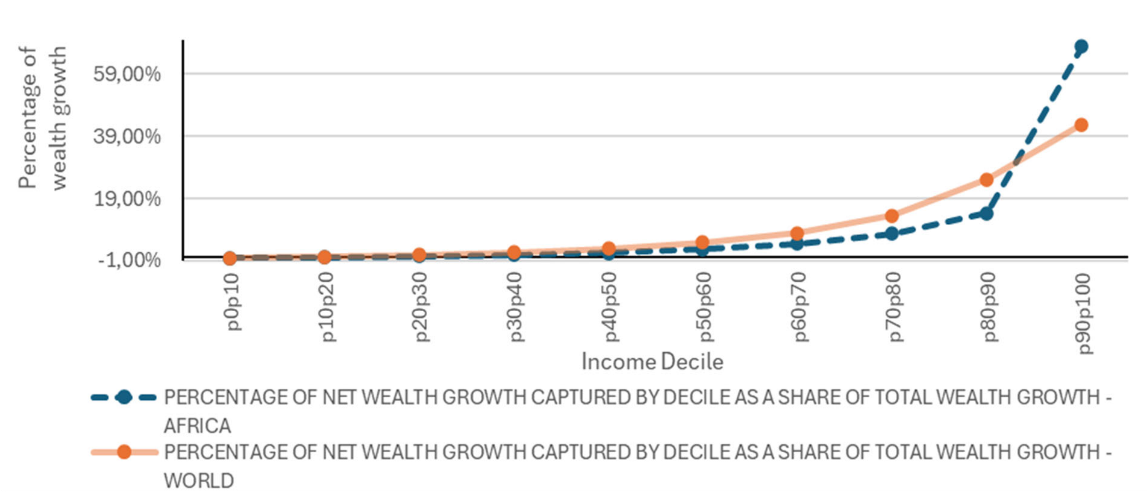


Source: Authors' calculations based on replication files from WID.world

This point is further illustrated by Figure 5, which examines the wealth gains of the population within the continent. This illustrates that the top earning 10% of the African population captured 67% of all wealth gains in the continent between 1995 and 2021, surpassing the global trends (in which the top 10% captured 42% of wealth gains in the same period). The bottom 50% of the income earners captured only 2.9% of all wealth gains in the continent (in comparison with 5.65% across the world). This highlights the skewness of the distribution of benefits and dividends from economic growth with the top as the 1% of earners capturing 27% of the total economic growth in the continent.[52]

[51] This was estimated by looking at the WID data variable "adiincj992" which accounts for average income or wealth between two percentiles for adults, comparing the global average and the African average in 1990 and 2022.The African share within each income group refers to the percentage of average African income or wealth in comparison with the global average.
[52] Chancel, 2018.

Figure 5. Net wealth growth by decile for the population of Africa and the World between 1995 and 2021[53]



Source Authors' calculations based on data from WID.world

While comparing Africa to the world is important in highlighting the unevenness of the dividends from economic growth, it is important to recognise the fact that there are different relationships between growth, poverty, and inequality across African countries. The impact of economic growth and sometimes negative growth is not always the same. Looking at the relationship between economic growth and poverty (see Figure 6) or looking at economic growth and inequality (see Figure 7), illustrate the absence of a clear relationship between economic growth, poverty, and inequality across the different countries of the continent.

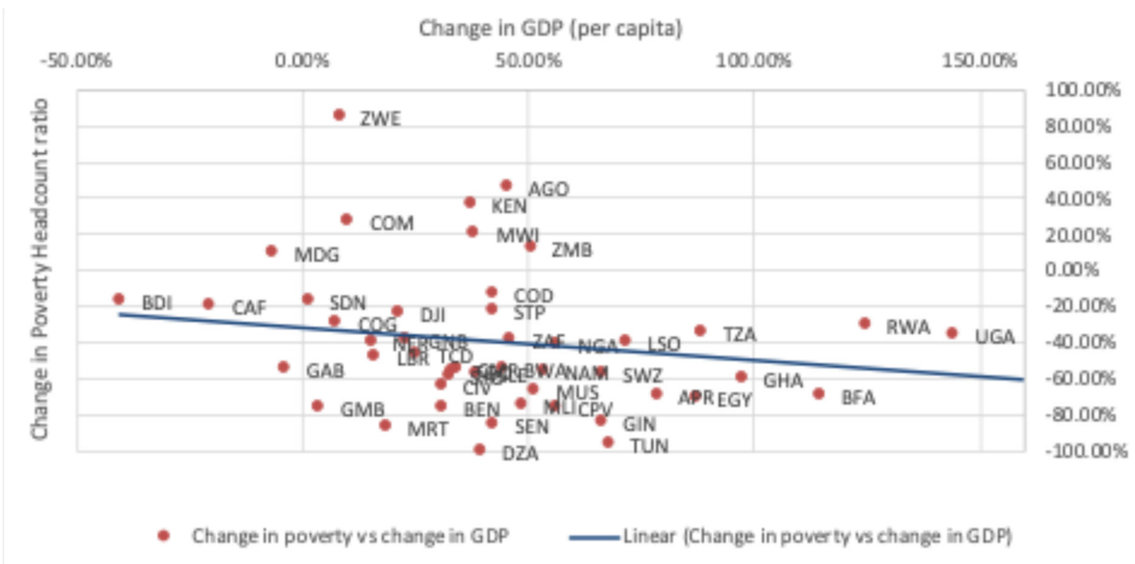
By examining the relationship between the GDP per capita annual growth rate and the change in the percentage of poverty headcount ratio (measured as an income of USD $2.15 a day) as a way to understand the relation between economic growth and poverty for African countries between 1990 and 2022,[54] we notice that, on average, an increasing GDP per capita is associated with a slight decrease in poverty (Figure 6). However, it is important to notice that there are several countries where poverty

[53] This was estimated by looking at the WID data of net personal wealth "ahwealj992" of the individuals of different percentiles for both Africa and the Global Averages. For this net wealth gains were estimated for both deciles in the global average and in Africa.

[54] Exact dates for each country are presented in alphabetical order: Algeria (1995, 2011); Angola (2000, 2018); Benin (2003, 2021); Botswana (1993, 2015); Burkina Faso (1994, 2021); Burundi (1992, 2020); Cabo Verde (2001, 2015); Cameroon (1996, 2021); Central African Republic (1992, 2021); Chad (2003, 2022); Comoros (2004, 2014); Congo, Dem. Rep. (2004, 2020); Congo, Rep. (2005, 2011); Cote d'Ivoire (1992, 2021); Djibouti (2013, 2017); Egypt, Arab Rep. (1990, 2019); Eswatini (1994, 2016); Ethiopia (1995, 2015); Gabon (2005, 2017); Gambia, The (1998, 2020); Ghana (1991, 2016); Guinea (1991, 2018); Guinea-Bissau (1991, 2021); Kenya (1992, 2021); Lesotho (1994, 2017); Liberia (2007, 2016); Madagascar (1993, 2012); Malawi (1997, 2019); Mali (1994, 2021); Mauritania (1993, 2019); Mauritius (2006, 2017); Morocco (1990, 2013); Mozambique (1996, 2019); Namibia (2003, 2015); Niger (1992, 2021); Nigeria (1992, 2018); Rwanda (2000, 2016); Sao Tome and Principe (2000, 2017); Senegal (1991, 2021); Seychelles (2013, 2018); Sierra Leone (2003, 2018); South Africa (1993, 2014); Sudan (2009, 2014); Tanzania (1991, 2018); Togo (2006, 2021); Tunisia (1995, 2022); Uganda (1992, 2019); Zambia (1991, 2022); Zimbabwe (2011, 2019).

declined in the context of negative economic growth (Central African Republic, Burundi, Gabon), or that in other countries poverty increased in the face of positive economic growth (Kenia, Angola Malawi). Understanding the differences in the structure of economies and social policies in such contexts will help us to understand better the factors conditioning these different outcomes.

Figure 6. Relationship between growth and poverty in Africa between 1990 and 2022 (Economic growth measured as the change in GDP per capita annual growth rate, poverty measured as poverty headcount ration at $2.15)[55]



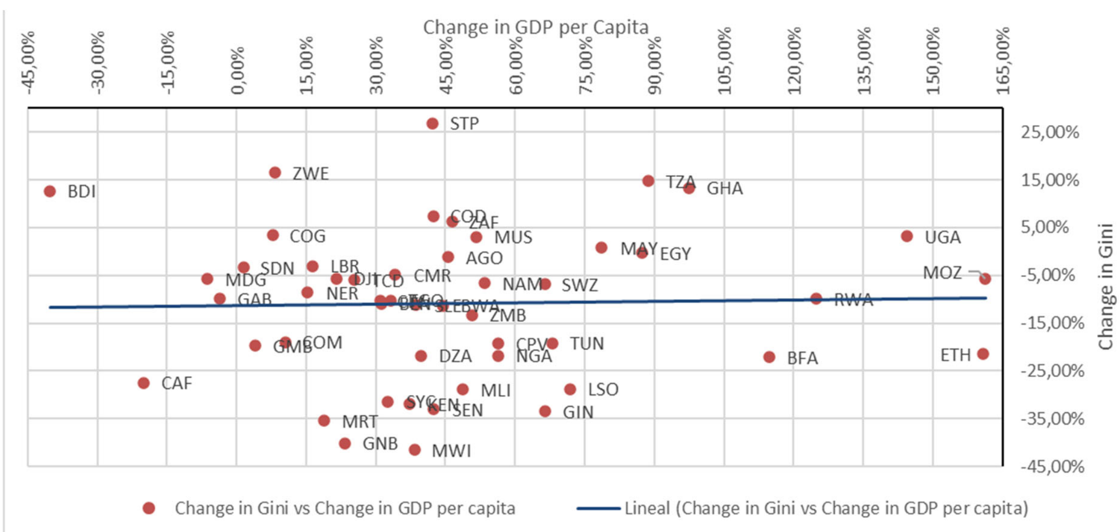
Sources: World Bank WDI and PovcalNet, authors' calculations

In the case of the relationship between inequality and economic growth (Figure 7), no clear pattern can be confirmed by the data. Some countries saw their inequality decline in a context of negative economic growth (Gabon, Central African Republic). This reduction in inequality took place in a context in which poverty was also reduced, making the case of studying particular cases such as this important to understand the context in which these changes took place. Looking at the interaction between the level of inequality (measured by the Gini index of incomes or consumption) and economic growth (measured by GDP per capita), shows no relation between inequality and economic growth. Our descriptive evidence illustrates that there are a number of countries observing inequality reductions in the face of positive economic growth and also sufficient countries that saw a higher inequality with positive economic growth for the trendline to be almost flat. This points to the possibility that there might be other factors at play.

[55] For Figure, 6, 7 and 8, we used the data from WDI and PovcalNet, we used the most recent and oldest data point for each country accounting for the GDP per capita, Gini, and Poverty Headcount Radio at $2.15 per day. Using these two data points for each country we calculated the percentual change for each variable. Whereas we are plotting the net percentage changes, we also plotted the annualised percentual changes, observing the same trends for these three plots.

In sum, the evolution of inequality and economic growth over the recent years shows no clear pattern. An analysis of 23 African countries shows that about half the countries experienced a decline in inequality while the other half saw an increase in their inequality.[56] Similar conclusions have been found by other researchers based on an examination of data.[57]

Figure 7. Relationship between inequality and growth in Africa between 1990 and 2022 (Inequality measured by Gini, Growth measured by average GDP per capita annual growth rate)[58]

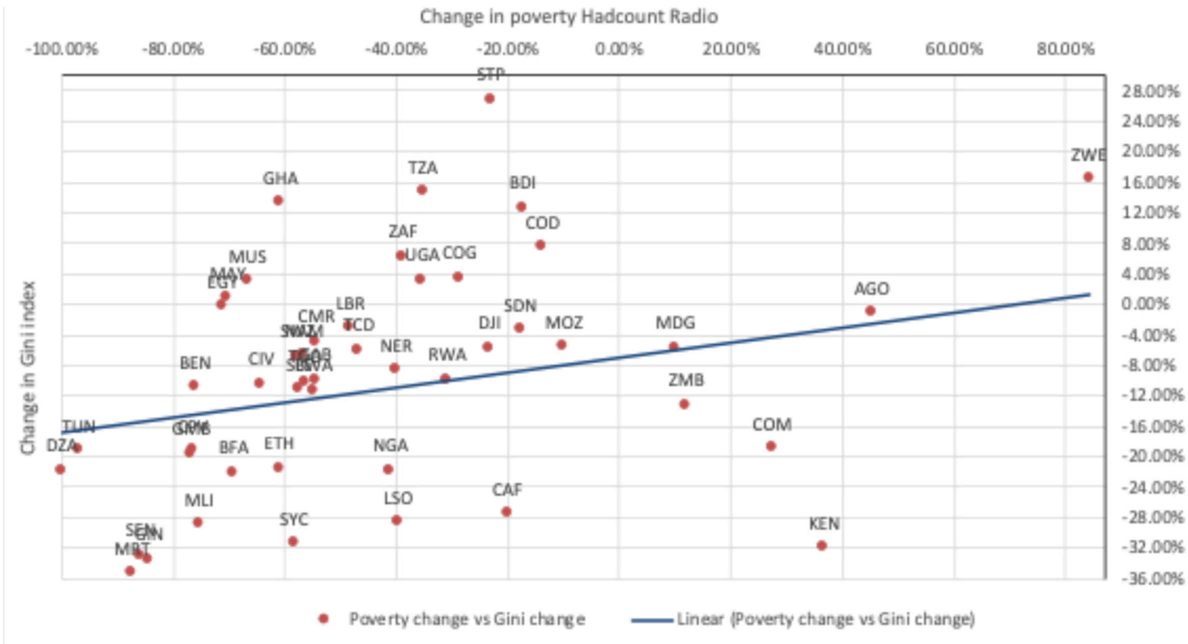


Sources: World Bank WDI and PovcalNet, authors' calculations

When looking at the relation between inequality reduction and poverty reduction, it seems that they are positively associated, poverty reduction is associated with a reduction in inequality levels. However, there are several cases in which inequality increased, and poverty was reduced (Ghana, Tanzania and Burundi, São Tomé and Principe). There are also cases in which poverty increased, and inequality declined (Kenia, Zambia and Comoros).

[56] Ochi, 2023.
[57] Bhorat H., Oosthuizen M., 2015.
[58] See footnote 56.

Figure 8. Relationship between inequality and poverty in Africa between 1990 and 2022 (Inequality measured by Gini index, poverty measured by poverty headcount radio at $2.15)[59]



Sources: World Bank WDI and PovcalNet, authors' calculations

This heterogeneity makes a crucial point. At best, there is only patchy support for any broad generalizations from Africa's average positive economic growth. The returns to this economic growth have been sluggish with regards to its capacity to reduce poverty (Figure 6). In the case of inequality reduction, the dividends of economic growth with regards to inequality reduction seem to be minimal (Figure 7). But, within the same trends there are countries that notably better than others. This surfaces the importance of looking into the nature of the growth and the specific policies or initiatives that were implemented in each country.

To advance this point, we proceed to briefly reflect on the cases of Ghana, Kenya and South Africa as countries that observed positive economic growth in our period of analysis but observed different outcomes with regards to inequality and poverty reduction.

Although Ghana experienced significant economic growth and poverty reduction (see Figure 6), fuelled largely by a shift from an agrarian economy to a service-dominated one,[60] income inequality increased, suggesting that not all segments of society benefited from this growth. While there were policies in place alongside the expansion of educational infrastructure, disparities in access to these services, along with other social services, remained across regions. Whereas extreme poverty declined significantly from 18.1% (in 2005/06) to 8.2% (in 2016/17), poverty fell only from headcount ratio declined from 28.5% (in 2005/06) to 23.4% (in 2016/17).[61] This can be explained by how during this

[59] See footnote 56.
[60] Atta-Ankomah et al., 2020.
[61] Ibid, p. 17.

period poverty in fact increased in some regions of the country, and highlights how even when people move out of extreme poverty, inequality can hinder the extent to which economic growth allows people to leave poverty. As economic growth did not translate into a high-quality employment this explains why overall wage inequality persisted and increased (see Figure 8). While poverty declined, as chronic poverty levels remained high, existing social protection programs were insufficient to prevent inequality to increase.

Economic growth in Kenya has been positive but not been sufficient to reduce poverty (see Figure 6 and 7). Even during periods of relatively high economic growth, and despite decreases in inequality, there were increases in poverty. The benefits of growth have not trickled down to the poor and vulnerable and dent high levels of inequality. This is partly due to the structure of the Kenyan economy, which is still heavily reliant on agriculture and has a large informal sector characterized by low productivity and insecure jobs.[62] Whereas the Kenyan government has implemented some policies such as cash transfers, taxation reforms, and sectoral initiatives in education and health to address poverty and inequality, these were not sufficient to enable the poor to build human capital. This illustrates how even with positive economic growth that reduces inequality a platform may not be in place to allow the most vulnerable to participate and, therefore, to reduce poverty.

South Africa observed some reduction in poverty over a period in which economic growth was positive. However, initial inequality levels were among the highest in the world. Given this, despite the political changes after the fall of apartheid economic growth did not translate into deep poverty reduction and did not dent very high inequalities.[63] The historical legacy of spatial marginalisation and overt human capital discrimination along with a focus on capital-intensive industries, resulted in a texture of economic growth that does not benefit all segments of society (see Figure 8). The South African case is important in illustrating the role of the formal labour market, characterized by high unemployment and a large wage gap, in restricting opportunities for Black Africans and in hindering inequality reduction. While South Africa illustrates the value of social protection systems, like social grants, in mitigating poverty, it also illustrates how these are insufficient to address the structural factors driving growing inequalities.

As illustrated by the cases of Ghana, Kenya and South Africa, there is a need to acknowledge and grapple with the specifics of the relations between economic growth, poverty, and inequality in each context. As a start it is necessary to describe in detail the structure of economies that condition the nature of economic growth, alongside the level and structure of inequalities and the initial conditions regarding poverty. The evidence is clear that these factors condition changes in poverty and inequality in response to growth. They define feasible dividends of economic growth in achieving the SDG's and the Agenda 2063 goals in each context. Without such contextualisation, formulaically devising policies has proven to be ineffective at best.

[62] Kenya National Bureau of Statistics, 2020.
[63] Statistics South Africa, 2019.

5. Conclusion

Reducing poverty and inequality remain important objectives in line with the aspirations and goals of AA2063 and the SDGs. Unfortunately, Africa continues to be forecasted to be home to 85% of the world's poor by 2030. More recent reports raise the alarm of the inevitability of failing to achieve the goals with regards to poverty and inequality reduction in Africa. This sense of alarm raises questions about how we should reflect about ways to reduce poverty and inequality.

Statements that economic growth is necessary and sufficient to reduce poverty and inequality, or that economic growth is necessarily noxious, both fail to acknowledge the complexities that make poverty and inequality persistent across different rates of economic growth. For example, the global hollowing of the middle class and the relative increase of incomes of both poor and the rich challenge to an extent the claims that economic growth is inevitably bad for the poor, but, at the same time makes clear that there have been losers in recent growth processes.[64] Indeed, rising inequality during years of positive economic growth, challenges the idea that economic growth is a tide that lifts all boats, or put more bluntly, challenges the assumption that everyone is in a boat.[65]

In this paper, we have discussed poverty and inequality reduction in Africa and their relation to economic growth. We have described the trends related to income gains and wealth gains in Africa and the world to illustrate the unevenness of the African context, including contexts with very and high levels of poverty and inequality. We showed that the relations between economic growth, poverty and inequality in the African context are varied and complex. This motivates our argument on the need to "open the engine bay" and describe the mechanisms that condition the likelihood of Africans leaving poverty or reducing their inequalities in relation to different rates of economic growth. There are few generalisations. This requires detailed, country specific work.

We have traditionally relied on growing the economy, as central to the prospect of poverty reduction. The rationale stems from the point that more resources will allow the financial space to implement policies to reduce poverty, and for financing public services and social policies. However, we should not confuse means and ends. The Sustainable Development Goals and the Africa Agenda 2063 present *inclusive* economic growth as essential to fulfilling the promise of development. A more nuanced approach to policy needs to understand that leaving poverty is not merely a matter of just having earnings above a given poverty income threshold but rather being able to join the middle class and breaking the categorical barriers to a stable livelihood.[66]

In Africa, economic growth has bypassed a great deal of people. If this was not the case, the positive economic growth rates observed in the last decades should have reduced the levels of poverty and the inequalities across the continent significantly more than observed reductions, or at least position states and citizens in a better place ahead of the pandemic and the wave of instability that seems to be taking a hold in the world since 2020.

[64] Milanovic B., 2023.
[65] Causa, O., et al., 2014.
[66] See Schotte, et al. (2018), for a discussion on the vulnerability of the middle class, and transient poor.

It seems that economic growth that is largely due to the extraction of natural resources has rarely achieved wider societal benefits. Rather, the structure of such economies can be characterised by high informality, low provision of public services, low industrial production and high levels of extraction of mineral resources. In such contexts, very poor people may not cross the poverty line (or even get close to it) even when there is positive economic growth, given that they are living in "enclave economies".[67] This calls for revisiting the ideas of developmental states,[68] and the need for devoted statal interventions to counterbalance the nature of such systems of maldistribution.

Economic growth can open the potential for poverty and inequality reduction in a specific set of circumstances, but economic growth by itself is not a magic wand. It is unlikely that economic growth could have been sufficient to reduce poverty and inequality in countries where lived experiences of poverty and inequality and instability and armed conflict seem to be perennial.[69,70] Economic growth can be pro-poor and inequality reducing, if and only if there are real opportunities that allow the poor to participate in and reap the dividends from such economic growth.

Several key conditions must be met for this to happen. Firstly, there must be policies that enable equitable access to public services such as education, healthcare, and social services, enabling the poor to build their human capital and improve their livelihoods. Secondly, the state should aim to create the conditions for some jobs and wage income that are part of economic growth to directly benefit the vulnerable. Thirdly, robust social protection systems are necessary to scaffold populations who are marginalised within the economy at any point in time and protect those who are vulnerable to economic shocks, providing a safety net that lifts people out of poverty and prevents them from falling into poverty.

Profiling and understanding the changes to the sectors in the economy that lead to higher poverty and inequality reduction outcomes, enable constructive policy attention to be given to the sectors that will meet the goals of the AA2063 and the SDGs. In a global landscape that is more cognizant of the needs for a just transition and a more sustainable development model, reflecting on policies that incentivize inclusive economic growth and lead to equitable outcomes is a necessary starting point.

Proposals and debates are currently underway to chart a new path for growth that can help us to move away from the trajectory of high levels of poverty, salient inequalities and environmental degradation towards a "greener, safer, better future".[71] The world, and Africa now have to move to a new kind of growth, one that is socially equitable, and that respects the environmental limits of the planet. Such a task is not free of challenges, and opens a whole set of dilemmas, about how such growth can take place. Here we have begun the process of assembling evidence to characterise the contexts and policies

[67] An enclave economy is a term used to describe an economy in which an industry is based on the export of resources or products overseas. Such systems of exploitation and extraction are closed systems and are dominated by local and international elites. Singer, H. (1975).

[68] Mkandawire, T., 2001.

[69] Before the pandemic, significant increases in the polarisation of distributions of income -a measure of inequality, had been already observed in the continent. See for example, Clementi, F. et al. (2022). High endemic poverty and inequality (and increasing inequality – measured by polarisation) thus continue to bear major responsibility for the low effectiveness of economic growth in reducing poverty and inequality in Africa.

[70] Ravallion, M., 2020.

[71] United Nations, 2021.

that drive poverty and inequality reduction in the unfolding contexts of African countries. Moving forward, we need to develop better, country-specific diagnostics that account for the nature of poverty, the structure of economies and their inequalities, and particularly their intersections.

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