High inequality undermined the efficacy of growth in reducing poverty
Key messages

• **The transformation of growth to poverty reduction is nonlinear, with inequality playing an important role.** A combination of high initial inequality since colonial times and more recent patterns of structural change have made Africa one of the most unequal continents in the world. This matters because the poverty reducing impact of growth depends on initial income distribution and its pattern of change, which is also influenced by globalisation and national development strategies.

• Countries’ ability to translate growth into poverty reduction depends on differences in the magnitude of growth itself and the sectoral composition of that growth. **Declining agricultural activity and productivity, a non-expanding manufacturing sector, and a large informal sector hinder growth and its impact on poverty reduction.** The current pattern of structural change, which tends to shift labour from agriculture to low-paying informal service sectors, has not helped in lowering Africa’s inequality.

• The evolution of inequality depends on both changes in the pattern of demand for labour and changes in the structure of labour supply, particularly with regard to education characteristics. **The equalizing effect of education has been curtailed by limited availability of physical capital** to complement Africa’s increasing and improving quality labour force. Major barriers to reducing inequality seem to stem largely from poor governance and fragmentation along ethnic and linguistic lines. Inclusive institutions are required.

• **An inclusive structure of growth, anchored on employment and resulting in more equal distribution of opportunities and income,** would not only reduce poverty but would also set the stage for accelerating future growth. Pro-poor growth and pro-growth poverty reduction interventions should be used together to achieve this. Priorities to target include: Job creation, preferably in the formal sector, to absorb rural migrants productively; Infrastructure development in rural areas to increase farmers’ access to markets; Interventions that improve agricultural productivity for the poor; and, Measures and institutions that contribute to reducing inequality, such as the adoption of inclusive social protection and labour schemes. If well designed, social protection can redistribute the gains from growth and also contribute to improving growth.
Historically, at least until recently, the impact of GDP growth on poverty reduction has been significantly weaker in Africa than in other developing regions. The contrast with much of Asia is striking, as discussed in the previous chapter. Substantively, two factors drive this difference. First, growth generated by labour-intensive sectors such as agriculture or manufacturing is more poverty reducing than growth from mineral sectors. Within Africa, poverty reduction due to growth was thus slower in resource-rich countries, as demonstrated in chapter 2. Second, besides resource-dependence, high initial income inequality hampers the poverty-reducing effect of growth in SSA. In this regard, Africa inherited a dual economic structure and high levels of inequality from colonial times. Inequality has remained high since independence. The extent to which growth reduces extreme poverty depends on redistributive policies and access to services that enable the poor to benefit from growth. Once resource-dependence and inequality are controlled for, the gap narrows between growth elasticities of poverty globally and in Africa (World Bank, 2013).

How did inequality evolve in Africa over the last fifteen years? The pattern of African structural change led to a shift in labour out of agriculture. However, since the movers have been absorbed for the most part into low-paying jobs, mainly in the informal sector, this transformation has not led to significantly lower poverty nor inequality. In Africa, the informal sector accounts for about 40% of the continent’s economy, more than in any other region of the world, except Latin America (AfDB, 2011b). Most people who depend on informal activities live in poor conditions. In sum, because of both high initial income inequality and the African pattern of structural change, many Africans have not benefited from recent economic growth. That is to say that the growth achieved in the last 15 years was not accompanied by an equivalent scale of poverty reduction. In other words, growth in Africa has not been inclusive and poverty remains a huge challenge for the coming decades, as discussed in the previous chapter. Poverty leads to social and political exclusion and poor people are constantly hampered by lack of resources (land, finance, housing, education, and knowledge) and lack of access to markets (AfDB, 2011c).

Therefore, the key challenge for Africa is to accelerate inclusive economic growth to achieve sustainable poverty reduction. The poverty impact of such growth will depend on the initial income distribution and its pattern of change. For policymakers wanting to speed up poverty reduction (or those concerned with inequality) it is therefore important to understand, among other things, how income distribution is determined and how it changes over time.

Having looked at the magnitude and trends of Africa’s recent growth experiences in chapter one, and the progress and state of poverty in chapter two, this chapter features inequality and how it impedes the translation of growth into poverty reduction. The chapter outlines factors that trigger and sustain income inequality, and looks at the inter-relationship between poverty, growth and inequality in the context of global and national intervening factors. Finally, it provides Africa specific conceptual discussion on the relative merits of addressing poverty through either pro-poor growth strategies or pro-growth poverty reduction strategies.

27 Another reason is purely arithmetic. Since SSA’s poverty levels are higher and incomes lower than those in other regions, the same sized absolute changes in poverty and incomes translate into smaller and larger relative changes, respectively.
3.1 Africa’s high inequality

The distribution of income in any society is the final outcome of the workings of the full economic process, which means that there are many factors and relationships that matter. We know that the actual income distribution at a given point in time is the result of long historical processes and that distribution generally changes slowly. The current level of inequality in Africa is, to a large degree, the result of historical events. Africa is the second most unequal continent, after Latin America (Figure 3.1)\(^{28}\).

Despite high real GDP growth since the mid-2000s, large income inequalities persist between Africa and other regions of the world. Specifically, examining trends in GDP per capita in PPP terms reveals that the gap between SSA’s income per capita and that of major advanced economies narrowed only marginally between 1995 and 2015. While SSA’s GDP per capita was about 6 percent of GDP per capita for advanced economies in 1995, it was still only 8 percent in 2015. In contrast, developing Asia narrowed the gap with advanced economies by increasing this ratio from 8 to 21 percent during the same period. To further narrow these income gaps, SSA will need to maintain or even accelerate growth in the coming decades.

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\(^{28}\) There are some that argue that it is the most unequal as Latin America measures inequality using incomes, and Africa typically uses consumption. Incomes are always more unequally distributed and thus the comparison can be biased.
Within Africa, inequality both within and across-country have been important, with the latter predominating until 2010. One way to gauge Africa’s cross-country inequality is to compare GDP per capita (PPP adjusted) for a ‘typical’ (median) SSA country relative to GDP per capita of the entire region. The decline in this ratio points to widening inequality, as was the case prior to the global financial crises (2009 and 2010), with a subsequent partial reversal (Figure 3.2).

Further, evolution of Gini-coefficients point to high but relatively stable inequality for Africa as a whole, with varied patterns among sub-regions (Figure 3.3). Inequality remains the highest in middle income countries in Southern Africa, most of which are also caught in the ‘middle income trap’. Rising inequality in East Africa, which contains some of the world’s fastest growing economies, is of great concern and requires policymakers’ attention. For example, notwithstanding robust economic growth of 6 – 7 percent a year, poverty in Tanzania declined by only 2.2 percentage points during the entire 1996 – 2010 period, well below the 1.7 percentage point average annual reduction experienced by Rwanda (World Bank, 2013).

**Figure 3.2** Inequality among countries in SSA, 1995 - 2015

**Figure 3.3** Inequality among SSA regions, (Gini-coefficients, %) 1995 - 2010

Note: Median income of SSA countries relative to GDP per capita of SSA is in percent. Dispersion is computed as standard deviation over median. Source: Authors’ calculations based on the AfDB AEO database.
3.1.1 Heterogeneous progress in income equalization

Overall, poverty has started to decline in Africa, but this has been driven primarily by growth, while inequality has remained high by international standards. Figure 3.4 shows World Bank estimates of inequality (Gini-coefficients) available for African countries. There are ten countries in this sample with end-year Gini-coefficients above 50. Most of these highly unequal countries are located in Southern Africa and rely on natural resource extraction. The same figure shows progress in reducing inequality:

The difference between the first period and the latest available measure of inequality. There were 14 countries with increases in inequality and 25 with reductions. Over the very long-run there was thus some tendency towards equalization.

Finally, it is important to note that estimates of income inequality in Africa are typically based on household surveys. It is a concern that these surveys often lack coverage, particularly of the richest individuals or households, which means that the level of inequality tends to be underestimated.

Figure 3.4  Inequality level and change in Africa, by country

Source: World Development Indicators, March 2015. Years of observation are in parenthesis.
3.2 Inequality of opportunities

One may also look at inequality from different perspectives. From an efficiency point of view, it is inequality of opportunities that matters most, rather than outcomes. A key policy goal would then be to strive for greater equality of opportunity, i.e. equal rewards for equal effort, irrespective of circumstances. This should lead to a more efficient allocation of resources and thus be efficiency enhancing. It would also improve the sense of fairness and thereby contribute to social cohesion.

Hassine (2015) looks at the evolution of inequality in Egypt between 1988 and 2006. She finds that the share of earnings inequality that was due to inequality of opportunities fell from 22% to 15%. The level of inequality of opportunities remained stable, but its relative contribution shrank because of the rise in total inequality in Egypt.

One could also argue that intergenerational income mobility is a sign of a flexible and non-discriminatory economy that utilises the talent of the population effectively. In this regard, Lambert, Ravallion, and Van de Walle (2014) analyse intergenerational income mobility in the case of Senegal, and find that it is quite large. They find that inheritance of land or housing contributes little to overall inequality, while non-land inheritance, schooling and parental characteristics play a much more important role. Mobility is strongly related to movement out of agriculture into non-farm activities.

Finally, spatial inequality is important in Africa because countries are often poorly integrated, meaning that inequalities between regions as well as between urban and rural areas are pronounced. Sahn and Stifel (2003) consider a group of African countries and find that urban–rural gaps in living standards are high and show no tendency of declining. It is noteworthy, however, that when they decompose total national inequality in health and education, they find that the within region inequality contributes much more to overall inequality than the between regions part.
3.3 What triggers and sustains Africa’s inequality?

3.3.1 Asset accumulation and technological progress

The distribution of income is strongly related to asset abundance and the distribution of asset ownership. Using data from World Development Indicators (2015), between 2000 and 2013, there was a varied pattern of asset accumulation across African countries. There has been a considerable increase in arable land (20%), but since the labour force grew at up to 2.9% per year, the land-labour ratio still declined from 0.27 to 0.24 hectares per capita. So there is increasing pressure on the land in Africa, which has implications for rural-urban migration. The share of the SSA population living in rural areas fell from 69% in 2000 to 63% in 2013.

For the labour that is shifting out of agriculture to be absorbed into good jobs, rapid capital accumulation is required. Between 2000 and 2012 the gross savings rate in SSA (the basis for African capital formation) increased from 18% to 19% of GDP. Globalisation of the financial markets has led to a large increase in private investment in emerging economies, but for Africa there has been much more limited progress. There are indications that returns to investment in Africa are quite high, however investment capital is not flowing to Africa in very large quantities. This suggests that there are other factors restricting investment – such as risk. Investors are also cautious with regard to investment in Africa because financial markets are small and suffer from poor liquidity. Still, there was a net inflow of fixed direct investment over this period corresponding to 2.4% of SSAs GDP that complements domestic investment financing.

Bigsten and Durevall (2006) constructed a capital stock series for Kenya over the period 1960-2000. They found that capital growth was not keeping up with the growth of the labour force during the last two decades of the 20th century. In a recent paper, Bigsten et al. (2014) extended this series on the basis of recent investment rates and found that the capital stock in Kenya increased by about 2.2 percent per year. This was still not even enough to keep the capital-labour ratio constant. From 2000 to 2012 capital formation in SSA increased by as much 9.3% per year, which meant that gross capital formation increased from 16% to 21% of GDP. This pattern is similar to that observed in Kenya, so it is reasonable to assume that the capital stock of Sub-Saharan Africa increased at a rate of 2%–2.5% per year. It thus seems as if the capital stock did not quite manage to grow at the rate required to keep the capital-labour ratio constant, although there was a decent rate of increase of investment. This means that we cannot expect to see any clear movement of the structure of production in a more capital-intensive direction.

The fundamental component determining growth other than the growth of factors of production is technical progress. While domestic investment in R&D matters, for African economies the bulk of new techniques still come from abroad. Ndulu and O’Connell (2008, p. 18) did a growth decomposition for a subset of countries in SSA for the period 1960-2000. GDP per labourer increased by 0.61% per year (less than post-2000), which was made up of the increase in capital per worker (0.36%) and increased education per worker (0.25%). They failed to find any contribution from Total Factor Productivity (TFP) growth. This meant that growth was due to factor accumulation, while productivity stagnated.

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29 The land pressure increased similarly in the MENA region including North-Africa.
Labour productivity has grown by about 1.8% per year over the last few years (2009-2012). Given the stagnation of the capital-labour ratio we may presume that TFP growth and human capital accumulation did contribute to increases in incomes, but it is unclear how far this has affected income distribution.

3.3.2 Inequality in human capital development and labour markets

The structure of the labour market, which allocates labour, is very important for inequality outcomes. Since we have concluded that the capital-to-labour ratio has been stagnant, we may presume that many people have been pushed out of agriculture without being absorbed by capital intensive jobs. Relatively few jobs have been created in the formal private sector, which under a “normal” structural transformation would absorb a lot of the skilled labour into well-paid jobs. Instead many of the newcomers to the labour market end up in activities with low incomes. They may of course also end up in unemployment, but this is hard to define and measure in Sub-Saharan Africa.

The WDI data on unemployment says that it remained constant, at around 7% for men and 9% for women between 1990 and 2013. It is probably true that relatively few people are openly unemployed in the sense of the ILO, but there are many people underemployed or engaged in low productivity, informal sector activities. Although the level of education in Africa has increased a lot, the effects in terms of formal employment and growth have been a disappointment. The problem lies in the lack of expansion in demand for skilled labour due to the failure to create either sufficiently high growth or a pattern of growth demanding labour. Other developing countries, which have been successful in achieving equalizing growth, have seen unskilled labour typically being absorbed in large numbers by manufacturing.

The informal sector’s role in absorbing many people who leave agriculture or the new entrants into the labour market means that there is less impact on inequality than if those people had been absorbed into modern sector jobs. For example, Bargain and Kwenda (2014) find that in South Africa, informal workers earn much less than formal workers, but a large part of the gap is due to lower skills. The informal sector therefore increases wage dispersion. The results suggest that policies for increased equity could consist of labour market regulations and the expansion of education.

The evolution of labour income distribution is also driven by the pattern of education expansion. In countries where there used to be a lack of higher skills leading to large wage gaps, the expansion of secondary and tertiary education has contributed to keeping that in check (e.g. in Kenya, Bigsten et al., 2014). Educational policy is therefore potentially a very important component of income distribution policy.

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30 For ILO data, unemployed comprises all persons of working age who were: a) without work during the reference period, i.e. were not in paid employment or self-employment; b) currently available for work, i.e. were available for paid employment or self-employment during the reference period; and c) seeking work, i.e. had taken specific steps in a specified recent period to seek paid employment or self-employment.
Overall, changes in labour market outcomes are very important for the evolution of income distribution. They depend on both the changes in the pattern of labour demand and the changes in the structure of labour supply, particularly with regard to education characteristics. Education levels have increased dramatically in Africa, but the equalizing effect of education has been curtailed by the slow increase in labour demand.

3.3.3 Structural change with limited income equalization

Structural transformation of production implies reallocation of labour across sectors and migration from rural to urban areas. When labour moves from low-productivity to high-productivity sectors, overall productivity increases and thus contributes to economic growth. The gap between agriculture and non-agriculture in labour productivity in SSA is enormous at 7.8:1 (Gollin, 2012). The gaps in productivity are larger in SSA than in other regions of the world. There has been little convergence between the sectors, and this has strong implications for inequality.

Most African countries have 2/3 or more of their labour force in agriculture. Ideally, for both growth and distributional reasons, labour would shift from low-productivity activities (mainly smallholder agriculture) to high-productivity activities. Unfortunately this does not seem to be the general picture in Africa. Table 3.1 shows that the share of output from agriculture has declined somewhat in SSA, but the share from industry has declined even more, by 6 percentage points. To generate demand for labour Africa needs a change in the structure of production towards labour intensive manufacturing. Instead we see its manufacturing’s sectoral share decline from 13% to 10% between 2000 and 2012. These trends are also reflected in North Africa, except that the industrial sector in this region has not contracted during the period.

McMillan et al. (2014) find that, at least during 1990–2005, structural change in African economies was, on average, actually growth-reducing for their sample countries. Thus, labour, on average, moved from high- to low-productivity activities. This seems to confirm that much of the labour that leaves agriculture ends up in activities with even lower levels of productivity, mainly in the informal sector. Still, they find that the picture looks somewhat better from 2000 onwards, with structural change contributing positively to overall growth. They also find that this improvement coincided with an expansion of the manufacturing sector in over half of the countries in their sample. They note that these positive effects of structural change on growth do not

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**Box 3.1 Inequality in the South African labour market**

Bargain and Kwenda (2014) estimated the formal-informal sector wage gap in South Africa and look at the distributional consequences. They find that informal workers earn much less than formal workers, but a large part of the gap is due to lower skills. The estimated gap of 62% in South Africa is reduced to 19% when controlling for observable skills and fixed effects. They find that the informal wage penalty is highest in the lower part of the conditional wage distribution but tends towards zero in the upper part. The informal sector therefore increases wage dispersion.

South Africa has among the highest levels of inequality in Africa, which makes it an interesting case from an inequality point of view. The labour market plays a dominant role in determining inequality in South Africa. Reducing unemployment is a key dimension of an inequality reducing policy in South Africa, which has much less informal employment than other African countries. Post-apartheid growth in South Africa has been rather sluggish, and inequality in contrast has increased from already high levels. Total expenditure Gini increased from 0.54 in 1993 to 0.71 in 2008 (Finn, Leibbrandt, Oosthuizen, 2014).

Leibbrandt et al. (2012) describe changes in inequality in South Africa over the post-apartheid period, using income data from 1993 and 2008. The share of incomes going to the top decile increased. Social grants have become much more important as sources of income in the lower deciles, but overall it is the labour market which is the main driver of aggregate inequality. Inequality within each racial group has increased, while the contribution of between-race inequality has decreased. Both aggregate and within-group inequality are responding to rising unemployment and rising earnings inequality. Van der Berg (2014) shows that inequality within racial groups has increased in South Africa, while inequality between them has declined.
appear in countries with a relatively large share of natural resources in exports, since the enclaves of production are unable to absorb large amounts of labour. In countries with competitive exchange rates and labour market flexibility, structural change made a positive growth contribution and shifted labour to more productive sectors.

We can conclude that the industrialisation taking place in Africa has not been fast enough to bring about a large-scale economic transformation. African economies are the least diversified in the world. Labour-intensive manufacturing has not taken off in most of Africa, although a few North African economies like Tunisia and Morocco have done better. The share of the African labour force in manufacturing has declined (McMillan and Harttgen, 2014). The diversification out of agriculture has thus been mainly into services, and much of it into the informal sector. This also means that the pattern of structural change has so far not been a strong driver towards lower levels of inequality. In this context, equalization will require raising agricultural productivity.

3.3.4 Diversifying household livelihoods, and rural-urban migration

Structural change can also be analysed at the household level. Smallholders in Africa were originally almost exclusively farmers, but over time they have shifted into production for the market and to non-agricultural activities as well. Hence, the process of structural change in Africa occurs also within households, and many rural households have incomes from different sectors. Households that are able to pick up alternative sources of income have higher incomes than those that have not been able to do so. Households that do not possess sufficient human and financial resources do not have access to potentially lucrative activities. As noted by Barrett et al. (2005), constraints may force households to choose low-return activities.

Endowments are the key determinants of smallholders’ activity choices. To be a full-time farmer you need reasonable access to land. The bigger the labour force of the household, the more land is required. Consequently, the labour/land ratio of the household is one key determinant of its need to move into off-farm activities. The human capital endowment, or education level, of the members of the household is also a key factor determining activity choices. In addition it is easier to diversify out of agriculture if the household has good access to a thriving off-farm sector in the area, which often means being close to an urban market. Access may also vary by region; some areas have more diversified economies. So overall, the main factors behind allocation choices are differences in endowments, in access to markets, and in access to finance. Diversification generally is a positive way to move up the income scale. Diversification is also a result of push factors, particularly distress, where households in a poor situation seek to add to their meagre agricultural incomes (Barrett, 1998).

We have noted above that one important factor determining inequality is the productivity gap between agriculture and industry. This can be reduced by investing more in smallholder agriculture, but Collier and Dercon (2014) caution such an approach. They note that for economic development to succeed in Africa over the next 50 years,

<table>
<thead>
<tr>
<th>Sector</th>
<th>SSA</th>
<th>North Africa</th>
</tr>
</thead>
<tbody>
<tr>
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<td>% of GDP, 2000</td>
<td>% of GDP, 2012</td>
</tr>
<tr>
<td>Agriculture</td>
<td>17</td>
<td>15</td>
</tr>
<tr>
<td>Industry</td>
<td>34</td>
<td>28</td>
</tr>
<tr>
<td>(Manufacturing)</td>
<td>(13)</td>
<td>(10)</td>
</tr>
<tr>
<td>Services</td>
<td>49</td>
<td>57</td>
</tr>
</tbody>
</table>

Source: World Development Indicators 2015
not only will agricultural output have to increase massively, but labour productivity will need to increase a lot as well. This means that the share of labour in agriculture will have to decline very significantly. They also note that labour can shift from smallholdings to large-scale agriculture. In transiting from smallholder agriculture to other sectors of activity, many smallholders move partially and gradually. Many already straddle different sectors, which helps them increase household incomes. This pattern of structural change within the household will remain a very important feature of structural change for a long while to come. So, the best combination is to have productivity improvements in agriculture and accelerated structural change at the same time.

Structural change in Africa can also be considered from a migration and urbanisation perspective. The rate of rural-urban migration is increasing, but it is not very high in Sub-Saharan Africa compared to the rest of the world (De Brauw et al. 2014). Decomposing national inequality figures shows that, while the bulk of the population still remains in rural areas, within-region inequality dominates over that part which is due to the urban-rural gap. Stifel and Woldehanne (2014) find that more than 80% of inequality in Ethiopia is due to within-region inequality, for example. They also find that inequality is considerably higher within urban Ethiopia than in rural areas. This means that although the urban-rural income gap was constant between 1996 and 2007, there was an increase in national inequality due to migration increasing the weight for the, higher-inequality, urban sector. Also,
Stifel, Razafimanantena and Rakotomanana (2014) find that within-region inequality is dominant in the case of Madagascar. However, national inequality declined here due to stagnating incomes for the top 40% of households combined with improvements for the poor in rural areas. So there is often, but not always, a tendency for migration in early stages of development to contribute to an increase in the national Gini-coefficient.

Growth generally tends to be concentrated in small geographical areas (McKay and Perge, 2009). In Africa this is often related to the location of natural resources. The imbalances that emerge are particularly serious in Africa, since it is characterised by high ethnolinguistic fractionalisation. Spatial inequality is often aligned with the ethnic inequalities. High spatial inequality can be bad for growth by creating conflict and tension, it also leads to demands for redistributive measures. However, more dedicated policies designed to address inequality and ethnic favouritism can contribute to growth and poverty reduction (see Box 3.2 for the case of Rwanda).

There are advantages of agglomeration of production such as economies of scale, lower transport and transaction costs. Forward and backward linkages matter. There may also be negative impacts of agglomeration due to immobile factors of production, land rents and external diseconomies. Successful countries are characterised by greater population density, shorter distances, and fewer divisions. The World Development Report 2009 (World Bank, 2009) concludes that urbanisation and concentration of production is unambiguously good for growth and thus poverty reduction in the long-run. Christiaensen and Todo (2014) find that agglomeration in mega cities is associated with faster growth and higher income inequality, while a shift into rural, non-farm and secondary towns leads to a more inclusive, but slower, growth. Christiaensen, De Weerdt, and Todo (2013) find similar results for Tanzania.

Dorosh and Thurlow (2014) discuss the role of public investment in fostering structural change. Typically, public investment aims to lever private investment. They develop models for Ethiopia and Uganda that allow for both migration and agglomeration effects. Their simulations indicate that investment in cities is an important determinant of structural change in the long-run because of agglomeration economies. In the short-term, further investments in agriculture are also needed to enable small towns to open up for diversification out of agriculture.

It therefore seems as if the pattern of structural change ongoing in Africa is such that it contributes relatively little to income equalization. People leave low productivity activities and move into other low-paying activities. A more transformative change of the economy leading to an expansion of better paying jobs would require higher rates of investment and faster economic growth.

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**Box 3.2 Social stratification and inequality in Africa**

Africa stands out as a region where ethnic divisions play an important role in how the governance of society works. There is an extensive literature on this aspect and how it relates to policymaking and development. Alesina and Zhuravskaya (2011) find that ethnically and linguistically segregated countries, i.e. countries where these groups live more separately, have lower quality of government. Alesina, Michalopoulos, and Papaioannou (2012) show that ethnic inequality is strongly inversely related to per capita income, and that differences in geographic endowments across ethnic homelands explains much of ethnic inequality. These differences thus have a long history. They also show that individuals from the same ethnic group are worse-off when they reside in districts with a high degree of ethnic inequality.

Rwanda is an interesting country in this context since it has been able to combine rapid growth (about 5% per year) with declining inequality (Gini was 0.52 in 2005 and 0.49 in 2010/11) and reduced poverty (headcount down from 0.58 to 0.45) post genocide (Verporten, 2013). In addition, social indicators (DHS surveys) show major improvements, and urban-rural inequality in social services declined in the post-conflict period.
3.4 Decomposing Africa’s inequality

Paucity of income and consumption data, especially at the household level, in many countries prevents systematic analysis on the underlying determinants of inequality in Africa. Household income and consumption surveys, the source of most income inequality data, are collected infrequently and with irregular time intervals in many cases. This makes contemporaneous comparisons difficult (Deverajan, 2013). This section uses unit record data from Demographic and Health Surveys (DHS) for 44 countries in 102 waves covering the period 1989-2011. The dataset covers over a million households and is used to analyse the drivers of wealth/asset inequality in Africa. ‘Within-country’ inequality analysis decomposes the Gini-coefficient for assets into spatial and individual/household specific components. Spatial inequality, on average, contributes 35%-40% of overall asset inequality with significant variation across countries. ‘Between-country’ inequality analysis suggests that, conditional on other important covariates such as initial per capita GDP, size of government, etc., asset or wealth inequality is negatively correlated with the proportion of the labour force with tertiary education, the size of remittances as a share of GDP and price distortions in key asset markets.

A particularly useful way to better understand issues of inequality in Africa is to think of the role of different processes that shape its pattern over time and across regions, such as structural factors and market forces (e.g. Easterly, 2007). In most African countries, where markets are nascent forces and have not taken deep roots in resource allocation, the role of structural factors tend to be strong. The inequalities induced by market forces have differential impacts on households, on firms, on regions, etc. Therefore, decomposing inequality into that part induced by circumstances beyond the control of the individual (called ‘inequality of opportunities’) and that within the bounds of his/her choices (such as level of effort) furthers our understanding of the evolution of inequality. While the empirical distinction between inequality of opportunities and that of effort is challenging due to the data requirements, some estimates have provided interesting insights that help understand the results discussed here.

3.4.1 Income or asset inequality?

How unequal is Africa? First, we revisit income inequality briefly before presenting the asset inequality results from DHS data. Figure 3.5 shows Gini-coefficients based on household surveys as reported in the World Bank’s PovcalNet data for the period 1982-2011. The figure compares the aggregate Gini-coefficient for Africa with that for other developing regions (Latin America and Asia).

Figure 3.5 Inequality in Africa & other developing regions, at different levels of development (1980-2011)
The figure shows that, despite the level of ‘development’ as captured by per capita income, African countries generally tend to exhibit higher inequality than the rest of the developing world. Figure 3.6, below, plots the trend in the Gini-coefficient for African countries which indicated a steady increase in the 1980s and 1990s. It levelled off in the 2000s but the average Gini-coefficient is still in the range of 40% implying that the top 20% own almost 60% of income. Thus, the data begs the question; why is inequality so high in Africa? The next section attempts to tackle this issue.

3.4.2 Asset inequality within countries

Table 3.2, below, reports the asset-based Gini-coefficient for 44 African countries, covering at least 65% of Africa’s population. The key message is that asset-based inequality has been high in Africa: In the range between 40-45%. This significantly high number could imply that the top 1% owns 35 to 40% of household assets and amenities. Asset-based inequality has also been persistently high over two decades, with no sign of declining. This is indeed quite worrisome. An interesting, but not surprising, aspect of asset-based inequality is that the contribution of spatial inequality is quite significant, hovering around 35% in all periods. The contribution of household education, occupation or age (a proxy for experience) explain only around 10% of the overall inequality, the rest is attributed to other factors (unobserved factors).

31 Component of inequality due to household head education level, occupation and age.

Table 3.2 Inequality levels in 44 African countries

<table>
<thead>
<tr>
<th>Period</th>
<th>Average Gini coefficient for assets</th>
<th>Component due to spatial inequality</th>
<th>Component due to inequality of opportunities 31</th>
<th>Component due to other factors</th>
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</thead>
<tbody>
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<td>Before 1995</td>
<td>0.42</td>
<td>0.37</td>
<td>0.11</td>
<td>0.52</td>
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<td>1996-2000</td>
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<td>0.34</td>
<td>0.13</td>
<td>0.53</td>
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<td>2001-2005</td>
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</tr>
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<td>2006-2009</td>
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<td>0.51</td>
</tr>
<tr>
<td>2010-2013</td>
<td>0.44</td>
<td>0.39</td>
<td>0.13</td>
<td>0.47</td>
</tr>
</tbody>
</table>

Source: Authors.

The importance of spatial dimensions in explaining inequality varies across countries, ranging from a high of around 61% in places like Madagascar, Angola or Niger to lows around 10% in small countries like Comoros, or in well-developed places like Egypt. The spatial component of asset inequality can be thought of as structural inequality, caused by circumstances beyond the control of individuals (Roemer et al., 2003). Figure 3.7, for instance, suggests that spatial inequality has a strong correlation with governance (using the aggregate Mo-Ibrahim index). It also has a strong correlation with ethnic
fractionalisation (not reported). However, there is no systematic correlation with per capita GDP. Close to 25% of the variation in spatial inequality is due to economic governance and ethnic fractionalisation. In the former, higher values or better governance was correlated with lower spatial inequality and ethnically diverse or fractionalised countries exhibited higher spatial inequality. This suggests that this part of spatial inequality echoes Easterly’s (2007) structural inequality, or the inequality of opportunity discussed in preceding paragraphs. Another interesting finding is that spatial inequality is highly correlated with incidence of child and maternal mortality as well as with other indicators of human opportunity. This is a useful insight into the seriousness of spatial inequality in affecting living standards independently of income.

3.4.3 Asset inequality between countries

The long-term relationship between inequality and policy relevant factors could be inferred through cross-country

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**Figure 3.7** Correlates of spatial inequality

Source: Authors
comparisons. Using a regression framework on the pooled data using asset-based inequality from the DHS dataset (and correcting for heteroscedasticity), tertiary education turns out to be an important predictor of lower asset-based inequality. Countries with one standard deviation higher share of households with tertiary education experienced a decline in asset inequality of about 17%. Similarly, remittances appear to be an important part of the story in reducing inequality.

Altogether, approaching inequality from the perspective of its two main sources (structural and market driven) or breaking it down into inequality of opportunities and individual effort, provides some explanation of Africa’s high and persistent inequality levels. Inequality decomposition shows that spatial inequality has a stronger role in driving overall asset inequality in Africa. Spatial inequality itself is driven mainly by governance conditions and ethnic fractionalisation. Interestingly, the spatial dimension of inequality is not correlated with per capita income. Instead, spatial inequality seems to have an independent effect on infant and maternal mortality, disease burden as well as human opportunity. This interesting finding needs to be further studied. High spatial inequality is a constraint to high standards of living and is essentially unaffected by the average level of development of a country.

When comparing inequality between countries, tertiary education and remittances are important factors that may lower inequality, be it of asset or of income. Of particular importance to income inequality is price distortion which generally captures the relative scarcity of consumption goods in comparison to the world market. In sum, specific and well implemented policies are required to advance inclusive growth in Africa given that the barriers to reducing inequality seem to stem largely from poor governance and fragmentation along ethnic and linguistic lines.

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32 Given the strong emphasis in previous literature on ethnic fractionalisation as an important driver of inequality, we examined the possibility that ethnicity may be picking up the effects of remittances. Ethnically homogenous societies tend to have stronger networks which facilitates mobility within and outside of a country, thus tends to increase remittances.
3.5 Translating growth into poverty reduction in a globalised world

To understand clearly the anatomy of growth and how it impacts poverty reduction, it is essential to analyse the interrelationship between growth, inequality and poverty. The economy of any nation is influenced, *inter alia*, by:

(i) The process of globalisation including positive shocks (such as high commodity prices for exports) and negative shocks (such as the global financial crisis of 2007-08);

(ii) Other shocks such as climatic changes, and civil conflicts; and,

(iii) The national development strategy, which includes the set of policies followed by a specific government and the existing institutions in that same country.

The impact of globalisation and other shocks is largely exogenous (outside the control of the nation state), while the national development strategy is, at least partially, endogenous (under the control of the government).

By globalisation, we mean here, greater economic integration within the world economy manifested through increased openness. The major channels, through which globalisation affects the economy of any given country, are through trade, foreign investment, technology transfer, and labour migration (see Nissanke and Thorbecke, 2010, for a detailed discussion of the various globalisation transmission mechanisms). For example, an increase in Kenya’s exports of horticultural products contributes to GDP growth, and because it is labour-intensive, lowers the incidence of poverty through increased employment of unskilled workers. In contrast, foreign direct investment in oil exploration and oil wells in Nigeria, likewise contributes to output but creates few jobs and may lead to greater inequality in the distribution of income. The point is that the various globalisation channels at work influence the structure of growth differently in different settings.

Figure 3.8 illustrates schematically how globalisation and the adopted development strategy jointly affect the structure of growth, the level of inequality and the incidence of poverty in a given country (abstracting from a number of other factors).

Figure 3.8  Globalisation and development strategy. Interrelationship among growth, inequality, and poverty

Source: Author’s drawing.
of feedback loops that are discussed subsequently). The transmission mechanisms are complex and consist of a number of links shown in Figure 3.8. Each of these links has to be looked at carefully. In general, globalisation (e.g. through its impact on trade and foreign direct investment) and the country-specific development policies and institutions will have a positive effect on growth (the upper left arrow in Figure 3.8). They have a more indeterminate effect on income distribution (the lower left arrow). In turn, the growth and distribution channels interact dynamically to produce a growth-inequality-poverty triangular relationship (the right-hand triangle in Figure 3.8).

A key and controversial link in this triangle is that from inequality (income and wealth) to growth. This relationship is characterised by two varying theories. The classical theory argues that income inequality is a pre-condition for growth as the rich have a higher marginal propensity to save than the poor. Hence a more unequal income distribution, for the same level of aggregate income, will generate a larger total flow of savings, leading to more investment and higher growth (Kaldor, 1956). In contrast, the modern New Political Economy of Development makes a strong case that greater income inequality is likely to dampen growth through a variety of channels, such as the diffusion of political and social instability, unproductive rent-seeking activities, and increased insecurity of property rights. A recent empirical study under the auspices of the International Monetary Fund has shown that there are more episodes of sustained rapid growth in societies that are relatively more equal and hence more stable (socially, politically, and financially) (Ostry et al, 2014)33.

Still another link in the growth-inequality-poverty nexus is from growth to inequality. Kuznets’ law suggested that at early stages of development, growth would bring about a worsening of income distribution up to a threshold level of per capita income and then reduce inequality beyond this threshold. This has essentially been rejected on the basis of evidence. There is no clear-cut link between the contemporary growth spell in SSA and a rise in income inequality (as expected in low income countries if Kuznets’ law prevailed). There are about as many cases of countries where income inequality rose over the last decade or so, as there are cases where inequality fell.

The link from growth to poverty (the upper right side of Figure 3.8) captures the extent to which the pattern of growth is inclusive. The more inclusive the growth, the greater the resulting poverty alleviation. As indicated earlier, the structure of growth before 2000 tended to be narrowly based and was often enclave-type growth which has a relatively small effect on poverty. In contrast, there is some evidence that the current structure of growth has become somewhat more inclusive.

33 See also, study by Deininger and Squire (1998).
The final link on Figure 3.8 consists of the influence of the distribution of income on poverty. Again, the more uneven the distribution, the less the poor are likely to reap the benefits of growth. In turn, the observed inequality of income is the direct result of the inequality of opportunities, which is endemic across much of the subcontinent. Poor, uneducated and marginalised households are not playing on a level field. The opportunities available to them are limited in comparison with better-off individuals born into middle or upper class families. The reciprocal relationship between the inequality of opportunities and income inequality can lead to a vicious downward spiral and poverty trap. The economic and political balance of power generated by those inequalities could lead to extractive economic and political institutions that will further reinforce the status quo.

In sum, the transformation of growth to poverty reduction is nonlinear, with inequality playing an important intervening role. High initial inequality can inhibit the effectiveness of growth in reducing poverty (Adams (2004), Bourguignon (2003), Easterly (2001), Epaulard (2003), Kalwij and Verschoor (2007), and, Ravallion (1997)). In addition, Fosu (2008, 2009, 2010a, 2010b) presents and estimates various nonlinear poverty functions explaining the transformation of growth to poverty reduction. Furthermore, Fosu (2011, 2015) emphasises the tendency of lower initial incomes to slow down the translation of income growth and changes in income distribution into impacts on poverty. Recently, Ravallion (2012) argued that the initial level of poverty dominates other initial conditions in determining the path of poverty, particularly by limiting the rate at which growth is transformed into poverty reduction.
3.6 Pro-poor growth and pro-growth poverty reduction strategies

Should Africa target growth that achieves disproportionately large benefits for the poor, or, focus on poverty reduction strategies that maximise growth? The causal chain linking growth to poverty has been thoroughly and critically researched and is today relatively well understood. This research has given rise to a rich literature on pro-poor growth (see Klasen, 2004). The main message from this literature is that an inclusive structure of growth, anchored on employment and resulting in a less unequal distribution of opportunities and income, would not only reduce poverty, but would also set the stage for an acceleration of future growth.

The reverse causal chain, from poverty-reduction to lower inequality and more inclusive growth, has been largely ignored, if not rejected, on the somewhat untested premise that poverty-reducing measures could not also be productive. An early study (Perry et al, 2006) made the case for a pro-growth poverty reduction strategy on the grounds that there are multiple channels through which poverty acts as a major obstacle to growth. Examples of such channels and poverty traps are, that poor people: (i) Have limited access to credit and financial markets which cuts them off from potentially profitable and productive investment opportunities; (ii) Often suffer from ill-health and malnutrition that affects their productivity; and, (iii) Attend low-quality schools that constrain their human capital.

The underlying logic of pro-growth poverty reduction is that, by focusing on poverty directly and reducing it, some major constraints on the behaviour of the poor will be alleviated. Poor households will be better able to keep their children in school, acquire more education and skills, borrow and invest in their farms and informal activities and afford to adopt riskier but more productive technologies such as high yielding seed varieties in small-scale agriculture. The difference between this type of strategy and the more conventional pro-poor growth strategy is that the trigger, or intervention point, is directly focused on reducing poverty. Policies and institutions - such as social protection schemes helping poor households to acquire human capital, or rural infrastructure projects of the “food for work” variety - can facilitate rural to urban migration. They do so by providing potential migrants with additional skills and by reducing the transaction costs of moving for the poor. Such schemes can engender a virtuous spiral generating a faster and more inclusive growth pattern that, in turn, reduces the inequality of opportunities and income and propels further rounds of poverty alleviation and inclusive growth.

On the other hand, a pro-poor growth strategy would be more directly focused on altering the structure of growth – for example, through a more inclusive pattern of government investment. In some instances it is not possible to draw a clear distinction as to whether a specific measure comes under one or the other strategy. It is perhaps best to consider these two strategies as complementary and mutually re-enforcing.

3.6.1 Social protection programmes as pro-growth poverty reduction strategies

In order to make a convincing case in support of the validity and feasibility of a pro-growth poverty reduction strategy, two key questions need to be affirmatively answered. First, is there evidence that a high incidence of poverty in a given setting presents an obstacle to subsequent growth? Secondly, are there realistic measures and projects that can contribute to growth by reducing poverty?
Ravallion (2012), in an effort to explain why there is no worldwide poverty convergence, used a sample of almost one hundred countries covering the period from 1980 to about 2010. His main finding was that countries with high initial poverty levels grew more slowly subsequently, than countries with lower initial poverty levels. Initial poverty thus limits poverty reduction efforts. The results of this study provide a strong rationale and justification for a pro-growth poverty reduction strategy – particularly in Africa where the incidence of poverty is still very high in spite of the current growth spell.

The second question was whether institutions and programmes directed towards alleviating poverty could also, directly or indirectly, contribute to growth. The term “institution” covers a very wide domain and could be defined as “Any structure or mechanism of social order and cooperation governing the behaviour of a set of individuals within a given human collectivity” Deji (2012). Within the present context of inclusive growth, an institution can be referred to both as an implementing organisation and as a programme (or set of programmes) emanating from a given institution. Institutions and programmes focused on poverty reduction often consist of Social Protection and Labour (SPL) schemes covering such areas as public works, micro-credit, nutrition, and small-farmer livelihoods development.

Alderman and Yemtsov (2012) analysed and reviewed in detail the productive role of a large number of SPL programmes throughout the developing world: “Do we know how social protection affects growth? The short answer is: Yes. We conclude that there is a strong theoretical case for productive role of SP, and much is known about exactly how social protection can contribute to economic growth.” (Alderman and Yemtsov, 2012, p.29). They also argue that; “…experience has taught that when well designed, social protection can both redistribute the gains from growth and, at the same time, contribute to higher growth.”

A major World Bank study largely echoed the positive link between appropriate SPL and growth (World Bank, 2012, p.i). Thorbecke (2013) has similar findings. He reviewed a number of effective SPL institutions in the developing world, identified as good candidates for transplanting to the conditions prevailing in SSA (after appropriate modifications). The sample included some schemes already in place in parts of Africa that could be transferred to other settings within the sub-continent. Thus, the second question can be answered in the affirmative: There is evidence of policies and institutions that can both alleviate poverty and contribute to growth.

Even, in the face of high initial poverty, it is possible to achieve poverty convergence through deliberate policy interventions. Based on interregional evidence from Ethiopia and Rwanda, Shimeles and Thorbecke (2015) found that villages and districts starting with higher initial poverty levels tended to reduce poverty faster, and grow faster subsequently. Why? These countries, after emerging from long civil wars and conflicts, appear to have committed themselves to a policy agenda focused on reducing extreme poverty. Public funds and foreign aid might have been allocated so as to benefit the most destitute regions. They also found some evidence that poverty convergence did hold for the African sub-sample of countries as a whole - contrary to Ravallion’s finding of non-convergence for the full sample. Again, it is conceivable that a combination of policy interventions by SSA governments and foreign aid allocated proportionately to the severity of poverty might explain this apparent convergence in Africa.

34 Fostering agricultural productivity in poor areas (through improved technologies, better infrastructure, and better access to inputs) can also play a role.

35 For a detailed analysis see Shimeles and Thorbecke (2015).
3.7 Conclusion and some policy recommendations

While the reduction in poverty and improvements in human development indicators over the last fifteen years are to be applauded, the pattern of growth in most African countries needs to become more inclusive. Africa is one of the most unequal continents in the world; inequality has remained high since colonial times. Poverty reduction in Africa has mainly been driven by income growth, not by reductions in inequality. Not just income inequality, the inequality of opportunities remains in Africa as a serious constraint on development. Asset inequalities, inequality in human capital development and in the labour market have been analysed in depth in this chapter. All of these different types of inequality remain major challenges for Africa to overcome so as to make growth more inclusive and sustainable in the coming decades. But, how should Africa address these types of inequality, and thus reduce poverty? Below is a set of policy recommendations that could help African countries in their efforts to make growth more inclusive.

To reduce poverty and to achieve a more equal income distribution one must enhance the access of the poor to resources, and improve their productivity. A growth process that generates demand for the resources of the poor is required. Achieving growth that generates more well-paying jobs is vital for Africa. The future of inequality in Africa hinges on what happens to structural transformation. Poverty reduction in Africa requires growth that generates labour demand outside traditional agriculture and the natural resource sector. In Asia, successful poverty reduction was achieved by a rapid increase in the demand for unskilled labour in the manufacturing sector. This change was often preceded by a green revolution in agriculture which increased productivity and incomes in that sector. This both created demand for manufactured products and released resources for the expanding new sector. African agriculture has not experienced such a breakthrough as yet.

Africa should design and implement an export strategy based on labour-intensive manufacturing. Agricultural and rural development, with encouragement of new technologies, must play a role. Investment in physical infrastructure and human capital are also crucial. There must be efficient institutions that provide the right set of incentives to farmers and entrepreneurs. Social policies to promote health, education, and social capital are required, as well as safety nets to protect the poor.

The development policies pursued in Africa since independence have followed trends in international debate closely. African countries have gone through phases focusing on import-substitution industrialisation, redistribution with growth and basic needs, structural adjustment, poverty reduction, and, finally, increased focus on governance. These shifts in policy have been closely related to perceptions about how inequality and poverty have evolved. In spite of these policy shifts (which were more significant shifts on paper than in reality) overall inequality has not been reduced much.

The character of government is clearly important for determining what kind of income distribution policy can be pursued. If the government is mainly concerned with the welfare of a certain group, the policy will be less geared towards broad-based participation and inclusive development. It may, of course, also be the case that governance capacity to formulate and implement sound policies is lacking. It is clear that the quality of governance is thus a fundamental determinant of development, but it is less clear how countries can achieve it. The key point in Acemoglu et al.’s (2012) analysis is that development
hinges on inclusive institutions, i.e., political and economic institutions that make it possible for broad segments or groups of society to participate in them. Since political institutions are a strong influence on the accompanying economic institutions that generate development, their development is clearly crucial. Acemoglu et al. describe the desired institutional set-up as inclusive governance, i.e. a system of governance that distributes power broadly in society and subjects it to constraints. In this way, political power would rest across a broad coalition or a plurality of groups.

What happens depends on which people or group win in the political process, which, in turn, depends on the distribution of political power. This distribution of power is strongly related to different forms of inequality. This means it is important to understand how inequalities between groups evolve and how inequality (change) is related to governance (change). The question is: How to achieve a virtuous circle of improved governance and reduced inequality? We would argue that lower inequality would increase the prospect of broader coalitions getting together in collective actions to build inclusive governance. Therefore, it is very important to understand how inequality evolves and what can be done to bring about more equity.

The most effective policy of redistribution would probably relate to assets rather than incomes. But, asset redistribution is hard to do, except under exceptional circumstances – often related to political violence. It is easier to redistribute incomes with the help of taxes and transfers, but these may have detrimental effects on growth incentives. By reducing returns to human and physical capital, income taxation reduces incentives to save and invest. If we assume that it is primarily the rich who have the possibility to save, redistribution away from them in favour of the poor would reduce savings.
Most types of redistribution policy are controversial, and must be supported by influential groups to achieve success. It could be argued that it may be in the interest of the elite to see a strong middle class emerge, which might mean that they may be willing to support a broad push for education, for example. While this could possibly undermine the power of the elite, at the same time, the growth of a middle class would tend to reduce social tension, as well as the risk of future confiscation of assets.

There is an emerging literature about how social safety nets may contribute to growth by helping overcome constraints due to market failures (Alderman and Yemtsov, 2014). It is clear that safety nets (cash transfers and public works directed at the poor) contribute to the reduction of inequality, not least in protecting the consumption of the poor from negative shocks. They can also contribute to growth by supporting investment directly (Arddington et al., 2009; Berhane et al., 2011). Poor households may be forced to trade-off income gains against risk reduction with negative efficiency consequences. They may also have to sell off assets and forego investment opportunities so as to smooth consumption fluctuations. Safety nets can, in such a setting, contribute to growth by smoothing incomes and thereby facilitating investment by farmers and entrepreneurs. In this way, safety nets may be a substitute for functioning insurance markets.

Berhane et al. (2011) find evidence for this contribution to growth. Beneficiaries of Ethiopia’s Productive Safety Net Program (PSNP) had fewer distress sales than other farmers, and also had a statistically larger increase of assets over time. In principle, there could be insurance systems for, e.g., crop producers, but these insurance markets are not well developed in Africa. Social safety nets reduce inequality directly and thereby contribute to national cohesion, which is good for growth (World Bank, 2006). They may make it possible to avoid inequality traps, and they can also have an effect on political institutions by reducing the scope for rent seeking. On the other hand, there may also be negative effects on, e.g., labour force participation as a result of the taxation required to fund safety nets. The net effect would therefore be smaller than the gross effect.

The short and longer term perspective need to be considered together. Redistribution from the future to the present and from the currently non-poor to the poor can reduce poverty in the short-term, but consider how it affects future poverty and inequality. There is a risk of policy errors if the policy process focuses too much on short-term poverty-reducing effects. The optimal development path from a poverty reduction perspective would probably best be defined as one that minimises the discounted sum of future poverty which requires different policies than minimising poverty in the short-term. There are many policy options that increase consumption today at the expense of consumption tomorrow. There are also policy options to finance investment in agriculture and infrastructure (e.g., taxation) that generate growth and poverty reduction in the longer term, while they may have negligible or even negative effects on the consumption of the poor today.

Finally, for a typical African country, four crucial pillars should be targeted: i) The creation of new, stable jobs, preferably in the formal sector, to absorb rural migrants productively; ii) Infrastructure development in rural areas to increase farmers’ access to local, regional, or international markets; iii) Interventions that improve agricultural productivity for the poor; and, iv) Measures and institutions that contribute to reducing inequality such as the adoption of inclusive social protection and labour schemes. In sum, a combination of pro-poor growth and pro-growth poverty reduction interventions in support of these pillars could trigger a virtuous and lasting spiral of inclusive growth.
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Chapter 3  
High inequality undermined the efficacy of growth in reducing poverty.