Income Inequality Trends in sub-Saharan Africa
Divergence, Determinants and Consequences

Infographics from the book

Planting and nurturing the seeds of equity in Africa

- Enhance data collection and management
- Institutionalize better governance
- Avoid resource curse practices
- Promote progressive taxation
- Distribute national assets fairly
- Increase access to basic health services
- Invest in quality education
- Promote macroeconomic stability
- Promote affordable social protection
- Increase inequality-reducing power of migration
- Make urbanization inclusive and sustainable
- Modernize agriculture and raise yields
- Reindustrialize
- Increase inequality-reducing power of migration
- Reduce total fertility rates
- Diversify the economy
- Raise productivity in the informal sector
- Supportive macro-environment branch
- Human development branch
- Population branch
- Growth branch

Tree of Equity

UNDP Regional Bureau for Africa
Above: An aerial view of the gated community of Lake Michelle (left) which is located on the outskirts of Cape Town, South Africa, and is directly adjacent to Masiphumelele township (right).

Cover: Policy actions that, when planted and nurtured, will increase income equality in sub-Saharan Africa.

Photography by Johnny Miller
Preface

The September 2015 adoption of the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs) has drawn considerable attention to income inequality in sub-Saharan Africa (SSA). To achieve the goal of ‘leaving no one behind’ by 2030, the UNDP Regional Bureau for Africa feels very strongly that inequality levels, trends, determinants and consequences in the region must be documented properly. UNDP considers the 2030 Agenda to be an integrated and indivisible agenda; it must be understood that by addressing the challenge of equity, progress towards achieving the SDGs is accelerated. This book explores these issues systematically and draws relevant lessons that could help reduce inequality in SSA. To overcome problems caused by the scarcity and inconsistency of the data on inequality, this book also builds an Integrated Inequality Dataset for SSA (IID-SSA).

Although the average unweighted Gini for SSA declined by 3.4 percentage points between 1991 and 2011, SSA remains one of the most unequal regions globally. Indeed, 10 of the 19 most unequal countries globally are in SSA and seven outlier African countries are driving this inequality. Between 1991 and 2011, a clear bifurcation in inequality trends existed across countries in the region. Furthermore, 17 countries (predominantly agricultural economies from West Africa and a few from other regions) experienced declining inequality, whereas 12 countries, predominantly in Southern and Central Africa and economies characterized by an important oil and mining sector, recorded an inequality rise.

The basic structural drivers of inequality can be divided into three groups: (i) the highly dualistic economic structure, with limited employment of the labour elite in the government, multinational companies (MNCs) and the resource sector, whereas the majority of labour earns much lower incomes in the informal or subsistence sector; (ii) the high concentration of physical capital, human capital and land, especially in the economies of East and Southern Africa, in certain groups or regions; and (iii) the limited distributive capacity of the state, which often manifests in the ‘natural resource curse’, the urban bias of public policy and ethnic and gender inequalities. When growth occurs in sectors characterized by high asset concentration, high capital absorption and skilled-labour intensity, such as mining, finance, insurance and real estate (FIRE) and the public sector, overall inequality rises. By contrast, inequality falls or remains stable if growth takes place in labour-intensive manufacturing, construction and agriculture.

This book considers inequality as a byproduct of regressive taxes, unresponsive wage structures and inadequate investment in education, health and social protection for vulnerable and marginalized groups. Indeed, the distributional impact of fiscal policies in the region has eroded, with 29 of the 47 countries where data are available showing a decline in the distributional effectiveness of their fiscal policy. Although subsidies and transfers are mostly equalizing, inequality-induced tax regressivity is a common phenomenon, where most countries with a revenue-to-GDP ratio of 20 per cent and above have Gini coefficients of 0.5 or more.

This book succinctly establishes equalizing and disequalising factors. The key equalizing factors include: (i) an improved distribution of human capital (particularly secondary education), which was found to encourage state authorities to use its increased supply to build a fairer society; (ii)
increased direct taxation and efficiency of tax administration, which reduced inequality; (iii) enhanced productivity in the agricultural sector, which is an important factor in labour reallocation to other sectors of the economy and has helped to reduce rural poverty, rural poverty gaps and inequality; and (iv) the process of structural transformation, which is path-dependent. A country’s current productive capabilities embodied in its export structure influence the extent to which it can shift production toward increased manufacturing activity.

The most critical disequalising factors include: (i) rising foreign direct investments (FDI) in extractive industries and a surge of terms of trade in resource-rich countries, which polarize income disparities; (ii) a suboptimal structural transition of the economy from a low-inequality crop agriculture to high-inequality sectors such as livestock production, commerce, transport, and formal and informal services in both urban and rural areas, which drives inequality in a number of countries; and (iii) an unequal distribution of socioeconomic and physical facilities (e.g. roads, electricity, schools, hospitals, water and sanitation) between rural and urban areas and across regions, which drives income disparities.

This book reveals issues requiring further investigation and priority attention. First, no clear link exists between resource dependence and inequality. There are, however, specific features of resource-dependent growth, which present obvious inequality risks, such as the risks of illicit outflows and weakening governance institutions that could lead to a classic case of the resource curse. Second, Africa lags behind other regions of the world with regard to the demographic transition. Although the relationship between poverty rate and population variables is positive, the relationship between population growth and inequality reduction creates a puzzle. Most countries with a fertility rate of 6.0 children per woman are associated with a low Gini (less than 0.44), while most countries classified as advanced in the demographic transition have Gini coefficients of more than 0.6. Third, the intensity of multidimensional poverty tends to drive conflicts; yet contrary to expectation, the relationship between conflicts and inequality is negative. For instance, most countries with a poverty headcount of over 60 per cent are also experiencing intense conflicts (e.g. Burundi, Central African Republic and Democratic Republic of the Congo), while countries with the highest level of inequality (e.g. Botswana, South Africa and Namibia) are categorized as non-conflict-prone countries. This finding recalls the words of the famous British political scientist, Harold Laski, who wrote “A State divided into a small number of rich and a large number of poor will always develop a government manipulated by the rich to protect the amenities represented by their property.”

The determinants of income inequality in SSA are multi-dimensional and complex; there is no one ‘silver bullet’ to address its challenge. Multiple responses are required. For instance, this innovative book has shown that education is key to social mobility but it cannot generate the quantum of jobs needed to tackle the ‘time bomb’ of the youth bulge without strong institutions and sound economic reforms that prioritize agricultural modernization, national and regional value chains, and industrialization. Unequal distribution of national resources is an important factor driving inequality in Africa. In this regard, the view expressed by Nelson Mandela during his 1996 State of the Nation Address is fitting: “We must work together to ensure the equitable distribution of wealth, opportunity and power in our society.” Promoting progressive taxation, addressing unequal access to land and enhancing the efficiency of social protection and distributional effectiveness of fiscal policies are vital to address income disparities in Africa.
This book has also brought to the fore the relevance of Franklin D. Roosevelt’s conclusion on the role of the state in addressing inequality: “The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little.” When prosperity is generated through the market, hard-to-reach communities, excluded groups and marginalized individuals do not benefit from the growth process. Ensuring that these groups do benefit from the process is vital to promoting equity. Expanding and targeting equalizing social protection mechanisms is a powerful tool to achieve Roosevelt’s objective of providing enough to those who have too little. An important solution to the equity challenge is equal treatment of ‘the unequals’. The unequal treatment of all regions, as well as urban and rural areas, is one of the causes of the rising trend of regional and spatial poverty and inequality. Equal treatment of the ‘unequal’ promotes prosperity, peace and sustained development.

Lessons learned from SSA have shown that policies that help reduce poverty are not necessarily the same as those that help reduce income inequality. For instance, quality education and enhanced productivity are potent tools for poverty reduction, yet if unaccompanied by progressive taxation and well-targeted social protection, they could accelerate income disparities. Promoting complementary policies that help address poverty and income inequality are vital to shifting the current trends of diverging inequality into converging trends of falling inequality across the region. The following are key to address income disparities: accompany demographic transition with strong social protection; adopt macroeconomic policies that reverse the emerging deindustrialisation; and increase the productivity of the informal sector. To ensure that policy design is increasingly evidence-based, African governments and international agencies need to invest massively in generating regular data on inequality, including gender, ethnic and regional disaggregated inequality.

Extreme inequality is detrimental to growth and development, as well as to peace and security. To achieve the SDGs of the 2030 Agenda, governments, private sector actors, civil society organizations and development partners must focus on rapidly reducing poverty and income disparities simultaneously.

I would like to conclude with a quote from former President Mandela:

“As long as poverty, injustice and gross inequality persist in our world, none of us can truly rest.”

Abdoulaye Mar Dieye
Assistant Administrator and Director
UNDP Regional Bureau for Africa
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Infographics from the book
Ayodele Odusola, Giovanni Andrea Cornia, Haroon Bhorat and Pedro Conceição

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Which African countries are the least, or most, unequal?

**Very high inequality**
Gini > .60

- Namibia
- South Africa
- Botswana

**High inequality**
Gini = .53-.599

- Comoros
- Zambia
- Lesotho

**Medium inequality**
Gini = .45-.529

- Swaziland
- Guinea-Bissau
- Seychelles

**Low inequality**
Gini = .40-.449

- Togo
- Angola
- Gabon

**Very low inequality**
Gini < .399

- Morocco
- Benin
- Ghana

North  West  Central  East  Southern
Mapping of income inequality in Africa

- Very high Gini (>0.60)
- High Gini (0.53-0.599)
- Medium Gini (0.45-0.529)
- Low Gini (0.40-0.449)
- Very low Gini (<0.399)
- No data

Source: World Bank (WDI) latest year as of December 2016
Inequality Levels, Trends and Determinants in sub-Saharan Africa: An overview of main changes since the early 1990s

An overview of main changes in income inequality in SSA since the early 1990s

Traditional causes of income inequality
- Output structure
- Smallholder and estate agriculture
- Rural modernization, food production and threat of climate change
- Expansion of mining enclaves
- Urban formal and informal sector
- Tax policy and social transfers
- Impact of democratization on ethnicity and horizontal and vertical inequality

Non-traditional factors affecting income inequality
- Terms of trade gains
- Growing remittances
- Aid flows, FDI and debt relief
- Growth acceleration, but with low poverty alleviation elasticity of growth

Other factors
- Negligible decline in total fertility rate and stable population growth
- Distributive impact of HIV/AIDS
- Technological shocks, including the existence of low-cost and highly divisible communication technologies

Inverted U-shaped (∩)

Falling inequality
Rising inequality
Inverted U-shaped (∩)
U-shaped
No data

U-shaped
Inverted U-shaped
Poverty-reducing power of growth is low in sub-Saharan Africa

Adapted from World Bank (2014a).
Towards agriculture-induced accelerated reduction in rural poverty and income inequality in sub-Saharan Africa

Drivers of poor agricultural performance in Africa

- Adverse resource endowments
- Underinvestment and undercapitalization
- Poor policies and institutional failures
- Adverse trade regimes

Impacts of increasing agricultural productivity

Emerging lessons

- Adopt farming technologies
- Increase government investment in agriculture
- Improve market access in OECD countries
- Control corruption in agricultural sector management
- Address tariff and non-tariff barriers to agricultural and agribusiness products
- Increase access to land, especially for women
- Increase predictability and credibility of agricultural policies, processes and rules
- Involve farmers in the planning and implementation of agricultural policies and programmes
- Improve access to affordable and modern farming inputs
What accelerates African manufacturing performance?

- Increased access to credit
- Higher technology adaptation and diffusion
- Improved multifactor productivity
- Improved infrastructure facilities, e.g. electricity
- Economic and export diversification
- Strong institutions (e.g. regulatory frameworks, enforcing contracts and patent laws)
- Quality education and skilled labour force
Towards a pro-equity based extractives sector strategy

Inequality-induced resource-dependent channels

- Limited provision of licences in extractive sectors
- High cost of entry into extractive sector lends itself to oligopolistic structures
- Resource revenues are usually large and at high risk of being taken out of the country through illicit channels
- Resource curse (Dutch disease) exacerbates unequal development outcomes
- The sector’s high capital intensity and limited employment creation
- Low backward and forward integration to the rest of the economy

Cutting the extractives - inequality link

- Fair taxation from the extractive sector and regular review of mining contracts
- Progressive fiscal policies and social transfer programmes
- Effective use of extractive wealth
- Continuous savings in boom periods
- Participatory governance, including enhanced engagement of Civil Society Organizations

Strong institutions and accountable and transparent governance
Towards a pro-equity fiscal policy in Africa

Emerging facts about fiscal policies and income inequality in Africa

1. Most countries with a revenue-to-GDP ratio of >20% have income inequality (Gini) of >0.5.
2. Fiscal policies are powerful tools to make a dent in income inequality in Africa.
3. Taxation in Africa is mostly regressive – its incidence falls more on the poor than on the rich.
4. Total natural resource rent as a share of GDP as a result of:
   1. the prevalence of Dutch disease
   2. concentration of asset ownership
   3. associated inefficiencies tend to drive inequality
5. Low levels of taxes and social spending limit the distributional impact of fiscal policies in Africa.
6. Growth that is job-rich, skills-enhanced and human development-driven reduces inequality.

Effectiveness of fiscal distribution varies across countries in Africa.

Making fiscal policies pro-equity in Africa

1. Enhancing progressive taxation by increasing marginal tax rates and focusing more attention on personal and corporate taxes.
2. Diversifying government revenues away from the extractive sector to personal and corporate taxes.
3. Enhancing quid pro quo in tax management helps to boost revenues and promote predictability.
4. Improving the design and operational effectiveness of subsidies and transfers through better targeting.
5. Investing in skill acquisition programmes for the unskilled; promoting quality education and higher transition rates from primary to secondary education.
6. Targeting public spending on poor families, the elderly, the unemployed and the marginalized.
7. Adopting an appropriate fiscal policy mix to shift the frontier of fiscal distribution.
Social protection is expanding in Africa, but coverage is too low to significantly reduce inequality

**WHAT ARE THE ECONOMIC, SOCIAL AND POLITICAL FACTORS DRIVING SOCIAL PROTECTION IN AFRICA?**

1. **A high GDP growth rate** does not necessarily **translate into increased social protection spending**
   - Middle Income Countries tend to **spend more** than Low Income Countries on social protection
   - Non-resource dependent countries spend more on social protection than resource-dependent countries

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<th>SOUTH AFRICA PROTECTION INDEX FOR AFRICA</th>
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<td>Gambia, The</td>
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**WHAT DRIVES THE INEQUALITY-REDUCING POWER OF SOCIAL PROTECTION IN AFRICA?**

1. **Better targeting of social protection** to the poorest quintiles
2. **Volume transfer** to the targeted population
3. **An increase in the value of transfer** to the poorest quintiles rather than improvement in coverage rates
4. **A combined increase in the coverage of the poorest quintile** and an increase in the **unit value of transfers** lead to a significant reduction in inequality

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**FACTORS DRIVING SOCIAL PROTECTION AND INEQUALITY IN AFRICA:**

- Higher GDP growth rates do not necessarily translate into increased social protection spending
- Democratically governed countries are more likely to invest a larger share of their GDP in public social expenditure
- Middle Income Countries tend to spend more than Low Income Countries on social protection
- Non-resource dependent countries spend more on social protection than resource-dependent countries

- **Better targeting** of social protection to the poorest quintiles
- **Volume transfer** to the targeted population
- **An increase in the value of transfer** to the poorest quintiles rather than improvement in coverage rates
- **A combined increase in the coverage of the poorest quintile** and an increase in the **unit value of transfers** lead to a significant reduction in inequality

**GDP and Social Protection expenditure**

- **Better targeting** of social protection to the poorest quintiles
- **Volume transfer** to the targeted population
- **An increase in the value of transfer** to the poorest quintiles rather than improvement in coverage rates
- **A combined increase in the coverage of the poorest quintile** and an increase in the **unit value of transfers** lead to a significant reduction in inequality
Understanding the link between population and equity

Facts on African population growth and structure

1. Africa’s population will quadruple from about 1.19 billion in 2015 to 4.39 billion in 2100, accounting for 39.12 per cent of the global population.

2. Africa will account for 82.8 per cent of the world’s net population change between 2015 and 2100.

3. The youngest population group (0-14 years) is projected to double, the working age (15-64 years) to triple and the elderly (65 years and above) to quadruple by 2050.

4. Africa’s share of the global working population will rise from 12.6 per cent in 2010 to 41.2 per cent in 2100.

5. Africa is the most youthful region, with a median age of 19.4 years, compared with 29.6 globally.

6. Between 2010 and 2014, the average fertility rate in Africa stood at 5.4, compared to 1.6 in Europe and Central Asia and 1.7 in Eastern Europe and the Pacific.

7. Of the five subregions in the continent, only Southern Africa has started to experience early demographic transition.

Most countries with high fertility rate have low Gini Coefficient

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<tr>
<th>Fertility rate</th>
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<td>South Africa</td>
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How to harness population growth for enhanced equity

1. Invest heavily in child and youth development through appropriate education and health policies and programmes.

2. Keep more girls in school and take concrete actions to drastically reduce infant mortality rates.

3. Expand the skill content of African educational systems to promote employability of the working population.

4. Increase overall productivity to leverage demographic dividends in Africa.

5. Implement progressive taxes and transfers through marginal tax rates and well-targeted social protection that favour the bottom 40 per cent.

6. Promote labour-intensive manufacturing, labour market flexibility, entrepreneurship growth and infrastructural development to create more jobs.

7. Ensure that growth concentrates where the bottom 40 percentiles make their livelihoods to promote inclusive growth.
Inequality intensity and poverty drive conflicts in sub-Saharan Africa

Intensity of conflict fell from 55 per cent in 2002 to 24 per cent in 2011. Of all global conflicts, substantial improvements were seen in

- Seychelles
- Zimbabwe
- Cabo Verde
- Côte d’Ivoire

Africa accounts for 11 of the 20 countries with the highest likelihood of conflict globally.

7 highlights about the conflict-inequality relationship in Africa

1. Most countries with a poverty headcount of more than 60.0 per cent experienced intense conflicts.

2. The influence of more democratic governance leads to more peaceful societies.

3. Ethnic and religious polarization plays a strong role in driving conflicts. For instance, a 1.0 per cent rise in religious polarization index could increase conflicts by between 1.19 and 2.53 per cent.

4. The measurement of conflicts matters in determining the impact of inequality. Conflict measured as death per capita reveals the impact; the cumulative conflict and conflict intensity do not.

5. Contrary to expectation, vertical inequality does not drive conflicts in Africa, but inequality intensity does. Three of the most stable countries in Africa have Gini coefficients of more than 0.60 (Botswana, Seychelles and South Africa).

6. Multi-dimensional poverty drives the various measures of conflicts in Africa.

7. Additional research on within-group income inequality and conflict triggers is needed.
Inequality, Gender and Human Development in Africa

Emerging facts on inequality and human development in Africa

1. SSA experienced more rapid growth in the Human Development Index between 2000 and 2010, rising at an annual average of 1.68 per cent. However, progress is uneven across countries and groups.

2. Between 2010 and 2014, more than 90 per cent of SSA countries reduced health inequality; close to 50 percent reduced education inequality; and less than 40 per cent reduced income inequality.

3. The perpetuation of inequalities in income, health and education outcomes is linked to complex mixes of discriminatory social norms (especially for women) and a skewed distribution of service provisions.

4. The loss of human potential due to inequality is higher in sub-Saharan Africa than in all other regions.

5. Gender inequality and human development are inversely related.

Countries with a lower level of gender inequality (e.g. Mauritius, Algeria and South Africa) tend to have higher levels of human development, while those with higher levels of gender inequality (e.g. Central African Republic, Chad and Niger) have lower levels of human development.

6. Tackling the root causes of gender inequality is a way to improving the lives of both women and men.

7. Investing in youth development, gender equality and women’s empowerment and building economic, social, political and environmental resilience are key to accelerating human development.
Facts about inequality in Malawi

Inequality is path dependent and characterized by dualism between small subsistence farms and large estates.


The shift from low-inequality agriculture to high-inequality sectors such as services, commerce, transport and construction and urban migration worsened income inequality since 2005.

Inequality is path dependent and characterized by dualism between small subsistence farms and large estates.

The shift from crop production to livestock production and informal non-farm activities in urban and peri-urban areas contributed to a rise in the overall Gini.

Weak economic policies such as low manufacturing transformation, poor economic governance, low spending on secondary education and unaffordable fertilizers for the poor contributed to a rise in Gini.

Addressing inequality calls for a transition to a modern, input-intensive and environmentally sustainable agriculture and a decline in population growth.
Ethiopia offers a good example of fast growth, rapid poverty reduction and stable inequality

Rural inequality depends on differences in:

1. Access to land and irrigation, farm size and share of land under extensive cultivation
2. The incidence of female-headed households, dependency rates and employment in public sectors and rural manufacturing
3. Taxes, subsidies and public expenditure

Ethiopia offers useful policy lessons for other African countries facing low agricultural productivity, high population growth and weak distributive institutions:

1. Agricultural Development-led industrialization – a strategy that modernized agriculture, opened up agricultural markets and invested in infrastructure — made a significant contribution to the country’s success.
2. The pattern of structural transformation focused on labour-intensive and less skill-intensive activities had a moderate impact on inequality.
3. Policy research must focus on accelerating decline in fertility rate, reforming rental agricultural contracts and developing rural non-agricultural activities including manufacturing.
Country context matters in promoting equity:
Drivers of inequality are heterogeneous in Burkina Faso, Ghana and Tanzania

Drivers of inequality in the three countries

1. **Low job-creating capacity** of growth and low worker productivity
2. **Regressive fiscal policies** that place a greater tax burden on the poor quintiles
3. **Gender inequalities, high demographic pressures** (e.g. high fertility rates), **educational disparities** and **low skill gaps**
4. **Wage disparities** within and across sectors
5. **Low agricultural productivity**
6. **Unequal access** to health, education and related services
7. **Low coverage and funding** of social protection
8. **Rising inflation** rates

Emerging lessons from the three countries

1. Promote **quality** and **inclusive growth** – job-rich growth
2. Boost **agricultural productivity**
3. Add **value** to primary commodities
4. Address **regional disparities** in **distribution of infrastructural facilities**
5. Promote **equal access** to education and health services
6. Adopt and implement **comprehensive strategies to address gender-based inequalities**
7. Institutionalise **progressive fiscal system** and **scaling up well-targeted social protection**
8. Increase the **productivity** of remittances and ODA
9. Protect **assets of the poor** from being debased by inflation
Seven measurement errors affecting the assessment of income inequality levels and trends

1. Differences in statistical assumptions and data harmonization across countries
2. Differences over time in survey design for the same country
3. HBS increasingly underestimates capital incomes and the total net value added
4. Top income earners are undersampled
5. Incomes earned on assets held abroad by SSA nationals are ignored
6. The distributive impact of differences in price dynamics between food prices and overall Consumer Price Index is ignored
7. The distributive impact of the provision of social benefits across countries is ignored
The pattern of growth matters. In particular, a rise in land yields and manufacturing reduces inequality or keeps it low, but growth in mining or oil increases it.

Improved distribution of production assets, including human capital (e.g. secondary and tertiary education), reduces inequality.

Policies aimed at reducing fertility rates, as implemented in Ethiopia and Rwanda, could be equalising.

Progressive public policies such as a rising share of direct taxes in total revenues, improved and effective social spending and stable prices and exchange rate – are equalising.

Improved migrant remittances are equalising while foreign direct investments (FDIs) are concentrated in mining are disequalising.

Political and health shocks – such as war intensity and HIV/AIDS incidences – raise inequality.
Conclusions and Policy Recommendations

Planting and nurturing the seeds of equity in Africa

- Increase access to basic health services
- Invest in quality education
- Promote macroeconomic stability
- Invest in girls, youth and women
- Increase inequality-reducing power of migration
- Promote affordable social protection
- Increase inequality-reducing power of migration
- Reindustrialize
- Modernize agriculture and raise yields
- Diversify the economy
- Raise productivity in the informal sector
- Make urbanization inclusive and sustainable
- Invest in quality education
- Promote macroeconomic stability
- Institutionalize better governance
- Avoid resource curse practices
- Promote progressive taxation
- Distribute national assets fairly
- Enhance data collection and management
- Supportive macro environment branch
- Human development branch
- Population branch
- Growth branch

The pattern of growth matters. In particular, a rise in land yields and manufacturing reduces inequality or keeps it low, but growth in mining or oil increases it. Improved distribution of production assets, including human capital (e.g. secondary and tertiary education), reduces inequality. Policies aimed at reducing fertility rates, as implemented in Ethiopia and Rwanda, could be equalising. Progressive public policies such as a rising share of direct taxes in total revenues, improved and effective social spending and stable prices and exchange rate – are equalising. Improved migrant remittances are equalising while foreign direct investments (FDIs) are disequalising. Political and health shocks – such as war intensity and HIV/AIDS incidences – raise inequality.

West Africa outperforms other SSA regions in reducing income inequality.

What drives within-country inequality trends in sub-Saharan Africa?

Immediate and underlying causes of inequality in SSA

Immediate causes

Underlying cases

- Enhanced data collection and management
- Institutionalize better governance
- Avoid resource curse practices
- Promote progressive taxation
- Distribute national assets fairly

Supportive macro environment branch

Human development branch

Population branch

Growth branch

Tree of Equity

West
East
Central
Southern

Sub-Saharan Africa (SSA) recorded a remarkable economic performance in the first 15 years of the 21st century, which reversed the decline of the prior 25 years. This achievement was accompanied by a perceptible, modest, but uneven decline in aggregate poverty driven by, the variation of inequality levels and trends among the African countries. This book, an outcome of a comprehensive study of income inequality in SSA, provides a thorough documentation of inequality levels and trends in the region in order to better understand the slow and varying rate of poverty reduction. It proposes hypotheses to account for this experience and draws relevant lessons that could help accelerate reduction in income disparities.

The book proposes an equity pathway built on four pillars: promoting inclusive growth pattern such as raising productivity in the informal sector, diversifying the economy, re-industrializing and modernize agriculture, and raising yields, which is central to reducing income disparity; addressing population pressure (promote virtuous population policies, increase inequality-reducing power of migration and make urbanization inclusive) is key; accelerating human development including investing in quality education, increasing access to basic health service, and investing in girls, youth and women; and finally, institutionalizing a supportive macro-economic environment, especially fair distribution of national assets, promoting progressive taxation, avoiding the resource curse, institutionalizing better governance and enhancing data collection and management.

The quotations below from selected African and the United Nations leadership provide the value addition of this book.

“As long as poverty, injustice and gross inequality persist in our world, none of us can truly rest……. We must work together to ensure the equitable distribution of wealth, opportunity, and power in our society.” – Nelson Mandela, former President of South Africa

“There remain huge disparities between and within countries. Within countries, rural poverty remains unacceptably high while urban poverty is extensive, growing, and underreported by traditional indicators”.……. ”Inequality can be tackled. Public spending on high-quality education and health care reduces inequality.” – Uhuru Kenyatta, President of Kenya

“A lack of viable institutions, the lack of diversity in economies, the lack of mature political institutions, the lack of equity in many of the societies, managing endowment of natural resources well. All of these create the inequalities in society that leads to the descent, and could lead to a breakdown in the social order.” – Ellen Johnson-Sirleaf, President of Liberia

“Globalization and technological progress fostered extraordinary economic growth and created conditions for unparalleled reduction of extreme poverty and generalized improvement of living standards. But their unbalanced nature led to high income concentration and extreme inequality, and made exclusion even more intolerable.” – António Guterres, Secretary-General of the United Nations

“It is critical that, across the world, we focus on those furthest behind first. Because in all regions, the rising tide of optimism and empowerment, has not yet reached everyone.” – Amina Mohammed, United Nations Deputy Secretary-General

“When women are able to live in a safe and secure environment, they can participate effectively in the economy and society. This helps overcome poverty, reduces inequalities and is beneficial for children’s nutrition, health and school attendance. Every woman and girl has the right to live in safety in her home and community.” – Helen Clark, former UNDP Administrator

“Two decades of underinvestment in agriculture, growing competition for land and water, rising fuel and fertilizer prices, and climate change have left smallholders less able to escape poverty.” – Achim Steiner, UNDP Administrator

“As remarkable as economic growth has proven to be in Africa, the effectiveness of growth in reducing poverty in Africa has been historically low, as initial income distribution plays a dramatic role on the impact of growth on poverty reduction. Slow productivity growth in the rural sector – where the majority of the labour force in the region still works – is a key factor of the lack of diversification and limited impact of growth on poverty.” – Teghewnwork Gettu, UNDP Associate Administrator

“Extreme inequality is detrimental to growth and development, as well as to peace and security. To achieve the 2030 Agenda, governments, private sector actors, civil society organizations and development partners must focus on rapidly reducing poverty and income disparities simultaneously.” – Abdoulaye Mar Dieye, UNDP Assistant Administrator and Director, Regional Bureau for Africa

“Inequality is the defining issue of our time. When people are treated unequally in terms of their rights, capabilities and opportunities, human rights are violated, human development is shrunk and human potentials are stunted. In the ultimate analysis, inequality is an issue of social justice.” – Selim Jahan, Director, UNDP Human Development Report Office