

SDGs  
AFRICA  
SUMMIT  
2021



13–15 September 2021

A virtual gathering

[www.sdgsafricasummit.uct.ac.za](http://www.sdgsafricasummit.uct.ac.za)



UNIVERSITY OF CAPE TOWN  
IFUNIVESITHI YASEKAPA • UNIVERSITEIT VAN KAAPSTAD



# DRAFT POSITIONING PAPER: SUMMARY

(and working paper for the SDGs Africa Summit break-out workshops)

## Thematic track 7:

## Poverty and inequality

### Poverty, inequality and growth in Africa after 2021: How can we do better?

#### Authors

- Haroon Bhorat | Professor of Economics and Director of the Development Policy Research Unit (DPRU) at the University of Cape Town and resident senior fellow in the Brookings Africa Growth Initiative ([haroon.bhorat@uct.ac.za](mailto:haroon.bhorat@uct.ac.za))
- Fabio Andrés Díaz Pabón | African Centre of Excellence for Inequalities Research (ACEIR) at the University of Cape Town and Department of Political and International studies at Rhodes University ([fabioandres.diazpabon@uct.ac.za](mailto:fabioandres.diazpabon@uct.ac.za))
- Murray Leibbrandt | Professor of Economics and the Director of the Southern Africa Labour and Development Research Unit (SALDRU) and Director of the African Centre of Excellence for Inequalities Research (ACEIR) at the University of Cape Town ([murray.leibbrandt@uct.ac.za](mailto:murray.leibbrandt@uct.ac.za))

#### Workshop details

In this positioning paper, we draw on recent literature and practice to sharpen the challenges and possibilities for overcoming poverty and inequality. Our specific focus is on understanding the prevailing relationships between growth, poverty and inequality as the basis for actions to ensure inclusive development and the achievement of the SDG 1 and 10. We give attention to the impacts of the pandemic.

We draw on in-depth conversations from a Workshop on 31 August 2021 that focussed on the texture of Africa's growth over the last decade. While there has been positive economic growth in many African countries, the texture of this growth is still based on the production of basic commodities, the extraction of mineral resources and agriculture. Even though there are important differences in detail across countries, in nearly all situations this limits the creation of quality, productive employment which is at the heart of creating equitable development.

## 1. Introduction

For many the prospects for African development in the decade before the pandemic looked promising. Economic growth rates were positive and were higher than world averages and were expected to lead to dramatic reductions in poverty and inequality. However, this economic growth was taking place in a region with the highest levels of extreme poverty in the world and 6 of the world's 10 most unequal countries. Thus, while poverty rates have declined (and pre-COVID were forecasted to continue to do so), the number of people living in income poverty increased from 283 million in 1990 to 431 million in 2017 and, without new interventions, this trend is expected to continue to 2030. This makes it highly unlikely that we will meet our SDG targets for poverty and inequality. COVID has made this much harder. It has been estimated that in 2021 a further 38 million Africans will fall into extreme poverty due to the pandemic.

## 2. The interaction between growth, poverty and inequality in Africa

Faced with these conditions over the last decade, economic growth has been less inequality and poverty reducing than it is in other regions of the world. It has been estimated that in a non-African country where 50% of the population is below the poverty line, a 1% growth rate in the gross domestic product leads to a reduction of 0.53 percentage points a year in the incidence of poverty. In contrast, in African countries, the same growth rate in the gross domestic product reduces the incidence of poverty by only 0.16 percentage points.

Understanding the texture of economic growth in Africa is a key prong in acting against these limiting linkages. Despite positive economic growth in many African countries the economic structure continues to be based on the production of basic commodities, the extraction of mineral resources and agriculture. While there have been notable shifts out of agriculture associated with migration from rural to urban areas, data on economic value added and employment show that this economic structural change seen the growth of wholesale and retail trade and construction rather than manufacturing. Most importantly for inclusive growth these processes have not shifted labour into more productive and higher paying jobs. The evidence from Africa suggests that the shift of jobs has been into informal and precarious jobs in urban areas. Employment on the continent remains defined by low productivity and high informality. Even though there are differences in the specifics across countries, in nearly all cases, such economic restructuring has limited the creation of quality, productive employment which is at the heart of equitable development.

There can be no denying that growth creates the potential for poverty and inequality reduction. Explicit attention has to be devoted to creating the conditions that allow for economic growth. It is equally important, however, to recognise that growth can and has bypassed a great deal of poor people because of the interrelationships between economic precariousness and persistent poverty and inequality.

Deep understanding of prevailing constraints on capabilities and social mobility is another key prong in addressing why poverty and inequality have remained so resilient and endemic in Africa alongside the positive income growth of the last decade. This is a daunting task as the evidence is clear that deprivations in assets, education, health and social protection work together to make the poor less able to connect to the economy and less reachable.

### 3. Understanding COVID's impacts and the role of social policy

The pandemic has brought huge shocks to the economies and labour markets of many African countries and has forced consideration of how these economic shocks intersect with vulnerabilities within households that heighten the chances of sickness and loss of life for all. But we have also seen that these chances are much higher for the already vulnerable. Inequalities in nutrition and education have been significantly deepened by the pandemic. Often gender inequalities have worsened too. The pandemic has made it impossible to look past the fact that vulnerabilities in terms of income and wealth are mediated and compounded by many other inequalities.

In nearly all cases, initial income and health shocks are occurring in circumstances in which there is limited health, social protection<sup>1</sup> and social assistance<sup>2</sup> coverage. The extremely high levels of informality on the continent are linked to lack of access to social security. It is estimated that in sub-Saharan Africa only about 10% of the economically active population is covered by social security. Social protection policies remain limited too. Although several new programmes were introduced in many countries on the continent since the start of the pandemic, they have struggled to reach vulnerable populations. Often, the populations most at risk are invisible in administrative data systems, including the formal sector's labour market and tax information systems.

The pandemic has sharpened the pressing need for coordinated and well-designed social policies in which the state is the provider of financial and human capital safety nets for vulnerable groups. We argued above that the inclusiveness of any economic growth strategy is greatly enhanced by such a platform of social services, social protection and social assistance. This approach was important before 2020 and it is imperative now.

But looking forward from the pandemic, the implementation of such policies now takes place with even tighter fiscal constraints. This makes it even more important than before that a coordinated set of well-targeted economic and social programmes are put in place within each country context. Much can be learnt from international policy experience in this regard. But such design also requires an understanding within each country context of both the specificities of growth and the barriers that limit social mobility and cause poverty and inequality persistence. There is a crucial role for the research community in providing this understanding of how a set of policies are likely to impact the constrained day-to-day lived realities of all households.

### 4. The way forward for research and policy recommendations

The positioning paper has sought to understand why in many African contexts each increment of economic growth is less inequality and poverty reducing than in other parts of the world. This situation has been worsened by the seismic shock to economies and societies from the COVID pandemic. Such a positioning

---

<sup>1</sup> Social protection programmes address risk, vulnerability, inequality, and poverty through a system of transfers in cash or in kind (Osabohien, 2020).

<sup>2</sup> Social assistance programs are programs that provide temporary support to vulnerable populations or specific target groups. For example, those living in poverty. Thus, social assistance programmes can be seen as a subgroup of social protection programmes. Social assistance is one component of social protection, which also includes social insurance and labour market regulation.

serves as the foundation for our work at the Summit to devise well-grounded, impactful contributions to promoting inclusive growth and meeting the SDGs.

It is important to recognise that growth creates the potential for poverty and inequality reduction and we have given attention to describing and understanding recent patterns of growth and employment in Africa. We return to the growth-poverty-inequality triangle in our first session on Monday, but now with a lens on policies and actions to turn the many pernicious cycles between growth, poverty and inequality into virtuous ones.

Growth is essential however it is equally important to recognise that growth can and has bypassed many people. The failure to translate economic growth into greater equity and less poverty is the outcome of the changing structures of these economies in intersection with the barriers to social mobility and access to opportunities that confront people within each country context. The latter require that supportive social policies are put in place and the COVID pandemic has made the need for these policies even clearer. We will follow the first session with a parallel session at the Summit to push forward this social policy agenda.

All consideration of policies and actions must start from the post- COVID landscape. They also have to take account of the impact of climate change. While we have not addressed this issue to this point, we will hold a parallel session to interrogate the complementarities in actions and policies to promote a just climate transition and those that address growth, poverty and inequality.

Preceding COVID, African countries were falling short of their SDG commitments with regard to poverty and inequality. To this point much of the growth, poverty and inequality discussion has tended to focus on either economic growth dynamics or poverty and inequality dynamics. We are insisting on the need for an integrated framing of the linkages between economic change and the capabilities and possibilities of people.

Such a framing requires new data, new research and new partnerships. This places huge responsibilities on Africa's research community in interaction with policy communities and with civil society. On day two of the Summit, we convene a series of workshops to push forward the research, data, and societal engagement agendas.

## 5. Acknowledgements

We would like to extend our deepest gratitude to all participants whose time and input both led to rich and engaging discussions, as well as informed the body of insights provided in this positioning paper. We were incredibly fortunate to field contributions from a wide range of perspectives, including academics, practitioners, funders and government, spanning nine countries across Africa, North America and Europe. We would like to give a special thanks to Sarah Marriot, Kezia Lilenstein and Wadia Naidoo from the (DPRU) for their administrative support in organizing the virtual workshop.