A BROAD PROFILE OF POVERTY IN AFRICA

After many years in decline, Africa’s economy picked up in the mid-1990s, expanding at a robust annual average of 4.6 percent into the early 2010s. People became healthier and better nourished, youngsters attended schools in much greater numbers, and the poverty rate declined from 54 percent in 1990 to 41 percent in 2015. The region also benefited from decreased conflict (although simmering in some countries and notwithstanding pressing numbers of displaced persons), an expansion of political and social freedoms, and progress in the legal status of women. The availability and quality of poverty data to record this progress also improved.

These improvements notwithstanding, progress was from very low levels. Many remain undernourished, illiterate, and unempowered, with pronounced gender gaps, especially related to economic empowerment. Exposure to domestic violence remains high, and exposure to political violence has even increased since 2010. Globally, poverty is increasingly concentrating in Africa (55 percent of the world’s poor in 2015; 90 percent in 2030 given historical growth patterns). Africa will not reach the United Nations Sustainable Development Goal of eradicating poverty by 2030.

Most of Africa’s poor (82 percent) live in rural areas and earn their living primarily from farming (70% of income for the rural poor). Nonwage microenterprises are the main source of nonagricultural income. The human and physical asset base remains low and the operating environment is risky. Poverty rates are especially high in fragile and conflict-affected areas; rising resource dependence challenges governance quality; and fiscal space is tightening again, while many poverty investments will only pay off in the future. This is the backdrop for Africa’s poverty reduction in the decade ahead and the subject of this report.

While many of these features have long characterized poverty in Africa, including low levels of human and physical capital and limited access to infrastructure and public services, some have been relatively neglected in policy making (population growth, gender inequality, risk management and fragility) or have only come to the fore more recently (growing natural resource dependence, a tightening fiscal environment, and the growing concentration of the world’s poor in Africa). Recent technological developments provide new leapfrogging opportunities, especially to overcome infrastructure gaps.

PRINCIPLES OF ENGAGEMENT

Put the poor in the driver’s seat of poverty reduction. There is a large scope and need for pro-poor growth policies.
that directly raise the incomes of the poor. Simple accounting-based simulations suggest that fifty million more people could be lifted out of poverty by 2030 if the incomes of the poor were to grow 2 percentage points faster annually (while keeping constant each country’s historical per capita annual growth rate over the past 15 years). With limited scope in most countries for redistribution to solve Africa’s poverty, the focus should be squarely on increasing the earnings of the poor and vulnerable, in self-employment or wage employment. In addition to getting the growth fundamentals right (macroeconomic stability, regional integration and trade facilitation, and a conducive business environment) a pro-poor policy agenda often implies increasing economic activity and growth where the poor work and live (so that they can contribute and benefit directly), while simultaneously addressing the many risks to which they are exposed. What these policies are, however, is far from obvious. Just as not all growth policies are equally poverty reducing, neither are all agricultural growth or urbanization models equally good for the poor. Moreover, a balance must be struck between investing in the poor’s endowments (human capital, land) which give them access to better jobs but often pay off only in the medium term or for the next generation, and investing in their economic environment (infrastructure, technology) to increase the demand today for the goods and services they produce (as farmers, micro-enterprise owners or laborers) and thus the return to their current endowments.

**Strive for integration of interventions to overcome complementarity of constraints and exploit synergies.** Too often, interventions have a single focus and do not result in anticipated outcomes: skills training for youth employment without consideration for the demand of the goods and services they produce, agricultural machinery subsidization without adequate attention to operator training and maintenance and repair services, and irrigation infrastructure without proper water management institutions. The different input, factor and output market constraints that prevent farmers and micro-enterprise owners from increasing their incomes and labor productivity often act like quasi-complements rather than quasi-substitutes. As a result, releasing one of them doesn’t get one very far, as another one binds rapidly, breaking down the intervention. Africa’s “smart” fertilizer subsidy program is a good case in point. It had limited productivity and poverty impacts because of the lack of complementary investments in agricultural extension, research and development, and soil fertility management. Yet, with integration, comes complexity, which challenges effective implementation, especially in weak capacity and poor institutional environments. Experimentation must be pursued to strike the right balance in practice.

**Leverage and leapfrog with technology.** The rapid spread of digital technologies and solar power provide important new opportunities to overcome market constraints and tackle Africa’s poverty challenge. They should be leveraged to the maximum, across sectors and space. Most of the poor in rural areas, and to a lesser extent in urban areas, remain deprived of access to affordable and reliable information and communication technology, energy, and transport infrastructure (and services). Without these, it is hard to access markets and public services, increase productivity, and raise incomes in either farm or off-farm activities. By reducing fixed costs and thus the traditional economies of scale in infrastructure provision, technology is helping Africa address this gap. Importantly, however, these technologies will deliver on the promise of accelerating poverty reduction only when deliberate complementary public policies are taken in three areas: (1) removing regulatory barriers to the technologies’ adaptation and diffusion to rural areas where the poor live and work; (2) investing in skills formation (foundational as well as digital); and (3) creating an appropriate enabling ecosystem to run and maintain the technologies.

**Address gender inequalities.** African women continue to encounter disadvantages in education, health, empowerment, and income-generating activities. They tend to have significantly lower human capital endowments than men (although, among the youngest cohort, this gap has narrowed, with girls having caught up to boys in some countries); less access to labor markets; lower wages; more limited access or title to productive assets (such as land, credit, and other inputs); fewer political and legal rights; and more stringent constraints on mobility and socially acceptable activities. As a result, gender inequality can trap women in poverty and generate a vicious cycle for their children. Beyond the intrinsic value of equal opportunities, gender equality will bring economic growth and greater poverty reduction for countries. Systematically addressing gender gaps in the design of interventions across sectors and space emerges as the fourth principle to accelerate poverty reduction.

**PRIMARY AREAS FOR POLICY ACTION**

**Accelerate the fertility transition.** More than 50 percent of Africa’s population live in countries where women on average still have five or more children. A decline in fertility from high rates can raise economic growth and reduce poverty through several demographic changes. It increases the share of the working-age population relative to more dependent younger and older people and can increase female labor force participation. Furthermore, workforce productivity can increase, since lower population growth means that families and governments will have the opportunity to invest more in each child’s human capital. How to get there? Female education is perhaps the single most important component for fertility reduction from high levels of fertility. In addition, family planning programs will play an important, cost-effective role in accelerating the fertility transition, which will com-
plement the effect of increasing female education, and empowering women (including by offering life skills, addressing social norms around gender, and reducing child marriage).

**Leverage the food system, on and off the farm.** Agricultural development has historically proven to be particularly poverty reducing, especially at low income levels. Raising smallholder staple crop productivity and secondary town development are especially effective. Raising agricultural labor productivity of smallholders increases the income of the poor directly and reduces the price of staple food for the urban poor. This also holds today in Africa. Urbanization and economic growth are boosting domestic demand for higher value agricultural products and creating employment opportunities up and down the value chains. Rising smallholder agricultural productivity also increases demand for nonagricultural goods and services and non-farm employment, often in household enterprises, helping poor households cope and smooth consumption and providing them with much-needed cash to purchase inputs and develop other activities, especially when such opportunities are nearby, in smaller towns. Inclusive value chain development provides a market-based solution to simultaneously tackle the multiple market constraints that smallholders (and micro-enterprises) face in accessing inputs and markets. This holds especially for non-staples. To raise staple crop productivity, complementary public investment (in agricultural research and extension, irrigation, and rural infrastructure) remains a first order priority.

**Addressing risk and conflict.** Risk and conflict are higher in Africa than in other regions. The most prevalent shocks in Africa—relating to price, weather, health, and conflict—are

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**Figure 2** – Africa’s food import bill has tripled since the mid-2000s

*Source: FAOSTAT 2018 database, Food and Agriculture Organization (FAO), http://www.fao.org/faostat/.*

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**Figure 3** – The nature of risk in Africa varies by country and type of shock

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**a. Prevalence of illness shocks, by country**

**b. Probability of key risks**

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**Correlation**

<table>
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<th>Malaria</th>
<th>Conflict</th>
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**Figure 3** – The nature of risk in Africa varies by country and type of shock
slow in onset; affect incomes more than assets; and tend to be covariate, affecting many households in the same area at once (Figure 3). Risk is higher in poorer areas and in rural areas. Uninsured risks and conflict entrap people or push them back into poverty. Many risk management solutions already exist, with roles for both the private and public sectors, but there are important hurdles in incentivizing the public and private actors to act now, before the shocks and conflict occur. Enabling poor people to manage their risks better is integral to an effective poverty reduction agenda.

**More public finance for the agenda to tackle poverty.**

The agenda to address poverty in Africa extends beyond shifting programs and policies; it also requires careful revisiting of a range of fiscal issues. Within the region, some countries have the means to address the poverty gap (the income needed for a poor household to just escape poverty), be it through theoretical tax rates on the nonpoor or through transfers of natural resource revenues directly to citizens, such as through “direct dividend payments” (DDPs). For most African countries, however, closing the poverty gap (as a theoretical exercise) would mean implausibly high tax rates on the rich or implausible natural resource revenues. Current domestic revenues are not enough to tackle poverty in the short term, let alone to improve Africa’s poor initial conditions in human capital, investments that only pay off a generation later. There is a pressing need to raise more taxes at home through better tax compliance and addressing international tax avoidance. There is also a need to reduce waste by making public spending more pro-poor and more efficient. But even with this, an important poverty financing gap remains, and increases in ODA remain imperative in many low-income Africa countries.

**Figure 4 – ODA is a large share of GNI in low-income countries**

![Graph showing ODA as a share of GNI in various countries]

*Source: Organization for Economic Co-operation and Development (OECD) 2017 data, https://data.oecd.org. Note: GNI = gross national income; ODA = official development assistance. ODA data do not include aid inflows from international charities, international nongovernmental organizations, and private donations.*

This policy brief is based on the book, *Accelerating Poverty Reduction in Africa* edited by Kathleen Beegle and Luc Christiaensen, doi:10.1596/978-1-4648-1232-3. To learn more about the book and download it for free please visit https://openknowledge.worldbank.org/handle/10986/32354 or scan the attached QR Code with your mobile device. Print copies can be purchased through Amazon.com.