



CHAPTER 7

Eliminating extreme poverty: progress to date and future priorities

Key messages

- **Africa has made significant progress towards the MDGs**, but this progress masks substantial variation among countries. Aggregating and reporting development outcomes at the level of the continent can be misrepresentative of country-level achievements in just the same way that country-level achievements may not reflect achievements in different parts of the country.
- Under “business as usual”, extreme poverty may not be eradicated in Africa by 2030, but it can be brought down to low levels.
- **To eliminate extreme poverty, African countries will have to achieve growth of 5% per year on average on a per capita basis over the next 10-15 years.** Growth accompanied by appropriate redistribution policies including social protection programmes could accelerate the pace of poverty reduction.



7.0 Introduction

2015, the finishing line for the UN's MDGs, is referred to as a 'year for development', encouraging policymakers to rethink development frameworks for the decade(s) to come. After fifteen years of implementing the MDGs, what efforts have African countries pursued so far? What worked and what are the remaining challenges? Compared to other developing regions around the world, Africa has made relatively limited progress in achieving the MDGs. Nevertheless, Africa has achieved significant gains in some areas, including the following: Improvement primary school enrolment; bridging the gender gap in primary school enrolment; female representation in national parliaments; reducing child and maternal mortality; and, reversing the trend of the spread of HIV/AIDS (UNECA, AU, AfDB, UNDP, 2015). What lessons can be learnt from the implementation of the MDGs, and, what are the remaining challenges for the continent to tackle over coming decades? The first part of this chapter discusses Africa's progress towards, and shortfalls against, the MDGs. In the second part, we discuss the challenges Africa will need to tackle to overcome extreme poverty by 2030.

In the first chapter, we discussed Africa's progress in terms of economic growth. We found that one of the main contributors to progress has been high commodity prices. However, Africa's economies remain undiversified, depending heavily on a few commodities. This makes them very vulnerable to commodity price shocks. In chapter 1, we showed that the recent decline in commodity prices could jeopardise the progress made to date in terms of economic growth. In addition, in other developing regions of the world, growth has been accompanied with the creation of decent jobs, increased productive capacities, and provision of social protection for the most vulnerable groups (UNECA, AU, AfDB, UNDP, 2015). This was not

the case in many African countries, and as a consequence, growth in Africa has not been inclusive and many Africans have been left behind. Chapters 2, 3 and 4 analysed Africa's progress in reducing poverty, inequality, and gender inequality in depth. Evidence has shown that, despite the progress made, extreme poverty and inequality remain important issues in many African countries. The continent remains the poorest and the second most unequal region in the world. Therefore, poverty, especially extreme poverty and inequality, will remain the biggest challenges for many African countries for the coming decades. In this regard, the importance of eradicating poverty by 2030 has been widely recognised. Consensus on its importance has been achieved across international organisations, especially with the recent adoption of the UN Sustainable Development Goals (SDGs).

From the perspective of African policymakers aiming to eradicate extreme poverty, the key issue is how to design and implement policies that will accelerate growth while making it more inclusive and sustainable over time. In the Common African Position (CAP), Africa's Heads of State stressed that the post-2015 development agenda should reflect the continent's development priorities for the next fifteen years, which include (African Union, 2014):

- (i) Structural economic transformation and inclusive growth;
- (ii) Science and technology;
- (iii) People centred development;
- (iv) Environmental sustainability, natural resource management and disaster risk management;
- (v) Peace and security; and,
- (vi) Finance and partnerships.

These goals are reflected in the SDGs, recently adopted by the international community. These goals can be achieved through high growth, but this growth also needs to be of higher quality, namely inclusive and green.

The post-2015 UN agenda aims to ‘*eradicate extreme poverty for all people everywhere by 2030*’ (UN, 2014)⁵⁹. Several studies have noted that bringing extreme poverty below 3 percent of the global population by 2030 will be challenging, but achievable⁶⁰. However, simulations suggest that under the ‘business as usual’ scenario together with assumptions on redistribution from the 10 richest

to the 40 poorest percent of the population, eliminating extreme poverty by 2030 would be out of SSA’s reach. On a more positive note, we argue that if Africa can double per capita consumption by 2025-2030, extreme poverty will be eliminated on the continent.

In the second part of this chapter, we discuss the results of scenario projections to assess by how much poverty and inequality can be reduced in Africa by 2030 at regional and country levels.

59 In this report, extreme poverty means living on less than \$1.25 a day (in 2005, PPP adjusted prices). The headcount is only one measure of poverty, which does not reflect dynamics above or below the line.

60 One scenario where poverty is reduced to such a low level assumes that the progress achieved during 2000-2010 is maintained until 2030 (Ravallion, 2013). However, progress with poverty alleviation is likely to slow down at lower poverty levels where poverty depth often rises (Chandy et al., 2013a; Yoshida et al., 2014).



7.1 Africa's progress towards, and shortfalls against, the MDGs

The MDGs became the foremost global policy instrument for poverty reduction. They span a set of time-bound goals, agreed in 2000 by 172 countries, including all African countries. The MDGs constitute eight goals aimed at addressing hunger, education, gender (in)equality, health (child mortality, maternal health, and communicable diseases), environmental sustainability, and global partnership-building for development (IWDA, 2014). Each of the goals has a number of quantitative and qualitative targets and indicators specific to it. What is Africa's progress in the implementation of the MDGs?

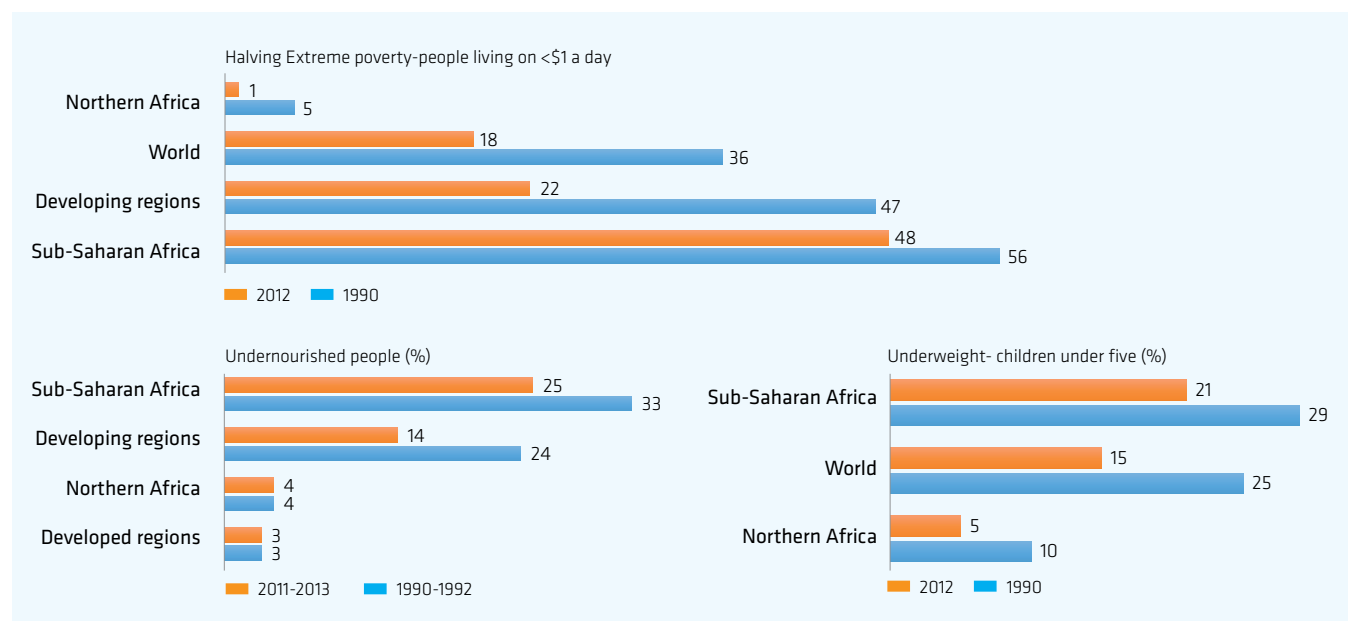
7.1.1 Progress in meeting the MDGs: From MDG 1 to MDG 8

The MDGs have brought profound advancement in the lives of many people around the world. The developing

world today, relative to 1990, has improved in terms of human dignity, equality, equity, and economic wellbeing. In this section, we assess Africa's progress towards the MDGs since 1990.

Has Africa achieved MDG 1 on eradicating extreme poverty and hunger? The world, as a whole, has met the target of halving the number of people living in extreme poverty. The share has dropped from 36% in 1990 to about 18% in 2012. Similarly, the developing world, as a whole, has succeeded in reducing by half the number of poor people, by 2012. In the same period, according to the official figures (as opposed to those of Pinkovskiy and Sala-i-Martin, 2014) **Africa did not reduce poverty by half**. Africa's progress towards this target did not reflect global trends, as it only managed to lower the fraction of

Figure 7.1 Progress towards MDG1



Source: Data extracted from UN (2014)

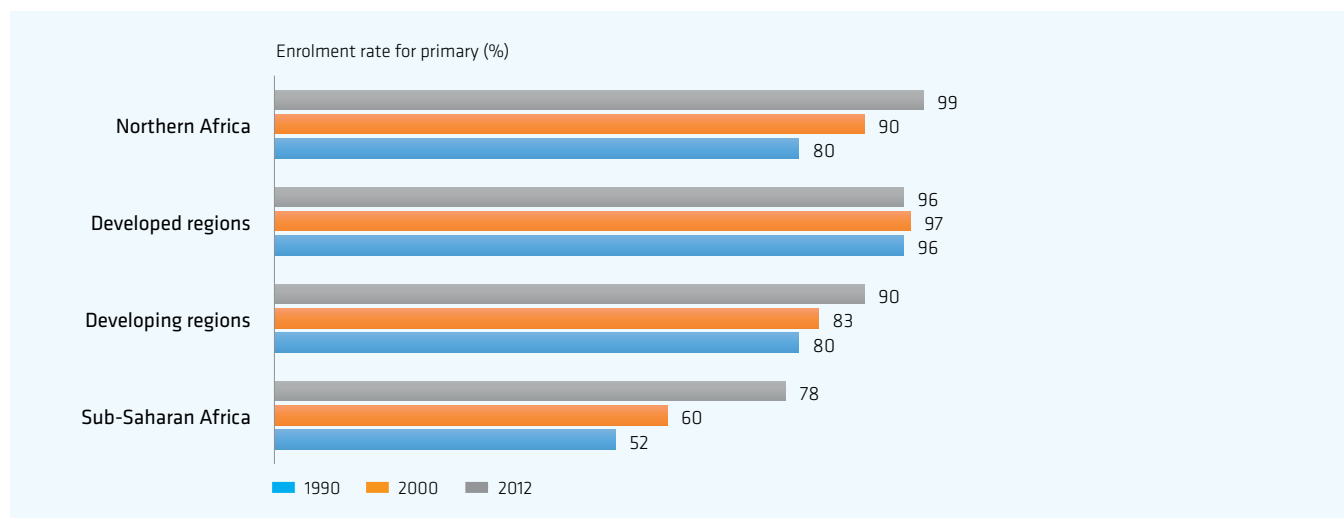
people living on less than \$1 a day from 56.5% to 48.4%. This is a mere 8% reduction (Figure 7.1).

Africa's undernourishment rate is equal to the developing world's rate of 25 years ago. Uneven progress in reducing undernourishment is demonstrated by its high incidence in SSA, relative the rest of the developing world. SSA reduced the fraction of undernourished babies from 35% in 1990 to 25% in 2012: A level equal to the entire developing world's rate in 1990 (Figure 7.1). In the same

way, SSA has lowered the percentage of underweight children by 8 percentage points, less than the global progress achieved of 10 percentage points, and much less than the 20 percentage point progress registered in Southern Asia between 1990 and 2012.

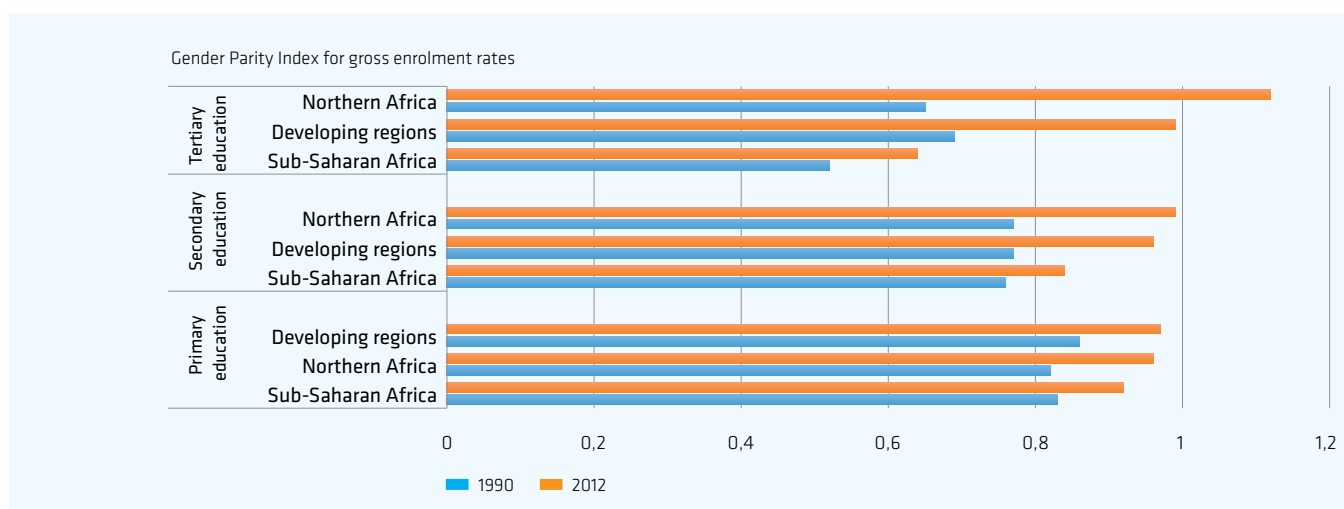
Regarding MDG2 (achieving universal primary education), **primary enrolments have significantly improved in Africa.** Achievements towards this goal have seen the gap between SSA and the rest of the developing world

Figure 7.2 Progress towards MDG2



Source: Data extracted from UN (2014)

Figure 7.3 Progress towards MDG3a



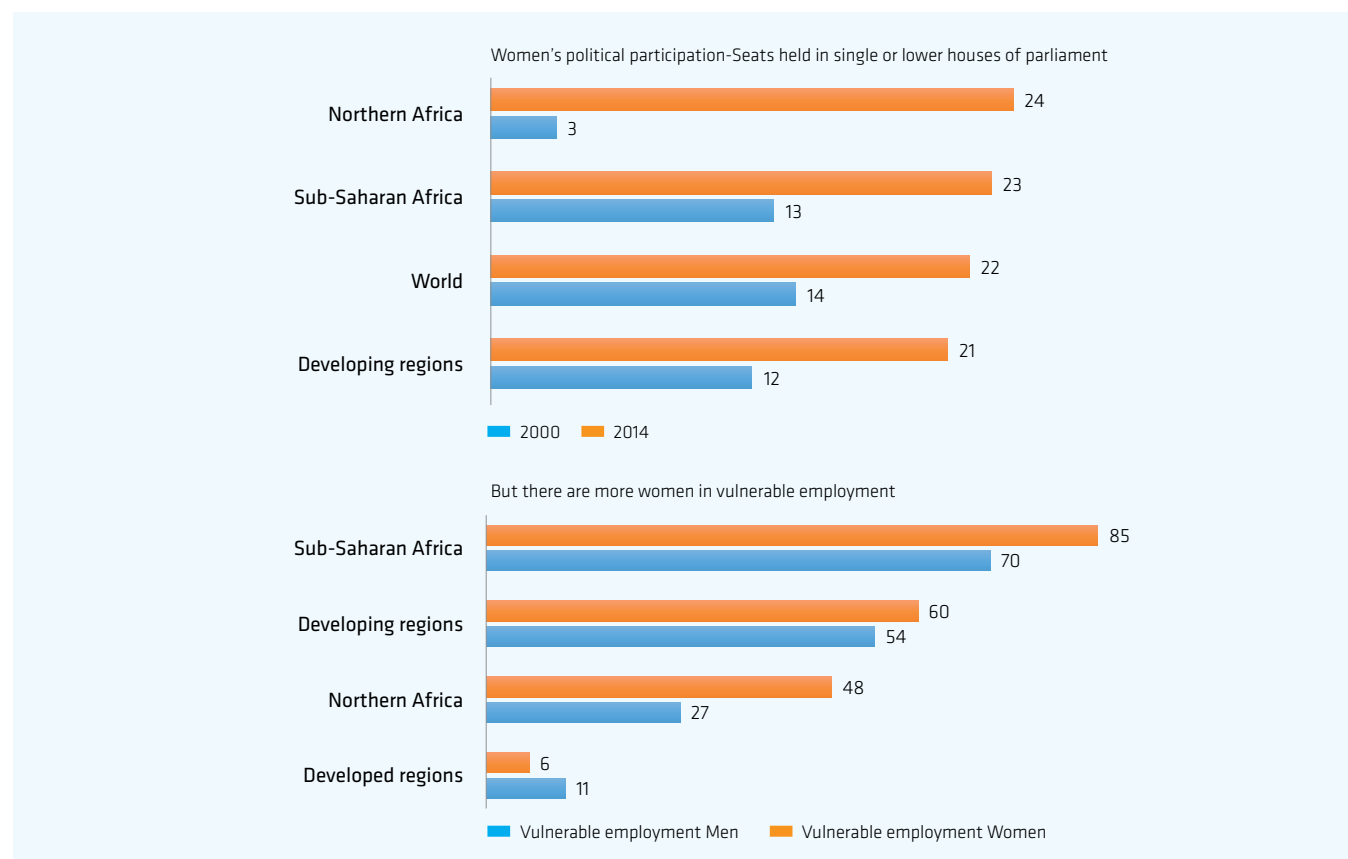
Source: Data extracted from UN (2014)

narrow: From a wide 28-percentage point difference to a lower 12-percentage point difference by 2012 (Figure 7.2). However, SSA still had the lowest enrolment rates by the end of 2012. Northern Africa had already caught up with the developed world, attaining enrolment rates of 99%. A recent MDGs report, UN (2014), found that poverty, gender and location are the most pervasive factors explaining the differences in school attainment at primary level. It shows that the poorest 20% of households are three times more likely to have children out of school, compared to the richest 20% of households. These differences mostly disfavour girls, and children in rural homes. In addition, part of the low progress in primary enrolment is explained by the incidence of conflict. In the conflict affected Nord Kivu province of DRC, for example, it is estimated that nearly 50% of primary school going age children from the poorest households were not attending school in 2010 (UN, 2014).

In terms of gender equality and women's empowerment (MDG 3), **SSA has done almost as well as other regions in achieving gender parity in primary enrolment**, but lags behind all regions of the world in achieving gender parity at secondary and tertiary levels (Figure 7.3). Achievements in women's educational outcomes are also reflected in improvement of the fraction of women in non-agricultural employment in SSA.

In addition, gender representation at political levels has improved to world standards, both in SSA and in Northern Africa. North Africa made more progress between 2000 and 2014, but ended the period with the same level as SSA: With about a quarter of national parliamentary seats held by women (Figure 7.4). In terms of security of employment, both men and women in SSA have lagged behind the rest of the world, with 85 percent and

Figure 7.4 Progress towards MDG3b



Source: Data extracted from UN (2014)

70 percent of employed women and men in vulnerable jobs, respectively. Among the employed in North Africa, about half of women, and one-third of men are in vulnerable employment. Both the regions, of Northern and Sub-Saharan Africa, have disproportionately large shares of women in vulnerable employment.

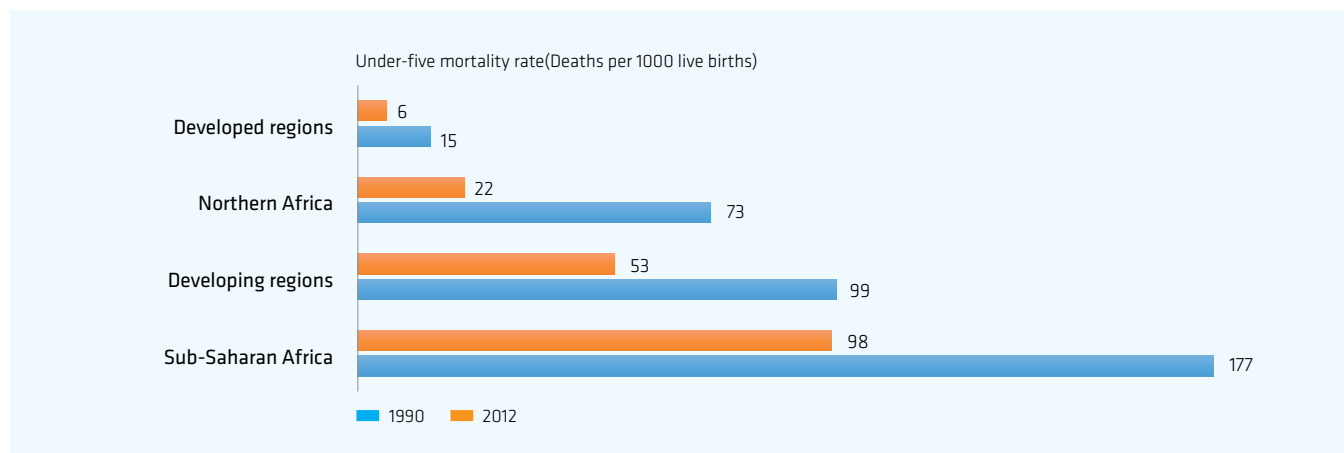
Child mortality rates (MDG4) have significantly reduced in Africa, with SSA and Northern Africa reducing under-five mortality rates from 177 to 98 and from 73 to 22 deaths per 1000 live births, respectively. **Northern Africa met the target of a two-thirds reduction in child mortality by 2012, but SSA did not** (Figure 7.5). It is important to note that, despite progress, SSA's child mortality rates in 2012 were as high as the average for the developing world at the beginning of the MDG period. As of 2012, the sub-continent had the highest under-five mortality rate in the world, which is 16 times higher than the average for the developed world.

At a global level, there has been **progress towards the MDG target for maternal mortality (MDG 5), but is yet to be achieved**. There was a large disparity between the initial rate of maternal deaths in Africa and that for the rest of the world. While the world-wide rate in 1990 was 380 per 100,000 live births, the SSA rate was as high as 990 (Figure 7.6). SSA had a much higher starting point than even the second worst region, Southern Asia, which had a starting

rate of 530 deaths. After 15 years of MDG interventions, SSA's maternal deaths reduced significantly, to 510 deaths per 100,000 live births. Good progress, however, SSA's rate remains much higher than the developing world's 2012 rate of 230 deaths per 100,000 live births. Limited access to health personnel and facilities plus the increased number of adolescents bearing children has contributed to high maternal death numbers in Africa. In SSA, only 53% of deliveries are handled by skilled health personnel, with this proportion significantly lower in rural areas. Similarly, the recent MDG report (UN, 2014) noted that only half of pregnant women aged 15-49 attended antenatal care more than four times in 2012⁶¹. Adolescent childbearing is more common in SSA than anywhere else in the world. In 1990, the average number of births to women aged between 15 and 19 years was as high as 123 per 1000 women. This remained high throughout the period, reducing only marginally to 117 per 1000 women in 2012. Addressing teen pregnancy and its associated consequences on education and on the health of both girls and the children born to them, remains a considerable challenge for SSA. Finally, it is hoped that the increasing prevalence of contraceptive use in SSA combined with greater access to education among girls will help lower maternal mortality, especially among adolescent child-bearers.

61 The WHO has recommended a minimum of four antenatal care visits to ensure the health and well-being of mothers and newborns.

Figure 7.5 Progress towards MDG4

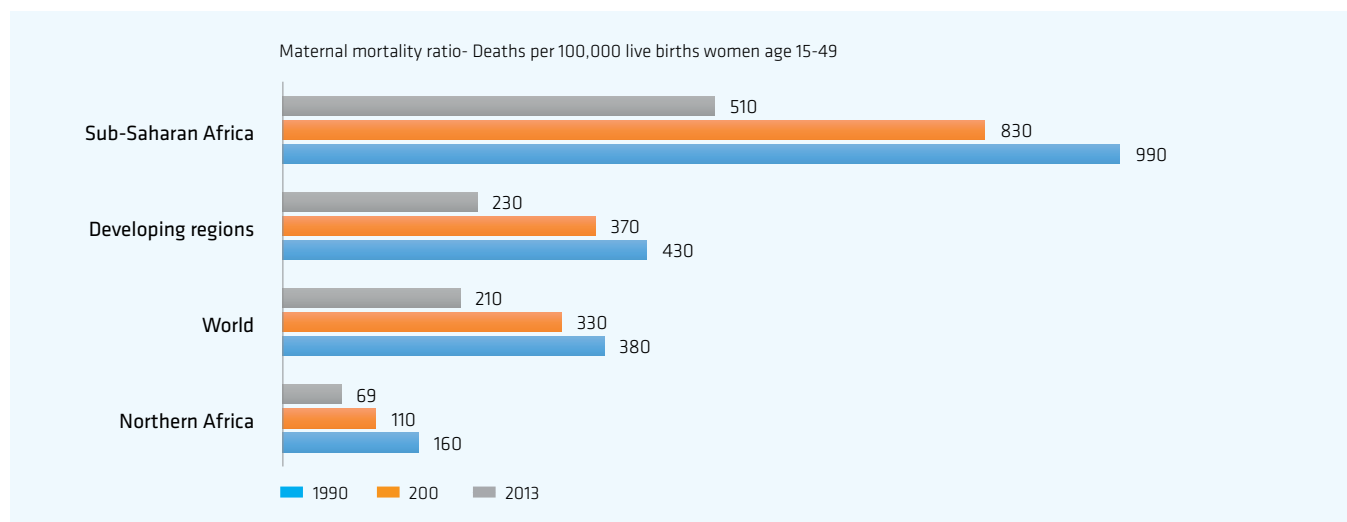


Source: Data extracted from UN (2014)

On MDG 6, HIV infection rates in SSA have significantly reduced from about 2 per 100 people to about 1 per 100 people aged 15-49 (UN, 2014); (Figure 7.7). This reduction has been accompanied by a significant increase in HIV awareness across the continent. At the same time, access to treatment for HIV patients has increased over time. HIV prevalence continues to be higher in southern and central Africa, relative to the rest of the continent.

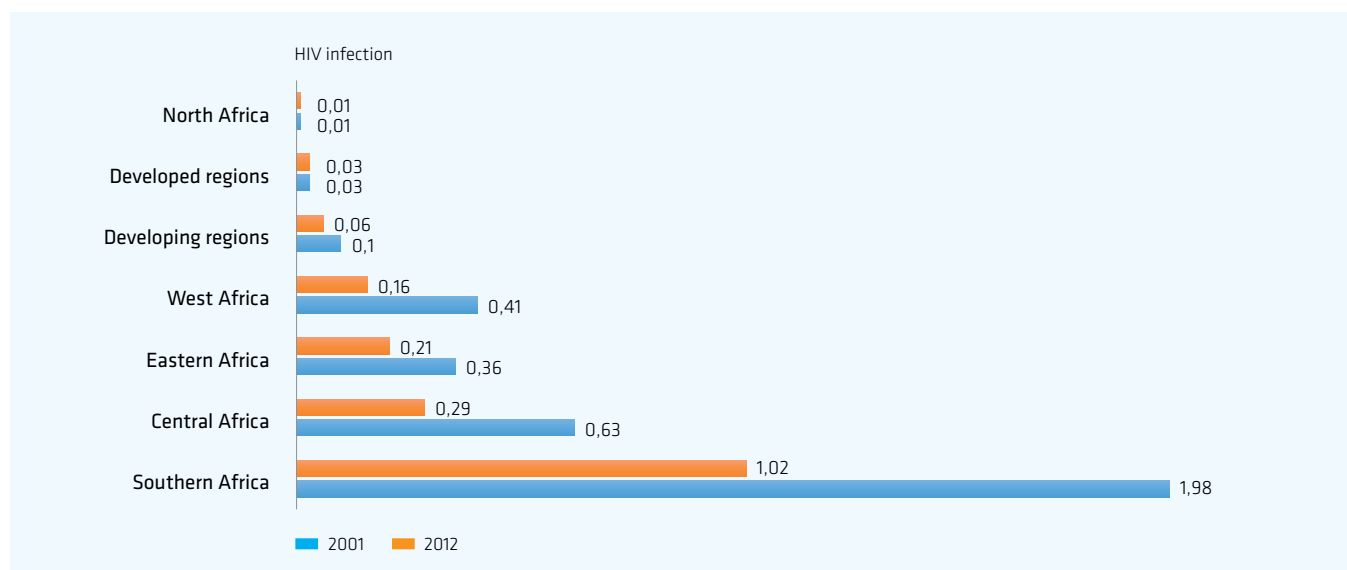
Globally, over 3.4 billion people are at risk of malarial infection. The 2014 MDGs report highlighted, that in 2002 alone, about 207 million cases of malaria occurred around the world. The disease killed about 627,000 that year, of which 80% were children. The report noted that between 2000 and 2012, expansion of malaria interventions contributed to a 42% decline in deaths associated with the disease. An estimated 3.3 million deaths, of which

Figure 7.6 Progress towards MDG5



Source: Data extracted from UN (2014)

Figure 7.7 Progress towards MDG6



Source: Data extracted from UN (2014)

90% are children, from SSA have been averted. While SSA has made significant progress against malaria, it still accounts for the largest proportion of deaths due to this disease worldwide. It is estimated that the DRC and Nigeria account for 40 percent of malaria mortality worldwide.

Though global emissions of carbon dioxide (MDG7) have continued to increase, since the inception of the MDGs (by about 50 percent), **Africa's contribution to this accelerated emission has been small** (Figure 7.8). The continent's share of the associated consequences is not, however, any less than what is faced by leading emitters. Millions of hectares of forest cover are lost every year. Adverse and unpredictable weather conditions have made it more difficult for vast number of farmers who depend on rain-fed agriculture. Generally, the poor, and those whose incomes barely cover subsistence, remain the most vulnerable to adverse climate shocks. They suffer disproportionately from the consequences. In terms of access to improved water and sanitation, Sub-Saharan Africa as a whole has made substantial improvements in this area (from 43 to 64% access). But progress, by 2012, has fallen short of the MDG target. Substantial differences remain between rural and urban areas.

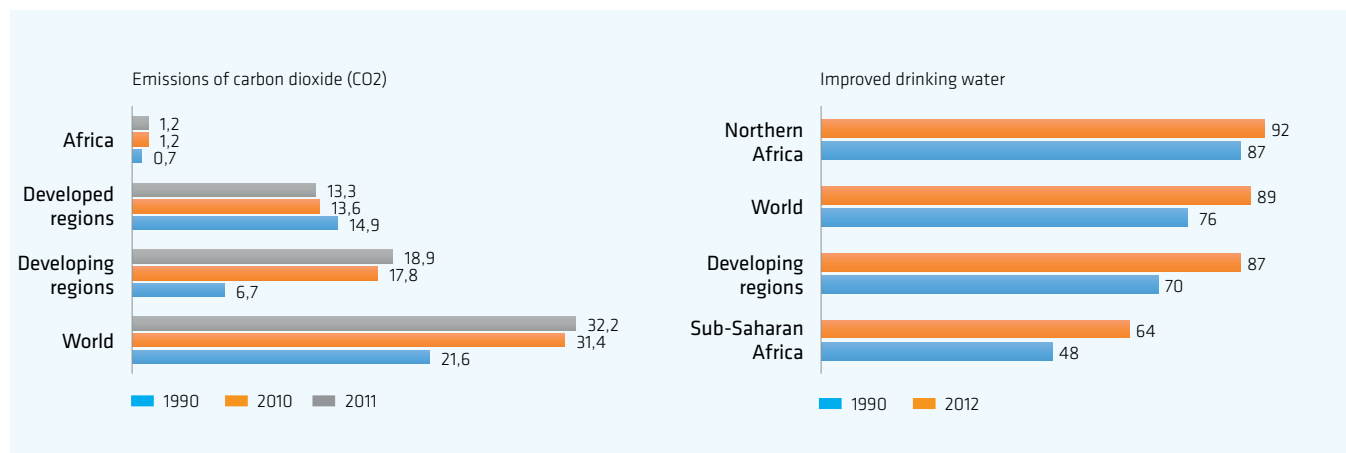
Finally, in Africa, one of the drivers of success towards the MDGs is the global partnership (MDG8) that underlies their design, funding and implementation. This

partnership has yielded returns in terms of commitment from local partners, governments and the international development community. Africa has seen substantial improvements in human dignity, equality and equity, as well as overall economic advancement over the period of the MDGs. Indeed, it has seen greater improvement at this time than in any other period of its development history. Alongside country-specific policies, the MDGs have been particularly successful in enhancing the capacity of disadvantaged groups to participate and gain from the continent's development process. Progress in education, health, gender equality and several other indicators are, therefore, steps towards not only distributing growth outcomes, but also towards enhancing the capacity of disadvantaged groups to participate in the growth process. Yet, there have been some notable disparities in the achievement of the MDGs at the country level and at local levels. These disparities are discussed in the next two sections.

7.1.2 Spatial inequality in MDG performance

Human development is not a global, regional or national construct – it matters most at local, household and individual levels. Average data hides important differences at local levels. Measures and findings can be unpacked to unmask local measures of well-being. To illustrate this, Figure 7.9 shows the extent of disparities in poverty levels between sub-Saharan Africa as a whole and individual

Figure 7.8 Progress towards MDG7



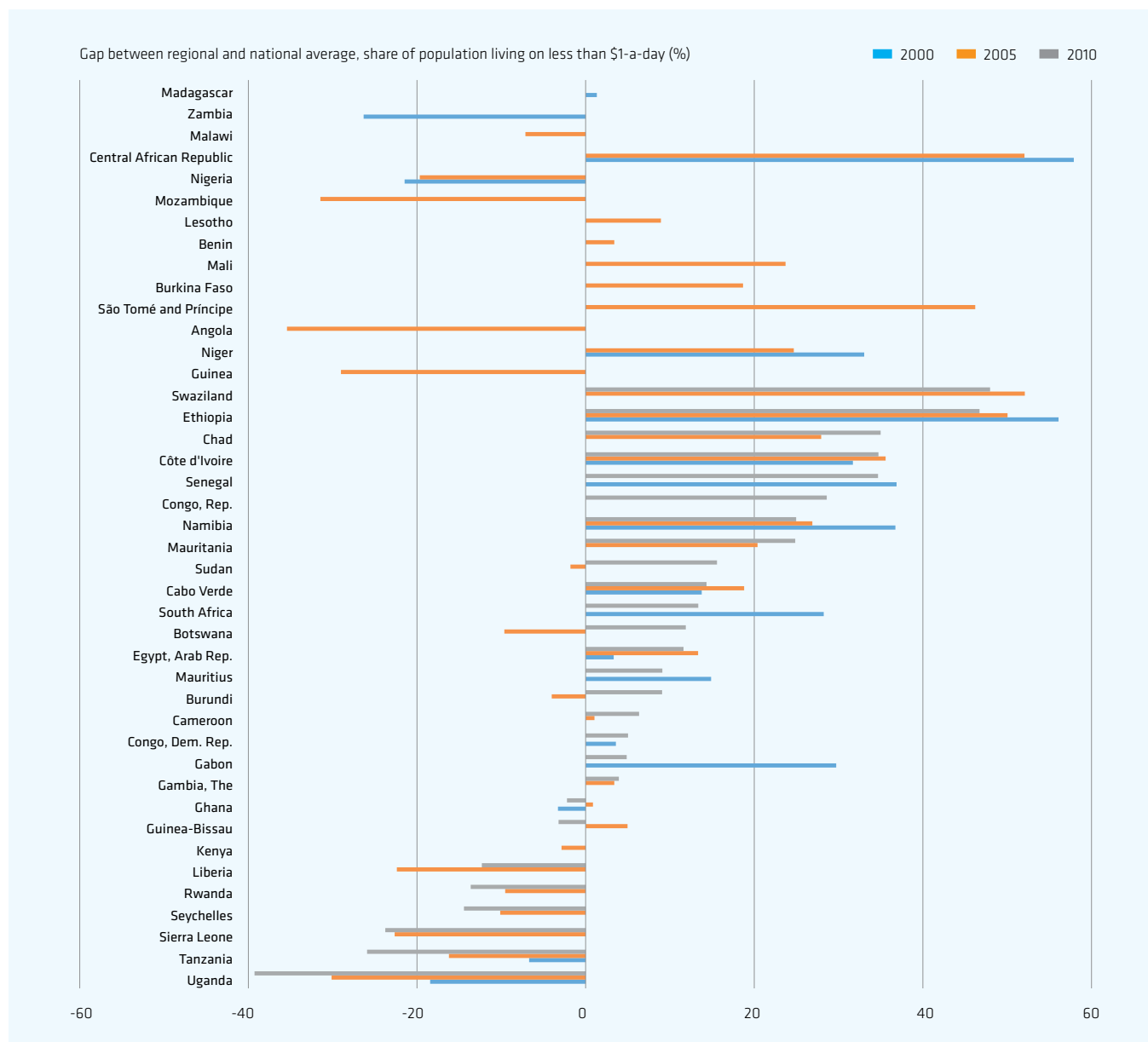
Source: Data extracted from UN (2014)

countries. Negative numbers imply that a country's level of poverty is higher than the regional average, while positive numbers reflect individual countries with poverty levels lower than the regional average.

Among the countries with data available for MDG1 (poverty headcount measure) for 2000, 2005 and 2010, poverty levels in Egypt, South Africa, Mauritania and Senegal

have consistently been lower than the Sub-Saharan African average. Ethiopia saw a large improvement in the gap between its national performance on the \$1-a-day indicator and the Sub-Saharan African regional average, from 2000 to 2005. However, Malawi and Zambia have remained worse than the Sub-Saharan African averages on poverty headcount. Zambia, in particular, has seen a widening gap from the regional average over time.

Figure 7.9 Share of population living on less than \$1-a-day (%): Gap between SSA regional average and national averages



Notes: Regional average poverty level minus country level.

Sources: Calculations based on World Bank's World Development Indicators (2015) online database. Sub-Saharan regional average from the UN MDG Global Report (2014), Statistical Annex

exemplifies a country consistently lagging behind the general trends among its regional neighbours.

This demonstrates that, reporting on MDG progress across Africa using regional averages, although important, masks sub-regional, national and local diversities in outcomes. While progress is being achieved towards some of the MDGs, the pace and extent of this progress matters most at the level of the household and individual well-being.

7.1.3 Localisation of the MDGs

After political proclamation of support and commitment to the MDGs had been secured, the next step was planning their implementation at national levels. Expanding this planning to local levels, thereby “*bringing the goals to the people*”, was considered a big milestone in their implementation. An assessment of the impact of the MDGs at local levels, and on the well-being they secured at household levels, begins with an inquiry into how the goals influenced planning and budgetary allocations.

Localisation of the MDGs is loosely defined as planning and implementing the MDGs at the local level. This includes setting goals and targets that are reflective of the local situation, planning how to achieve such targets and supporting local institutions in achieving them. It also involves ensuring that the links between national policies and frameworks are created and applied at local levels.

Localisation of the MDGs ensures the participation of households and individuals at the local level in the planning and implementation of the MDGs. Entitlements, voice and the power of the poor has taken the centre stage in contemporary writing, as part of the multi-disciplinary approach to poverty reduction (Amis, 2013). Lomazzi, Borisch & Laaser (2014) share a similar viewpoint: That new governance models now call for increased citizen participation, ownership and influence and that there are important interlinkages between sectors. Strong citizen participation and accountability are therefore imperative for MDG policy development and implementation (Lomazzi, Borisch & Laaser, 2014). Since local government



is closer to communities, and because people can hardly differentiate in practice between local government and central government, local government served as an important platform for Civil Society Organisations (CSOs) and the poor to participate directly in the MDG process (Amis, 2013). This environment is therefore conducive for the localisation of MDGs, in which nationally agreed MDGs can be taken to the local level for discussion, approval and action by local communities, local government and other actors of relevance at the local level (UNDP, 2005, p. vi).

7.1.4 Integrating the MDGs into national development plans (NDPs)

The UN Millennium Project was established by the UN's Secretary General to support member states in planning for the MDGs from 2002 to 2006. The Project outlined a set of criteria for the integration of the MDGs and outlined 5 core features of an MDG-based strategy. These are⁶²:

1. **Ambitious:** National targets are at least as ambitious as MDG targets for 2015;
2. **Scope:** The range of sectors identified is broad enough to achieve all the MDGs;
3. **Rigor:** For each sector, the strategy is based on a detailed, bottom-up needs assessment;
4. **Timeline:** The medium-term strategy is nested in a 10-year MDG framework; and,
5. **Financing:** A financing strategy is determined, in line with each country's needs.

Using the above guidelines, we assessed the latest National Development Plans (NDPs) or Poverty Reduction Strategy Paper (PRSPs) as well as MDGs reports⁶³ for eight African countries with comparable data. The assessment

62 See <http://www.unmillenniumproject.org/resources/presentations.htm> accessed 26th March 2015.

63 A detailed examination of the country's latest MDG report and latest NDP/PRSP has been carried out, including a review of previous plans within the MDG implementation timeframe of 2000 to 2015.

criteria are as follows: First, a country is considered to have integrated the MDGs into its NDP/PRSP and Local Development Plan (LDPs) if: It indicates the MDG targets as a minimum, or allocates the required resources, costing etc. Secondly, countries are given scores based on the level of integration (extent to which the NDPs reflect the MDGs). If the NDP includes all 8 of the MDGs, it gets a maximum score of 4. A country scores 3 if it plans for at least 4 MDGs and associated targets; or scores 2 if plans include only two of the MDGs and their associated targets. 1 is scored if only some targets and indicators are mentioned and 0 is scored if there is no integration of the MDGs in the NDP/PRSPs/LDPs.

Of the documentation reviewed from 8 countries⁶⁴, 4 of them included the MDGs in their national development plan, to varying degrees (see, Table 7.1). Botswana and Nigeria are good examples. Nigeria developed a separate strategy to achieve the goals. The strategy was fully costed and showed the links between it and the NDP, including incorporating the needs for, and costs of, achieving the MDGs. Both Botswana and Nigeria scored 3. Ethiopia scored 2, with an emphasis on the social sector MDGs, namely, education and gender. Malawi scored 1. The rest of the NDPs mention only the progress made on the MDGs and the country's ongoing commitment to achieving the goals (scoring 0).

Note that the national development plans of all the 8 case study countries in Table 7.1 cover periods during which the MDGs were being implemented. In fact, all of the NDPs were written between 2009 and 2011, a time when most countries were already immersed into MDG implementation. At that stage, where national development to plans are silent about such a comprehensive development programme as the MDGs, it shows how parallel the two plans are, with one potentially secondary to the other.

In general, most countries prepared periodic MDGs reports, some prepared MDG costing, MDG strategies and MDG acceleration frameworks. These documents

64 The study reviewed the current or most recent NDP rather than all of the plans developed during the entire MDG implementation period. This is because tighter focus on the goals is expected to ensure their achievement closer to the "finish line".

generated enormous amount of information with regards the requirements to achieve the MDGs. However, this information was not systematically integrated into national development plans. The same is also true for localising the MDGs, even though far fewer countries attempted to prepare localised MDG-based reports.

Therefore, when looking at the impact of the MDGs at the household level, we should bear in mind that the MDGs were designed, monitored and reported on as global goals. There was no high level commitment to

localising the goals, beyond the national level. Even where such efforts were made, they only started about 5 years into the implementation of the goals. It can therefore be argued that the goals were not designed for local level implementation, and insufficient support was provided for localisation. Subsequent frameworks should consider including criteria for the integration of the goals at both national and sub-national planning levels, as a requirement that will be measured as part of the progress on the goals.

Understanding how globally pursued goals reflect the national and sub-national development agenda is important both for those who implement national development plans and for those who monitor and produce comparative

65 Countdown strategy 2010-2015: Achieving the MDGs <http://web.ng.undp.org/mdgs/MDG-Count-Down-strategy-report.pdf>

Table 7.1 Rating of MDG inclusion in NDPs, for selected case studies

Country	NDP/PRSP	Rating 0-4	Comment
Botswana	Accelerating achievement of Vision 2016 through NDP 10 2009-2016	3	MDG needs assessment and costing was undertaken and integrated into the NDP10
Ethiopia	Growth and Transformation Plan (GTP) 2010/11-2014/15	2	One of the objectives of the plan (page 7) is to achieve the MDGs in the social sectors; emphasis on the social sector related MDGs
Gambia	Programme for Accelerated Growth and Employment (PAGE) 2012 -2015; Gambia National Development Strategy	0	No mention of the MDGs in the National Development Strategy
Ghana	Medium Term National Development Policy Framework; Ghana Shared Growth and Development Agenda-GSGDA 2010-2013	0	One of the objectives of the plan (page 26) is achieving the MDGs but no other mention of the goals in the document
Malawi	Malawi Growth and Development Strategy II (MGDS II) 2011-2016	1	The plan balances economic, social and environmental components of the economy to reduce poverty and accelerate attainment of the MDGs (Executive Summary)
Nigeria	Nigeria Vision 20: 2020; The 1 st NV20:2020 Medium term implementation plan 2010-2013	3	One of the plan's strategic objectives (page 5) for the social sector is to improve the nation's prospects for achieving the MDGs; country has a separate strategy for achieving the MDGs ⁶⁶ which shows alignment of the goals with the NDP (page 14)
Uganda	National Development Plan 2010/11-2014/15	0	Only a mention of Uganda's progress on health and education MDGs (page 20)
Zambia	Sixth National Development Plan 2011-2015	0	Limited mention of the MDGs, only with regards to progress towards achieving the goals

Source: Authors' compilation

progress reports. Africa is different in many aspects from the rest of the world. Within Africa, countries are heterogeneous in many important respects. While aggregate data are suggestive of how countries perform on average, they do not tell us much about the fate of an average person in a given country, nor about a community whose status is the very objective of the development initiative.

In conclusion, this section analysed how African countries have implemented the MDGs. Africa has made progress on achieving some of the MDGs, but important challenges still remain. What are the lessons learnt from the implementation of the MDGs, and, what are the remaining challenges African economies face in their efforts to reduce extreme poverty, inequality and to make growth more inclusive? The next section tries to answer these questions.

7.1.5 Lessons learnt and remaining challenges in MDG implementation

After fifteen years of implementing the MDGs, several lessons can be drawn from this experience. These lessons could help in guiding the implementation of the SDGs over the next fifteen years. The lessons learnt are categorised as follows: Overarching lessons; Lessons for achieving poverty reduction and inclusive growth; Lessons for social development; and, lessons for environmental sustainability (UNECA, AU, AfDB, and UNDP, 2015).

(a) Overarching lessons and challenges

- Experience has shown that not all countries and regions are able to reach the MDGs, however, all of them have made some progress on at least one, of the eight, goals. Initial conditions matter because they affect the character and pace of a country's progress towards the MDGs.
- Experience has also demonstrated that an effective communication and follow-up strategy is important to ensure the success of the agenda at local, national, regional, and global levels. This follow-up is especially useful for cross-country comparison and peer learning.
- Furthermore, the implementation of the MDGs induces demand for more comprehensive and timely data. The lack of relevant data prevents governments from demonstrating the results they have achieved.
- The implementation of the MDGs has also revealed the need to strengthen both access to, and quality of, service delivery. Poor quality services can be linked to failure, by policymakers, to fully account for high recurrent costs of capital expenditure.
- Another lesson learnt is that sustainability requires adopting an integrated approach. In fact, focusing on the MDG outcomes, such as poverty reduction, without looking at the underlying causes has led, in some cases, to undesirable, unintended, and often, unsustainable consequences. In Africa, for instance, attention has been paid to the progress made in fighting specific diseases, such as HIV, malaria, and tuberculosis, thanks to the access to vertical funds. However, these funds narrowly targeted specific diseases, paying relatively less attention to the overall health systems of countries. This did not help strengthen those systems whose weaknesses have been demonstrated recently, by the explosion of the Ebola virus in some West African countries. A much more integrated approach is needed to strengthen the entire healthcare system.
- MDG implementation has revealed the benefits and efficiency gains that can be achieved by leveraging inter-sectoral synergies. It has also demonstrated the importance of development planning in making things happen.
- The lack of a robust mechanism for implementation was a major weakness of the MDG framework.
- Efforts were focused primarily on financial resource mobilisation, especially ODA. This undermined the economic sustainability of several of the MDGs. Lessons drawn from this experience include: The need to diversify financial resource mobilisation by strengthening cooperation in stemming illicit outflows, returning stolen assets, strengthening domestic capacities through

capacity building, supporting technology, innovation and science, promoting fair trade, trade facilitation, and facilitating good governance.

(b) Lessons learnt and remaining challenges for poverty reduction

- Africa has made remarkable process in reducing poverty since 1990. Countries such as Egypt, Cameroon, the Gambia, Guinea, Senegal and Tunisia have already achieved the target for extreme poverty reduction. However, the entire continent has not yet achieved this goal. Experience has revealed that poverty reduction is underpinned by rapid, sustained, and inclusive growth. Special attention should be given to agricultural development, addressing urban-rural inequality and the implementation of pro-poor programmes such as social protection programmes.
- Experience also revealed that a differentiated approach is necessary to reflect the realities of each country, at different levels of development.
- Moreover, experience has shown that growth need not compromise on equality. Rwanda's experience illustrates how growth can go hand-in-hand with improvements in income distribution.
- The MDG experience also shows that strengthening capacities through social protection helps to reduce poverty and inequality. Some successful examples include: Rwanda, with its multiple social mechanisms such as universal health insurance, free education, social transfers; Mauritius, with its universal social pension; Namibia, with its multidimensional social protection programme; as well as, Malawi, Ethiopia, Ghana, Kenya, Nigeria, Senegal, and the United Republic of Tanzania – all of whom have established safety net programmes to support vulnerable populations. Other countries, such as Benin, Burkina Faso, Mali, and Niger, provided emergency food distribution through cereal banks selling food staples at subsidised prices. Kenya developed an extensive set of hunger safety net programmes, targeting arid and semi-arid areas (APP, 2014 cited in UNECA, et

al. 2015). Despite the successes, more efforts are needed to improve access to funding and ensure fiscal sustainability of these programmes, to expand their coverage, reduce fragmentation, improve targeting, and, above all, to diversify away from donor finance, especially ODA.

- Finally, employment subsidies can help to create jobs. In this regard, Algeria is a successful example. Government fought high unemployment by implementing a rigorous employment policy focused on granting subsidies to firms as incentives to hire the unemployed. They also established a public works programme for unskilled workers. Nigeria is another successful case, with the Nigeria's Youth Empowerment Scheme (administered by Oyo State) which generated jobs for young workers.

(c) Lessons learnt and remaining challenges in education, health, and gender equality

Education

Most African countries are on track to achieve the target of universal primary enrolment. Some countries have demonstrated success through innovative policies. These include:

- Investment in rural education infrastructure (for example, Ethiopia built more classrooms in rural areas);
- Empowerment of rural communities (for example, Togo, where most classrooms in the poorest region are entirely funded by rural households); and,
- Policy reforms in education (for example, Egypt used cash transfers to poor households to increase net primary enrolment rates. Uganda abolished school fees for up to four children per family. Namibia enshrined compulsory education in their constitution. Mauritius imposed penalties on parents who do not send their children to primary school. Seychelles eliminated all forms of educational discrimination, including that against disabled people).

Dropout rates, however, remain a major challenge for many African countries. Drivers of low primary school completion include: Poor health or malnutrition status of pupils; poor household situation (child labour and poverty); School factors such as teacher absenteeism; school location; and, poor educational provision (Sabates et al. 2010). It is important to find strategies to track attendance and enhance the learning experience of pupils to solve this challenge.

Health

The main adversaries of child survival are preventable and treatable. Scaling-up of cost-effective high impact interventions is crucial to reduce preventable child deaths. Countries that have reduced their under-five mortality rate, have prioritised these interventions and have adopted health systems strategies that enhance the coverage and quality of healthcare services. Furthermore, levels of education and income have been found to be important determinants of health. Evidence has shown that child mortality trends are worse for women with no basic education, or those who come from a low socio-economic class. Regarding maternal mortality, several African countries

have made significant progress. Factors that contributed to improvements include: Access to a healthcare system that provides skilled personnel and facilities to handle emergencies and post-partum care, especially in rural areas; and, access to and use of healthcare services focused on childbearing, reduction of financial barriers to healthcare services, and breaking-down cultural barriers.

Gender equality

African countries have achieved considerable progress in women's participation in national parliaments. Policy reforms and affirmative actions help to promote women's political empowerment. Some successful examples of improvement in women's political participation include Uganda, Ethiopia, Mozambique, Rwanda, South Africa, and the United Republic of Tanzania. However, less progress has been secured in increasing women's share of paid, non-agricultural employment. The economic and political empowerment of women is coupled with equal access to education. Therefore, it is important to remove barriers to female education. This is an imperative to women's empowerment in the labour market as well as in social and political arenas. Much more remains to be



done. Women should leverage their representation to advocate for issues that advance female causes further. African countries should go beyond the participatory approach to capacity-building, so as to reach a sustained and inclusive development path. This could be achieved through advocacy and training of women on how they can enhance their leadership role or contribute fully to public debate and policy decisions.

(d) Lessons learnt and remaining challenges related to climate change and environmental sustainability

Global warming and climate change affect the risk profile of Africa. In 2012 alone, an estimated 34 million Africans were affected by climate-related hazards such as drought, floods, or extreme temperatures. According to the United Nations Office for Disaster Risk Reduction (2014), disasters in Africa are evolving in geography, frequency and impact due to global climate change. From 2011 to 2014, the continent registered 147 disasters, which included 19 droughts and 67 floods. These disasters caused an estimated US\$1.3 billion in economic losses. In addition, global climate change triggers decreased water availability, agricultural productivity and production, and land/pasture availability. This will worsen the living conditions of the poor. Over the next few decades, climate change impacts could jeopardise the economic gains the continent has registered recently. This could leave more and more Africans in conditions of extreme poverty.

Africa's population suffers disproportionately from the impacts of global climate change, while the continent contributes least to global pollution. As stated in the MDG report on Africa (UNECA et al., 2015), Africa's progress on environmental sustainability exceeds global performance. The continent has made good progress in limiting carbon dioxide emissions and ozone-depleting substances. Major structural changes and technological progress now make it possible to achieve low carbon emissions and better economic development, with a limited risk on climate. This implies that there is no more choice to make between economic development and tackling climate change. But, as African countries are aspiring to industrialisation, carbon dioxide emissions are likely to increase in the

future. One major constraint to the growth of Africa's industries will be the need to comply with environmental standards and laws, at national and international levels. This implies huge investment in green infrastructure and in cleaner industries than the traditional ones. This is relatively costly for developing countries. To get around this constraint, governments will have to invest in promoting efficient production and the use of renewable energy; as has been done successfully in the Seychelles. They will also need to intensify reforestation efforts, as has been done successfully in Malawi.

In conclusion, over the last fifteen years, Africa, with the assistance of the international community and development partners, deployed substantive effort to fight poverty and inequality through the achievement of the Millennium Development Goals. There are many lessons that can be learned from the implementation of the MDGs. As discussed previously, Africa still faces many remaining challenges in order to meet the MDGs. In comparison with other developing regions, as discussed in previous chapters, Africa lags behind in the achievement of the goals, especially with regards to extreme poverty reduction. Is there any hope that over the next fifteen years, Africa will be able to eradicate extreme poverty and inequality? The next section assesses by how much poverty and inequality can be reduced in Africa, by 2030.

7.2 By how much can poverty and inequality be reduced, by 2030?

The conventional wisdom on Africa may still be too pessimistic: Africa has significantly reduced its poverty rates relative to 1990. Therefore, instead of asking what factors keep Africa poor, we need to ask what factors have allowed it to grow over the past twenty years, and, how much growth and distribution is needed to eliminate poverty. Assuming that the continent will continue to register high growth performance, under what scenario will Africa be able to eliminate extreme poverty by 2030?

7.2.1 Under plausible scenarios, extreme poverty will not be eradicated by 2030

To derive plausible future poverty paths in Africa, we draw on three main information sources, as do Kharas (2010) or Chandy et al. (2013a; 2013b):

- (i) Projected growth in the mean level of real consumption per capita (or income);
- (ii) Redistribution of consumption (or income) between the 10 richest and the 40 poorest percent of population; and,
- (iii) UN population projections.

The modelling framework is simple. It does not incorporate policies directly, instead, it captures their effects through implicit political economy structures that lead to higher growth or redistribution.

The baseline scenario assumes that:

- (i) Consumption per capita will grow as projected in the Economic Intelligence Unit (EIU) database;
- (ii) Distribution of consumption will stay constant, using the distribution in 2010 data from the World Bank's PovcalNet database; and,

- (iii) Population will grow according to the UN's medium scenario.

The dynamics of poverty reduction derived in the baseline are driven by a series of assumptions. Like Ravallion (2013), Edward and Sumner (2014), Chandy et al. (2013a; 2013b) the baseline scenario takes an 'inequality-neutral' approach. Specifically, it assumes that actual income or consumption distribution remains constant at that of the most recent year for which data is available. However, inequality changes over time (Ravallion and Chen, 2012). Hence, the strong assumption of constant distribution is relaxed in the alternative scenarios discussed below. As with other long-run models, the scenarios in this approach are illustrative, they are intended to foster debate rather than to predict the future.

The baseline scenario assumes constant consumption distribution over time (Gini-coefficient of 0.41) and an average real consumption growth rate of 6.5 percent per year, up to 2030. Under this scenario, the poverty rate in SSA would fall from 47.9 percent, in 2010, to 27 percent of the population in 2030. This remains much higher than the three percent target established by the SDGs. Further, the absolute number of people living in extreme poverty would even slightly increase (Figure 7.10 and Table 7.2). The daily consumption of at least another quarter of the population would be between \$1.25 and \$2 a day. This underscores the **vulnerability** of this large group to falling back into poverty under adverse shocks, such as, climate related shocks, economic or political shocks. Countries with rapid population growth will face greater challenges to reduce the absolute numbers of poor people.

Although high, these projections are still more optimistic than other studies on Africa's prospects for poverty reduction. Turner et al. (2014) projected that 24.9 percent of Africa's population, or 397.3 million people, may still live on consumption below \$1.25-a-day by 2030. Their estimates

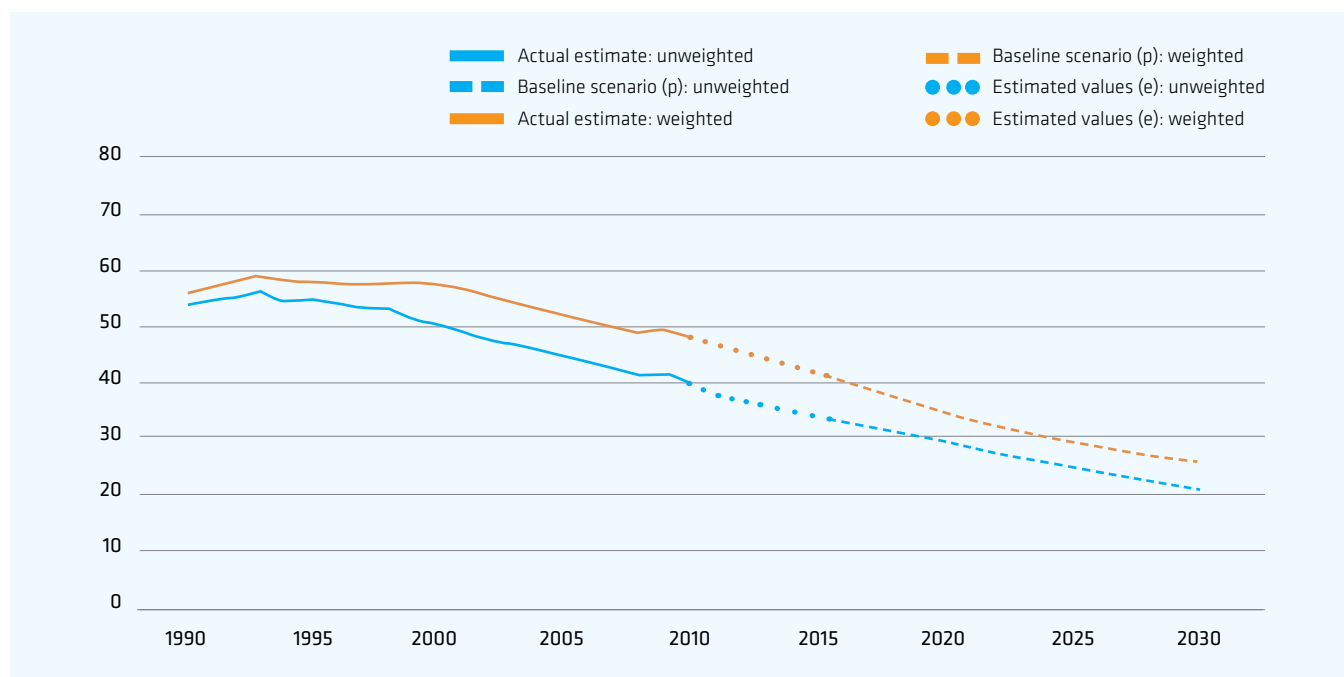
included North Africa, which posts lower rates of poverty than SSA, thus the inclusion of that region should reduce the overall poverty rate. When North Africa is included in our sample, Africa's poverty rate is projected to reach 22.3 percent under the baseline scenario.

Table 7.2 Evolution of poverty in SSA: Baseline scenario, 2010 – 2030

	2010(a)	2015(e)	2020(p)	2030(p)
Percent of population				
1st poverty line (<\$1.25)	47.9	42.7	36.0	27.0
2nd poverty line (\$1.25-\$2)	28.0	28.6	28.0	25.1
Above \$2 a day	24.1	28.8	36.0	47.9
Total	100.0	100.0	100.0	100.0
Millions of poor people				
1st poverty line (<\$1.25)	393	403	393	398
2nd poverty line (\$1.25-\$2)	230	270	306	370
Above \$2 a day	198	272	393	706
Total	820	944	1,091	1,474

Note: In this table, and for the remainder of this section, 'a' stands for actual outcomes, 'e' stands for estimates, and 'p' denotes projections.
Source: Authors' calculations, based on AfDB, EIU, UN and World Bank databases.

Figure 7.10 Poverty rates in SSA: Baseline scenario (% of total population), 1990 – 2030



Source: Authors' calculations, based on AfDB, EIU, UN and World Bank databases.

7.2.2 Alternative scenarios show that poverty will remain a major challenge in 2030

Here, we explore other plausible poverty paths by altering the baseline assumptions about the real growth of consumption (income) per person and its distribution across African countries.

First, we increase the growth of consumption per capita by 2 percentage points a year, while maintaining the consumption distribution assumption of the baseline scenario (SSA results presented in Figure 7.11a).⁶⁶ With higher consumption growth, the SSA poverty rate falls to 16.7 percent of the population by 2030 (245 million people).

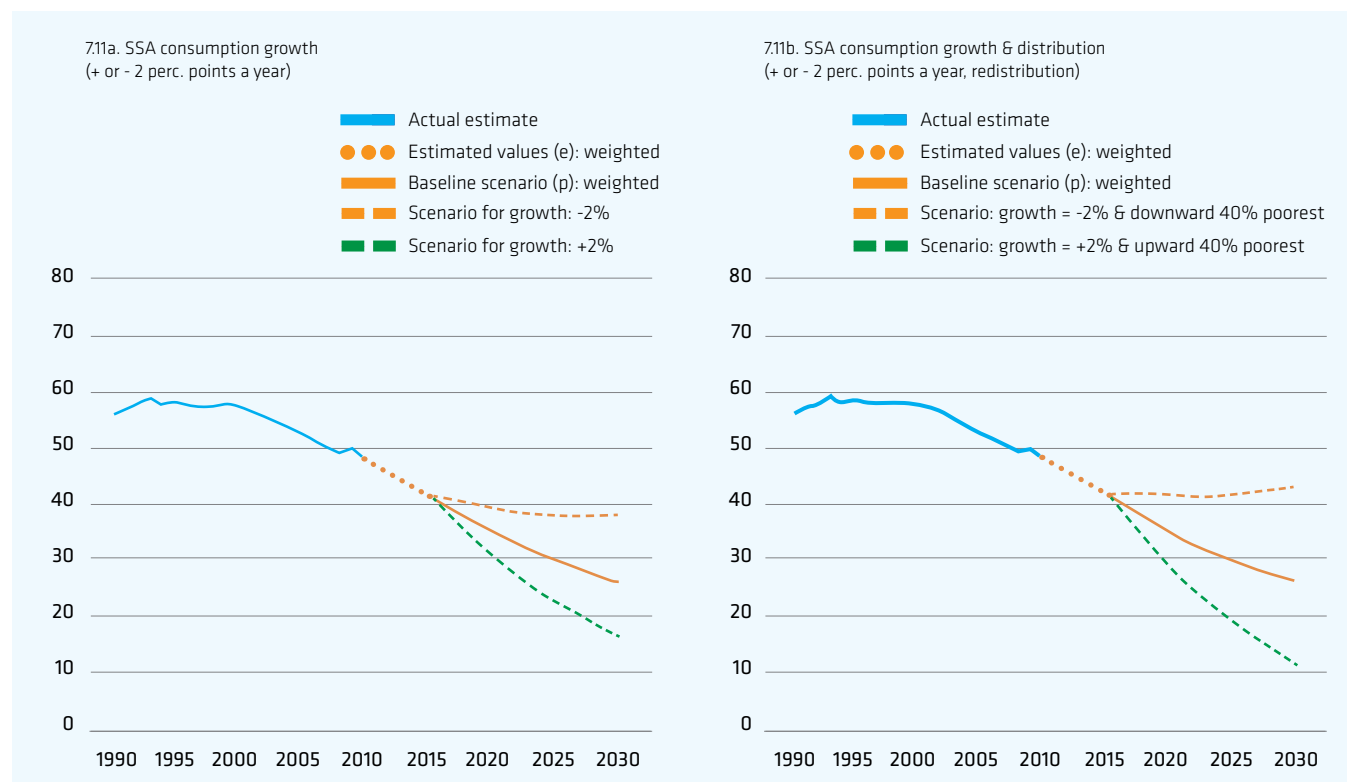
66 This choice reflects past observed growth accelerations in Africa. The projections are based on a steady growth (or decline) of consumption assumption, which implies that they may show a more or less optimistic (or pessimistic) description of future poverty figures. Indeed, durable reductions in poverty rates require maintaining sustained rates of economic growth over time. If the variability of consumption is different from the one assumed, therefore, the projected rates may not reflect actual poverty rates for the period considered.

This represents declines in both the poverty rate and the number of poor. The number of poor would fall by 158 million from 2010 numbers. Such poverty achievements would also be more robust than under the baseline scenario: Almost two thirds of the population would achieve at least middle-income status by 2030⁶⁷. Conversely, should consumption growth decline by 2 percentage points a year, the poverty rate in SSA would rise to 38.5 percent of the population (568 million people) in 2030. Under this scenario, an additional 165 million people would live in extreme poverty in 2030, relative to 2010.

In Africa as a whole, poverty rates are projected to reach 14.7 percent under the high consumption growth scenario, and 32.7 percent under the low consumption growth scenario.

67 Middle class is defined as people living on \$2 - \$20 a day (in 2005 PPP terms), as in AfDB (2011).

Figure 7.11 Poverty rates: Alternative scenarios, 1990 - 2030 (% of SSA population)



Source: Authors' calculations based on AfDB, EIU, UN and World Bank databases.

Next, we consider combined changes in per capita consumption growth and redistribution. In addition to the changes in consumption growth, we consider trade-offs in consumption shares between the poorest 40, and the richest 10, percent of population in each country. Specifically, we assume that there would be a steady shift between the two groups from 2010 to 2030, by 0.4 percentage points every year, reflecting the distribution trends in historical African data⁶⁸.

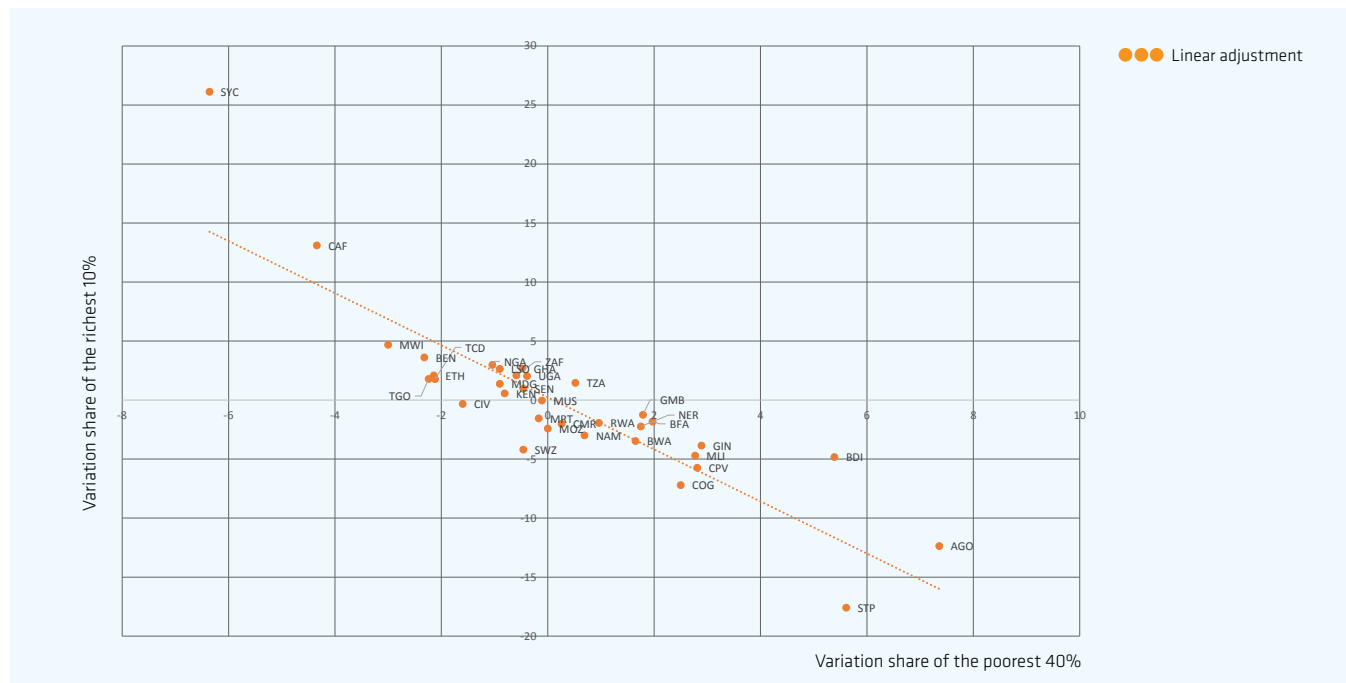
The empirical trade-off in redistribution of consumption is illustrated in Figure 7.12. Specifically, the share of consumption of the poorest 40 percent of the population declined in some of the most unequal middle-income countries in Southern Africa (e.g., Seychelles). In contrast, the share of the poorest 40 percent rose in some low-incomes countries (e.g., Burundi and Mali).

68 We estimate the scale of the long-term distribution trend, observed in historical data on African countries, as: $Share_{it}^{40\% \text{ poorest}} = \theta \cdot Share_{it}^{10\% \text{ richest}} + \varepsilon_{it}$. Thus, a 1 percentage point decrease in the consumption share of the top 10 percent, results in a 0.4 percentage point increase in the share of the bottom 40 percent, and vice versa.

Figure 7.11b shows poverty outcomes for the scenarios with a higher (lower) consumption growth and a steady shift in consumption share towards the bottom 40 percent of the population (from the top 10 percent of the population). Relative to the baseline case, poverty outcomes improve markedly under the ‘best case’ scenario of higher consumption growth and redistribution: The poverty rate in SSA falls to 12.2 percent of the population, by 2030. With only 14 percent of the population living on \$1.25 - \$2 a day, poverty reduction should be more resilient to reversals under this scenario. Under the ‘worst case’ scenario, poverty would rise to 43.6 percent of the population by 2030, adding 240 million poor people to the absolute level.

The above scenarios highlight the uncertainty that surrounds potential poverty paths and likely 2030 poverty outcomes. The uncertainties that could affect poverty outcomes the most could be either climate related shocks (e.g., droughts, floods, extreme temperatures), economic shocks (e.g., falls in commodity prices), or political shocks (e.g., conflict, political instability). Still, even with

Figure 7.12 The trade-off in the consumption shares between the 40% poorest and the 10% richest segments of the population in SSA



Source: Authors' calculations based on AfDB, EIU, UN and World Bank databases.

the wide range of plausible poverty outcomes for Africa, the targeted 3 percent or lower by 2030 is not among them. The challenge of reducing extreme poverty in SSA is further underscored by the asymmetry of results under different scenarios. The number of additional poor under the negative scenarios exceeds the additional number of people escaping poverty under the corresponding upside scenarios.

7.2.2.1. Poverty dynamics by 2030

Reducing poverty will become increasingly challenging over time. After an initial acceleration, until about 2017, progress is projected to slow under all scenarios (Figure 7.13). In the outer years, as the poverty rate declines and the mode moves above the poverty line, lifting people out of poverty will require more resources. Differently put, semi-elasticity of growth tends to decline in SSA with poverty reduction (Table



7.3)⁶⁹. From the perspective of policymakers, who measure their achievements in percentage points of poverty reduction, this measure of dynamics is more useful than elasticity.

69 Growth elasticity refers to the ratio of a percentage change in the poverty rate to a percentage change in income or consumption. Semi-elasticity of growth refers to the ratio of a percentage point change in the poverty rate to a percentage change in income or consumption (i.e. a fall from 8% to 6% is a 2 percentage point fall, but a 25 percent fall).

Table 7.3 SSA semi-elasticity of consumption, 2010 - 2030

Poverty rates (%)	(Mean) growth semi-elasticity of consumption on poverty (%)
45	-0,465
40	-0,454
35	-0,424
30	-0,398
25	-0,368

Note: Calculations were carried out using the 2010 Africa distribution for the baseline scenario, from PovcalNet. Source: Authors' calculations based on AfDB, World Bank, and EIU databases.

7.2.2.2 Going beyond the averages

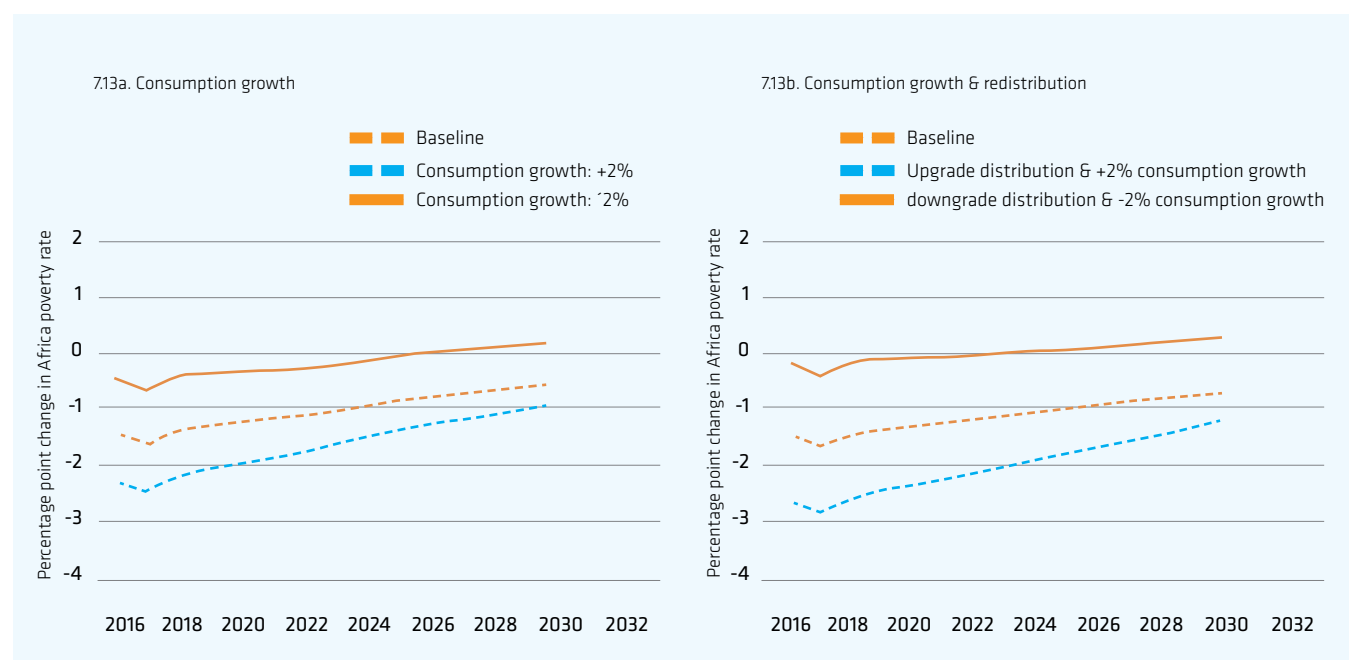
As noted above, aggregate results mask differences among countries and groups. This section examines such differences, focusing on countries with the highest poverty rates and on fragile states.

7.2.2.3 Differences between SSA countries

In 2010 poverty in SSA was disproportionately concentrated in several large countries. It will increasingly be concentrated over time. Specifically, in 2010 the top five contributors accounted for more than half of the sub-continent's poor (Table 7.4a). In the baseline scenario, the poor in Nigeria, the Democratic Republic of Congo (DRC) and Tanzania are still projected to account for almost half of the region's poor in 2030. Further, today's fragile states are projected to maintain high poverty rates in 2030 (Table 7.4b).

Large African countries with high poverty rates, where the bulk of Africa's poor will live, such as Nigeria and the DRC, cannot be overlooked in policymakers' efforts to tackle

Figure 7.13 Poverty rate dynamics: Alternative scenarios, 2012 - 2030 (percentage change)



Source: Authors' calculations based on AfDB, World Bank and EIU databases.

poverty. Further, the impact of growth on poverty reduction varies across countries and within countries over time, depending, among other factors, on income distribution. Further progress will be particularly challenging in fragile countries with substantial poverty prevalence and depth, such as the DRC (Figure 7.14a and Figure 7.14b). These countries will require sustained and inclusive growth for decades to come in order to bring down poverty.

The limited reliability of poverty data in Africa also needs to be underscored. For example, the poverty rate in Ethiopia was estimated to be close to 30 percent in 2010. However, according to the multidimensional poverty index, which takes into account dimensions of the human development index, Ethiopia was among the poorest countries in the world in 2010, alongside Niger and Mali (Alkire and Santos, 2010). This illustrates the need to look beyond simple indicators and aggregates, both at regional and country levels.

The Poverty Reduction and Growth Strategy Paper (PRG-SP) of the DRC was prepared under challenging economic and security conditions, following the conclusion of the National Peace and Reconciliation Agreement in 2002. The analysis revealed the complex and multidimensional nature of poverty in the DRC, including the damaging psychological impacts of conflict on people's well-being (IMF, 2007)⁷⁰. In Nigeria, which also contains a disproportionate share of Africa's poor, poverty is concentrated among the uneducated population, residing in rural areas, and, who tend to be part of larger households. The country's rapid growth has not translated into poverty reduction, in part because of large gaps in access to social services (Anyanwu, 2012).

70 Violent conflict impacts negatively the psychological well-being of people and their ability to manage stress, with the poor being disproportionately impacted. At the time of the PRGSP, 70.9 percent of the poorest quartile of the population experienced nightmares. This is greater than the (still very high) level, 63.4 percent, for the entire population (IMF, 2007).

Table 7.4 Differences in poverty rates in SSA, 2010 and 2030(p): Baseline scenario

Table 7.4a Countries contributing the most to SSA poverty, 2010 and 2030

Country	2010-Share of the poor % of SSA poor	Poverty rate % of total population	Country	2030- Share of the poor % of SSA poor	Poverty rate % of total population
Nigeria	26.2	68.0	Nigeria	20.8	28.3
Congo, Dem., Rep.	12.9	86.3	Congo, DR	20.1	70.7
Tanzania	7.3	67.0	Tanzania	8	36.0
Ethiopia	6.6	31.4	Madagascar	5.9	58.9
Madagascar	4.1	81.3	Mozambique	5.2	47.5
Total	57.1		Total	60.0	

Table 7.4b Countries with highest projected poverty rates in 2030 (baseline)

Country	2010		2030			
	Actual	Baseline	High growth	Low growth	Best case	Worst case
	(percent of population)					
Congo, Dem., Rep.	86.3	70.7	51.9	85.4	44.8	86.2
Madagascar	81.3	58.9	38.7	77.4	29.2	79.1
Chad	44.3	53.9	32.3	75.1	21.7	77.1
Central Afr. Rep.	62.9	51.9	35.1	68.8	27.1	71.3
Liberia	83.2	50.5	26.7	74.8	15.7	76.9
Average	71.6	57.2	36.9	76.3	27.7	76.1

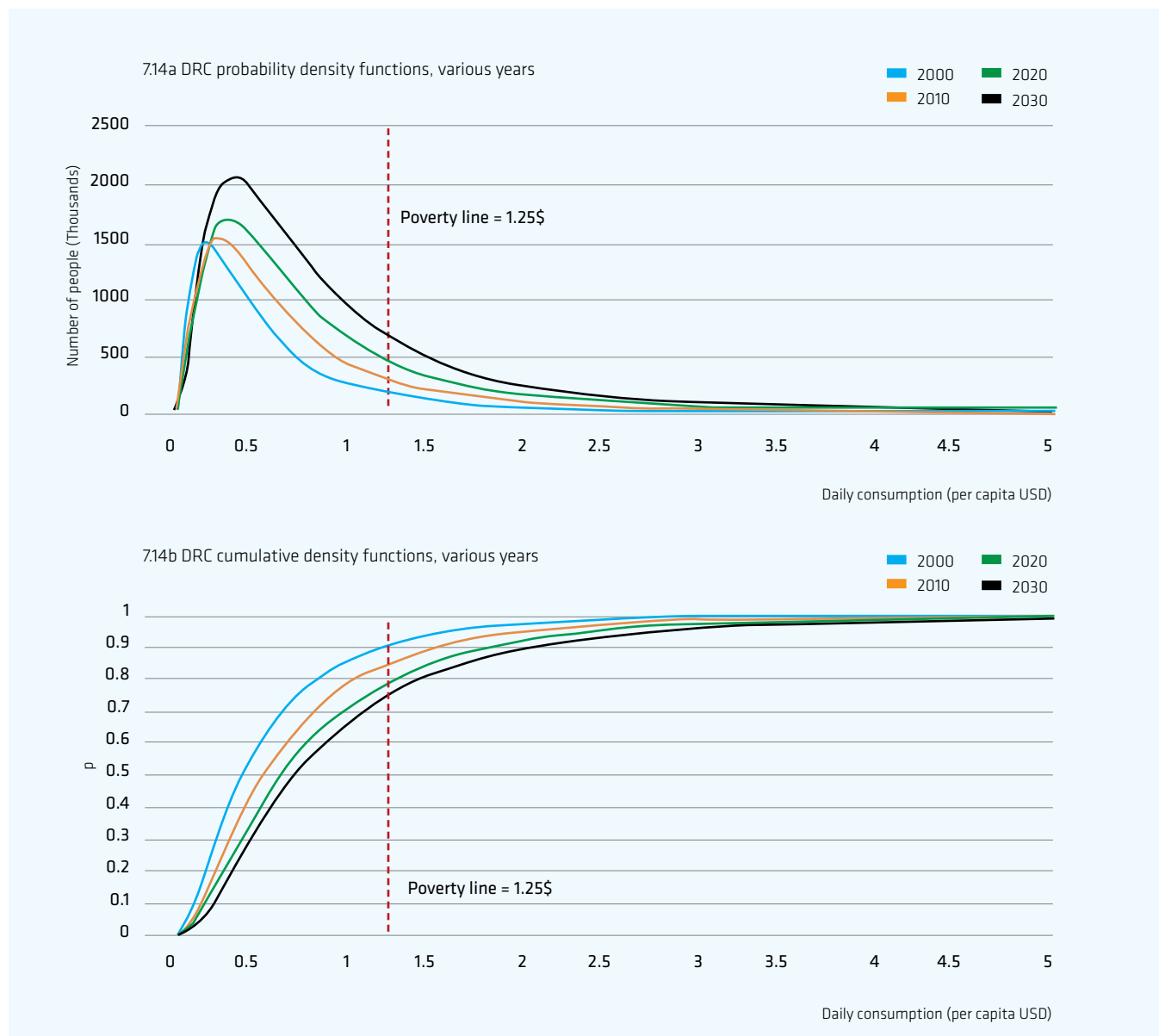
Note: Unweighted averages, based on \$2 a day poverty line
Source: Authors' calculations based on AfDB, World Bank and EIU databases.

7.2.2.4 Differences across Africa's sub-groups - contexts of fragility

To understand the drivers of poverty reduction in Africa, we examine the performance of the main sub-groups: (i) Oil exporters; (ii) Frontier markets; (iii) Fragile contexts; and, (iv) Others.

Classifying SSA countries by oil exporters, frontier markets, fragile contexts and others reveals that poverty rates in today's fragile states are expected to remain well above the rates recorded by other groups up to 2030, pulling up the region's average (Figure 7.15). Starting from a high rate in 2010 (almost 60 percent of the population), countries undergoing contexts of fragility are projected to maintain the highest poverty rates, even to 2030: About

Figure 7.14 Poverty rates in the Democratic Republic of Congo, 2000 - 2030

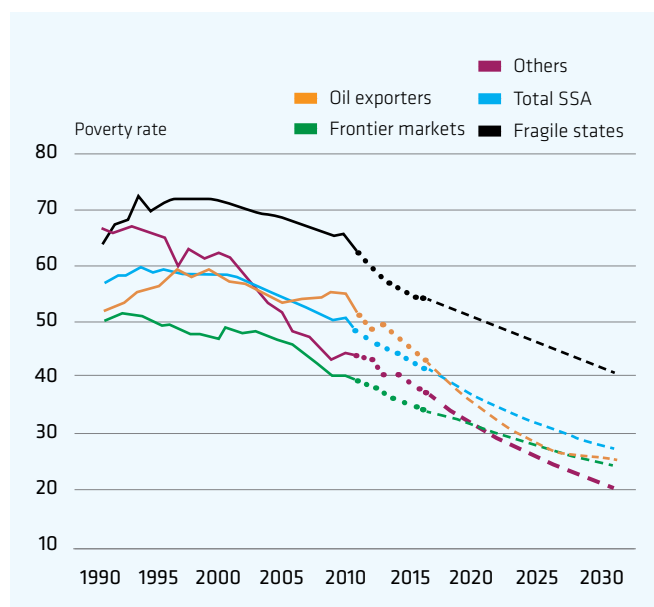


Source: Authors' calculations based on AfDB, UN, World Bank and the EIU databases.

40 percent of the population will remain poor, in contrast to 20 percent in other countries. Even under the scenario of accelerated consumption growth, extreme poverty in countries undergoing contexts of fragility will amount to more than 25 percent of the population (Figure 7.16). The poverty gap (depth) is also projected to stay much higher in these countries than in others: It is expected to be 15 percent of the poverty line in 2030 compared with 7 percent in other countries.

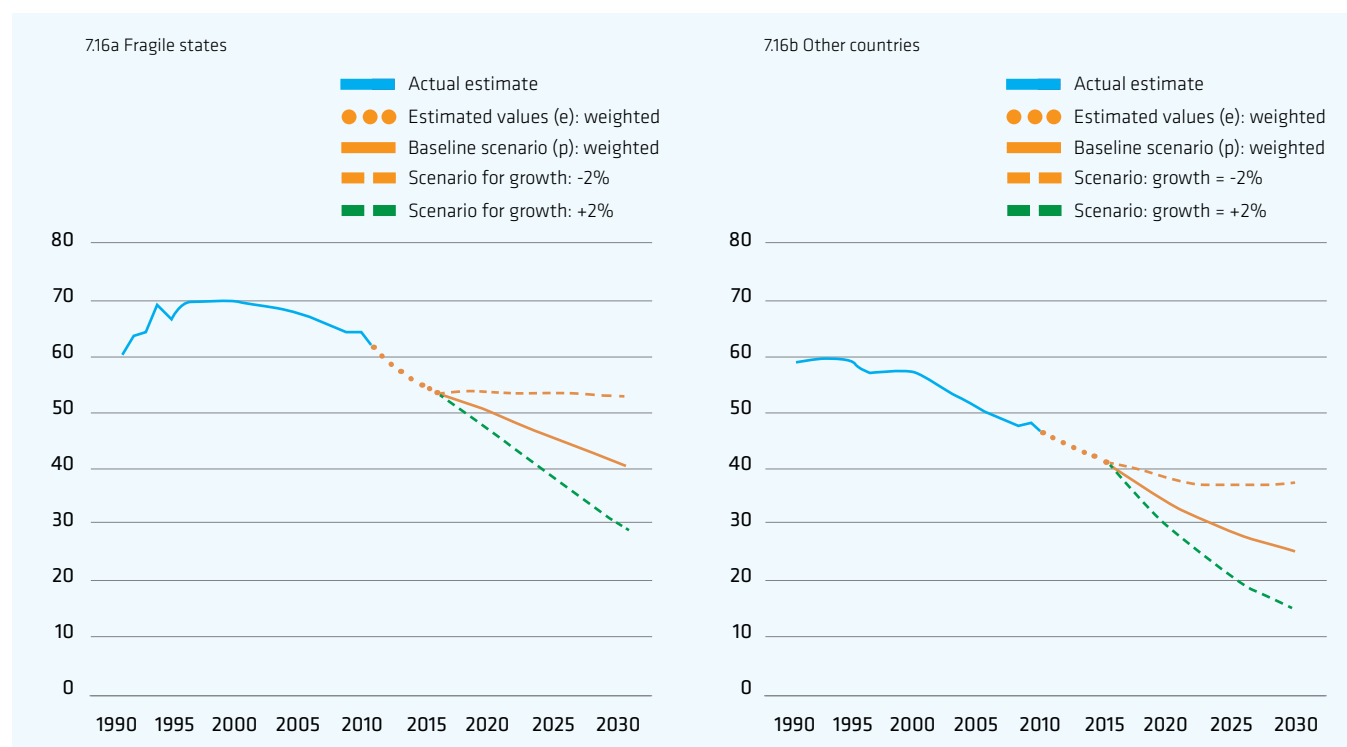
These results are heavily impacted by high rates of poverty in the DRC, which are projected to account for more than a third of the population of fragile states. Nevertheless, countries undergoing contexts of fragility constitute an important focus group for targeted poverty measures in SSA, with fragility defined as a condition of elevated risk of institutional breakdown, societal collapse or violent conflict (AfDB, 2014).

Figure 7.15 Poverty rates by SSA's sub-groups, percent of total population, 1990 - 2030



Note: Projections (dashed line) were carried out under the baseline scenario.
Source: Authors' calculations based on AfDB, UN, World Bank and the EIU databases.

Figure 7.16 Poverty rates: Baseline and different growth rate scenarios, (percentage of relevant population)



Source: Authors' calculations based on AfDB, UN, World Bank and the EIU databases.

7.2.3 Conditions required to eliminate extreme poverty in Africa by 2030

Ending extreme poverty is a moral imperative and arguably one of the most compelling challenges facing the development community. This section adopts an optimistic approach to eliminating poverty in Africa by arguing that ending poverty within 10 or 15 years (2025 or 2030) is difficult, but achievable. We first assess how much is needed to lift poor people out of extreme poverty, and second, at the macro level, we determine the level of growth and inequality reduction required to eradicate extreme poverty in Africa by 2025-2030.

7.2.3.1 Cost of eliminating extreme poverty in Sub-Saharan Africa

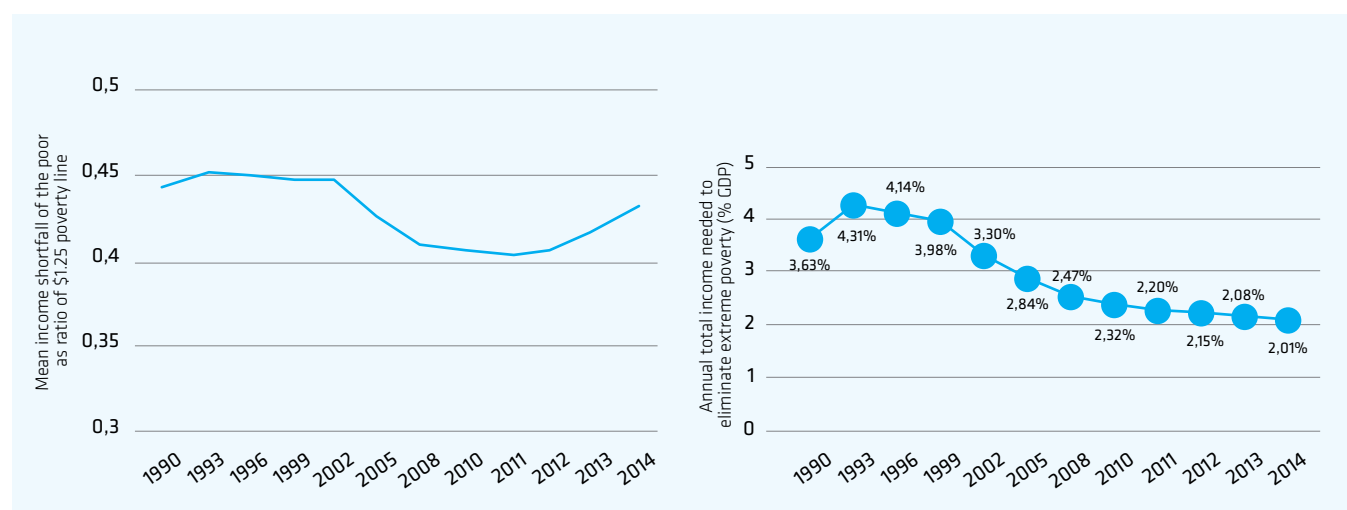
Africa's slow progress towards poverty reduction is not purely due to scarcity of resources. According to the Bank's estimates, the proportion of the continent's resources needed to address poverty is relatively low. The average income deficit (measured as the shortfall from the USD 1.25 poverty line) among Africa's extreme poor was as large as USD 0.42. Relative to the poverty line, the mean income shortfall for the poor has barely changed from 0.44 in 1990 to 0.42 in 2014. Between 1990 and 2014, both

the population and the absolute number of poor people increased dramatically from 508 million and 284 million in 1990 to 979 million and 420 million respectively. The high rate of population growth, especially among poorer households, has in turn slowed the pace of poverty reduction. The double burden, of high poverty incidence and high population growth, poses a challenge to Africa's sustainable development.

In monetary terms, the annual income deficit of the average poor person in Africa decreased from USD 161 in 1990 to USD 155 in 2014. Based on these figures, the amount of resources needed to eliminate extreme poverty for sub-Saharan Africa in 2014 was estimated at USD 65 billion, higher than the 1990 estimate of USD 46 billion. This high resource gap is due to the rise in the number of poor people. It should be noted that the share of annual GDP required to eliminate extreme poverty has declined, from 3.63 percent in 1990, to 2.01 percent 2014. Figure 7.17, below, depicts the estimated mean income shortfall of the poor as a ratio of USD 1.25, and the annual total income needed to bridge the income shortfall of the poor.

Over the years, there has been a significant decline in the share of GDP needed to bridge the income shortfall of the poor (Figure 7.17, right side). However, this decline is not due to a reduction in the number of poor people, nor to a

Figure 7.17 Sub-Saharan Africa's income shortfall and resources required to eliminate extreme poverty



Source: Authors' calculations. Note: Data are based on PovcalNet until 2011. Headcount poverty between 2011 and 2014 is based on AfDB staff estimation. Poverty gap figures for the same period are estimated using the mean growth of the poverty gap, based on the past 9 surveys.

reduction in the extent of extreme poverty: Africa has made only relatively limited progress on these fronts. Instead, it is largely due to the expansion of total economic resources, or GDP, during the intervening period. Thus, whilst economies grew, and potentially expanded the opportunities for poverty reduction, the number of absolute poor still increased at the same time, implying that Africa's poor, especially the extreme poor, have received limited benefits from the decade of high and sustained economic growth. Yet, as of 2014, only two percent of GDP was needed to lift more than 40 percent of the sub-Saharan African population out of extreme poverty.

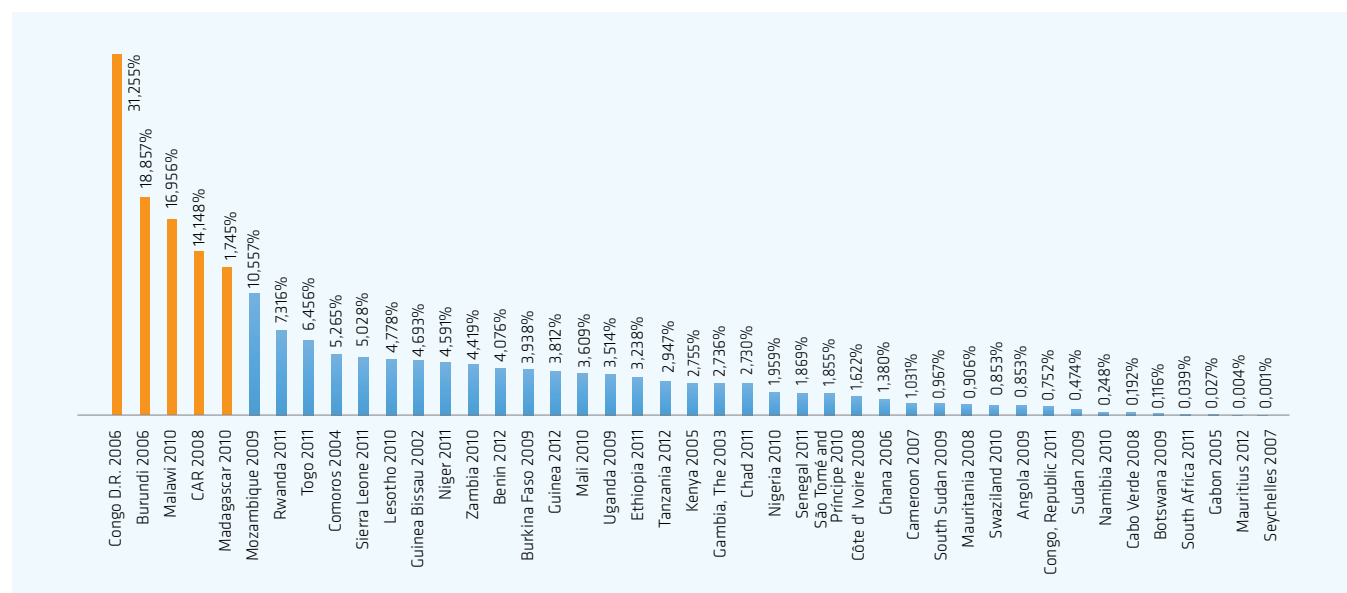
The capacity to eliminate extreme poverty differs across countries. Middle-income countries such as Seychelles, Mauritius, Gabon, South Africa and Botswana need less than 1 percent of their GDP to finance the income deficit required to eliminate poverty. Their low-income counterparts such as the Democratic Republic of Congo, Burundi, Malawi, Central African Republic and Madagascar require more substantial resources, in excess of 12 percent of their GDP (see Figure 7.18).

The estimates presented above suggest that distribution policies can have significant impacts on eliminating poverty in

Africa, especially in sub-Saharan Africa, which has the highest proportion of poor people. Most countries would require less than 5 percent of their national income to eliminate extreme poverty. While such policies could be used to reduce poverty headcount to zero, they do not address the vulnerability, neither among the majority of those who would be lifted out of poverty, nor for those whose incomes were only slightly above the poverty line at the time of intervention. Thus, a more comprehensive poverty reduction programme should target both poverty and vulnerability.

The amount of resources needed to eliminate poverty does not only depend on the number of poor people but also on the extent of deprivation among the poor. Extreme poverty, with a large number of people living on incomes much lower than the poverty line, can be more challenging than a situation where the majority of the poor are clustered just below the poverty line. Evidence shows that, while headcount poverty is high across Africa, extreme poverty cases are more common in highly unequal societies. Many of Africa's poor are clustered near the poverty line, requiring fewer resources to lift them out of poverty. A combination of sustained growth and appropriate redistribution policies could therefore make substantial progress in lowering poverty. This is addressed in the next section.

Figure 7.18 Percentage of GDP needed to keep everyone out of extreme poverty in a given year, by country



Source: Author's calculations. Data used are sourced from PovcalNet, based on the most recent country level survey data for each of the included countries.

7.2.3.2 Growth and redistribution required to eliminate extreme poverty in Sub-Saharan Africa

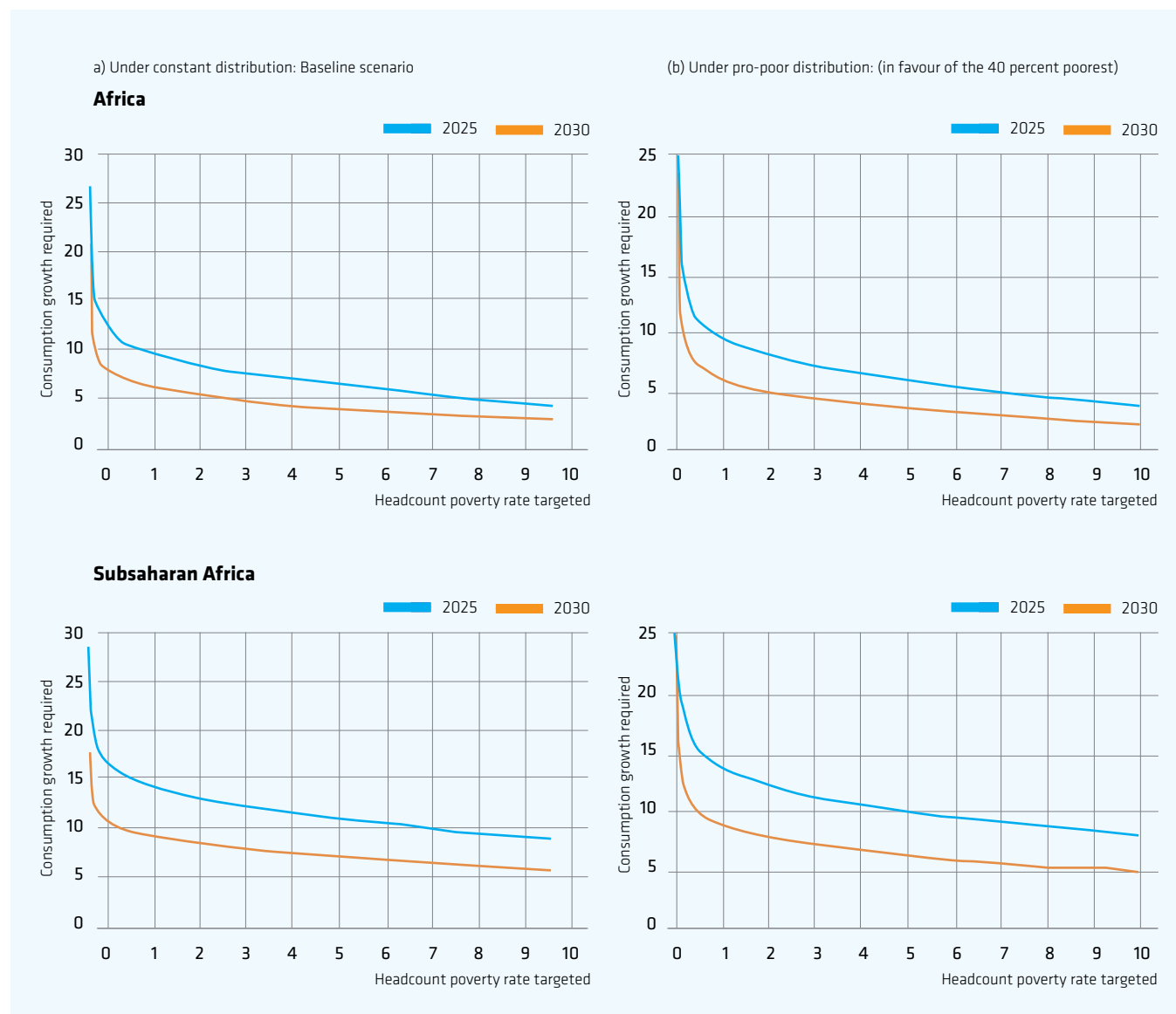
This section presents a simple analysis to determine the level of growth and inequality reduction needed to eliminate extreme poverty (reduce the percentage of the population living on less than \$1.25 a day to less than 3 percent) by 2025 or 2030. In each case, the analysis treats Africa, or SSA, as a unit and makes assumption that macroeconomic

variables affect poverty through consumption growth and distribution dynamics.⁷¹

Figure 7.17a displays a range of per capita consumption growth rates and the corresponding achievements in poverty reduction under a constant distribution of

71 For this reason, projections in this section are not comparable to those in earlier sections of this chapter.

Figure 7.19 Per capita consumption growth required to reach a specific target of headcount poverty rate by 2025/2030: Africa and SSA



Source: Authors' calculations based on the AfDB, World Bank and EIU databases

consumption (i.e. the baseline scenario). The simulations suggest that under these conditions, to achieve the objective of 3 percent poverty rate for Africa in 2025, consumption per capita should grow constantly by 8 percent per year during the next 10 years. Similarly, lowering Africa's headcount poverty to 3 percent by 2030 would require 5.3 percent annual consumption growth. The corresponding required consumption growth rates for SSA are 12.6 percent annual growth to 2025 and 8.2 percent until 2030.

In figure 7.17b, we assume that government implements pro-poor policies that shift the share of the richest 10

percent in favour of the poorest 40 percent of the population. Under this scenario, for Africa and SSA respectively, 6.9 and 11 percent growth of per capita consumption would be needed to achieve the 3 percent poverty rate target in 2025. When the deadline is pushed to 2030, it will require 4.1 and 6.8 percent annual consumption growth per capita.

Based on historical, current and projected growth rates of consumption, the value of per capita consumption associated with different scenarios of consumption growth and distribution can be estimated. How do these different



growth rates translate to changes in per capita consumption? On average, per capita consumption grew at less than 4 percent in Africa and in SSA over the last 10-15 years. Table 7.5 presents projected consumption per capita in US dollars under three scenarios. Under the business as usual scenario, per capita consumption is expected to reach USD 1,390 and USD 977 in 2025, for Africa and SSA respectively. Under a scenario of accelerated consumption growth but no change to current distributional patterns, the projected per capita consumption levels are USD 2,368 and USD 2,457 for Africa and SSA respectively by 2025. Under a third scenario, where accelerated consumption growth is accompanied by pro-poor distribution policies, achieving a 3 percent poverty target would require per capita consumption in Africa and SSA to increase to USD 2,138 and USD 2,130 respectively, by 2025. Interestingly, under a combined accelerated-growth and pro-poor distribution scenario, the continent could eliminate extreme poverty at lower consumption growth rates and consumption per capita levels compared to those under a scenario with no pro-poor distribution policies. In other words, to be able to reverse the “business as usual” trend and eliminate extreme poverty in the next decade, Africa will have to almost double average per capita consumption through higher growth, or a combination of growth and distribution policy levers.

It is therefore evident that tackling poverty through “business as usual” approaches will not achieve the desired results. In particular, the projections show that reaching a 3 percent poverty target would require doubling or even tripling current per capita consumption levels.

7.2.3.3 Policy responses to support extreme poverty elimination

The vital question is, how could African countries double or triple consumption per capita in order to eradicate extreme poverty over the next decade? Interventions, both at micro and macro levels need to be scaled up and to be made more adaptive to the needs of the poor. Economic growth remains a vital instrument for poverty reduction, though the impact of growth on poverty depends on factors such as the sectoral and labour composition of growth and the type of distribution policies. The extent of inclusion and sustainability of this growth is critical to its success in addressing poverty. Apart from economic growth, governments can alter the distribution of national wealth in favour of the less fortunate segments of society. Often, these distribution policies can help reach extremely poor households and address basic needs, such as food, health and shelter.

Table 7.5 Projected consumption per capita (constant 2005 USD) under different scenarios of consumption growth, Africa and SSA

	Africa	SSA
<i>a) Current and projected per capita consumption levels</i>		
2015	1 097	750
2025	1 390	977
2030	1 617	1 138
<i>b) Projected per capita consumption level needed to eliminating extreme poverty</i>		
<i>Optimistic Scenario - accelerated consumption-growth and constant distribution</i>		
2025	2 368	2 457
2030	2 380	2 446
<i>Optimistic Scenario - accelerated consumption-growth and pro-poor distribution</i>		
2025	2 138	2 130
2030	2 004	2 012

Source: Authors' calculations based on the AfDB, World Bank and EIU databases

At the micro level, various channels could be used to increase households' consumption. If governments and the private sector provide better income opportunities, in other words, better job opportunities, this will improve household income sources and allow them to spend more to improve living conditions. As discussed in earlier chapters, many Africans, in particular women and youth, have vulnerable jobs in the agriculture and informal sectors. Apart from the low income earned by people in these sectors, seasonality of their work and vulnerability to adverse shocks requires significant increases to their incomes in order to sustainably keep them out of poverty.

In cases of extreme poverty, where the benefits of growth are less likely to occur to the poor, government programmes such as social safety nets can be helpful. However, targeting such programmes is not easy, and poor targeting is inefficient. Using existing social infrastructure, such as traditional and religious institutions, can improve the effectiveness and lower the cost of delivering social safety nets.

At the macro and meso levels, the future of growth and poverty reduction in many African countries depends on the extent of economic diversification. For governments to reverse the current situation, structural changes need to happen in the agricultural sector as well as the industrial sector. Countries would need to develop agro-industry and manufacturing sectors. Unlike the extractive industries or the service sectors, agriculture, agro-industry, and manufacturing sectors can generate decent jobs for low skilled segments of the population. In addition, investment in agriculture and manufacturing sectors is likely to have higher pay-offs by lowering vulnerability to global price shocks and threats posed by food insecurity. In light of this, structural transformation that increases production and productivity in labour-intensive sectors, such as agriculture and manufacturing, will improve the resilience of economic growth while having a relatively larger impact on the lives of the poor. Such investments extend beyond the scope of government finance. Private sector participation and a wider commitment of the development community are needed to bridge investment gaps and unlock the potential for future growth and poverty reduction.

More specifically to achieve the goal of eliminating extreme poverty by 2025 or 2030, and to support structural transformation that generates decent jobs for the majority of Africans, access to development finance and how these funds are managed will be crucial. Since the 2008 financial crisis, followed by the debt crisis in developed countries, development financing has become a huge constraint for developing countries, especially in Africa. For that reason, African countries have to rethink how they can better mobilise resources, despite the decline in ODA to finance their future development. Domestic resource mobilisation is a major part of the solution because there is untapped potential in many African countries. These resources constitute a sustainable way of development financing. An option for policymakers would be to design and implement policy reforms to formalise the informal sector. Formalising the large informal sector, will not only generate domestic resources, but will also secure the jobs of the poor. Strengthening the tax system, especially tax collection, is also important for African countries so as to increase tax revenues. These revenues could in turn be invested in public service delivery and social transfers. Another important aspect is that countries need to address the issue of illicit financial outflows which remain a major obstacle in mobilising domestic finance on the continent. Finally, African countries could also tap into their diaspora to finance their structural transformation. Remittances have been flowing to the continent, but these resources could be better redirected toward investment in the private sector, support to public infrastructure, or even transfer of science and technology from developed or emerging economies to Africa. All these resources could have a significant impact on the process of structural transformation and wealth creation for many Africans.

Overall, strong policies, aimed at deepening the foundations for better growth, would be necessary. Governments can expedite progress in poverty reduction by enacting reforms that empower marginalised groups to effectively participate and reap the benefits of economic growth through meaningful employment and equal opportunities. Ending poverty is also about making progress in the non-monetary dimensions of welfare, including

education, health, nutrition, and access to essential infrastructure, as well as enhancing voice and participation of all segments of society in economic, social, and political

spheres. From this standpoint, governments should also implement measures that improve these non-monetary drivers of welfare.



7.3 Conclusion

After 15 years of MDG implementation and a decade of economic growth, Africa today enjoys a better standard of living than it had in 1990. Improvements have been achieved in health, education, gender equality and in overall living standards. However, progress has been uneven both across and within countries. While some countries have made good progress, others have been held back by a number of factors including inequality, increased exposure to external shocks due to undiversified economies, conflict, and poor initial conditions. Despite overall progress in achieving the MDGs, and in Africa's economic growth record, more than two-thirds of Africans still live in extreme poverty.



Under 'business as usual', for the next 10-15 years, poverty will remain a challenge for Africa and the continent may still face poverty ratios in excess of 5 percent; way higher than the SDG target of zero poverty by 2030. But this trend can be reversed, and extreme poverty can be eliminated in Africa if adequate actions are taken. For Africa to eradicate extreme poverty in the next 10-15 years, it needs to at least double per capita consumption. To reach such an objective, Africa needs to grow much faster, and over extended periods. Growth could be complemented with social safety net programmes. Protecting vulnerable groups through sound social protection schemes can be a vital tool in building resilience among the poor, and minimising the number of people that fall back into poverty due to shocks, be they natural, economic, social or health shocks.

Conflict and fragility carry high costs and impede poverty reduction. Differently put, the vicious circle between fragility and armed conflict reinforces extreme poverty (AfDB, 2009). Armed conflict has devastating consequences in terms of human lives and economic costs (e.g., destroyed infrastructure, people and capital flight, reduced activities that depend on trust, etc.). Post-conflict countries need to deal with this legacy as well as with weakened institutions and policy frameworks. Fragile situations thus warrant special attention from policymakers and development partners alike, especially since the African continent is most impacted by fragility.

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