Current Path
Inequality

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Inequality

In addition to modest economic growth, an important reason for Africa's slow reduction in poverty is its relatively high levels of inequality.

The most widely used measure to express income distribution is the Gini index, which ranges from 0 to 1. A score of 0 corresponds to complete equality (i.e. everyone earns the same), whereas 1 represents complete inequality (i.e. all the income accrues to only one person in society). Being a summary measure of income distribution, the Gini index does not identify whether a change in inequality is triggered by shifts at the bottom, middle or top of the income distribution. In addition, it is based on survey data that is often unsuited to capturing very high or very low incomes. This challenge is particularly acute in many developing countries, which generally do not have much information on income distribution.

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Chart 6: Gini index by African country, 2023

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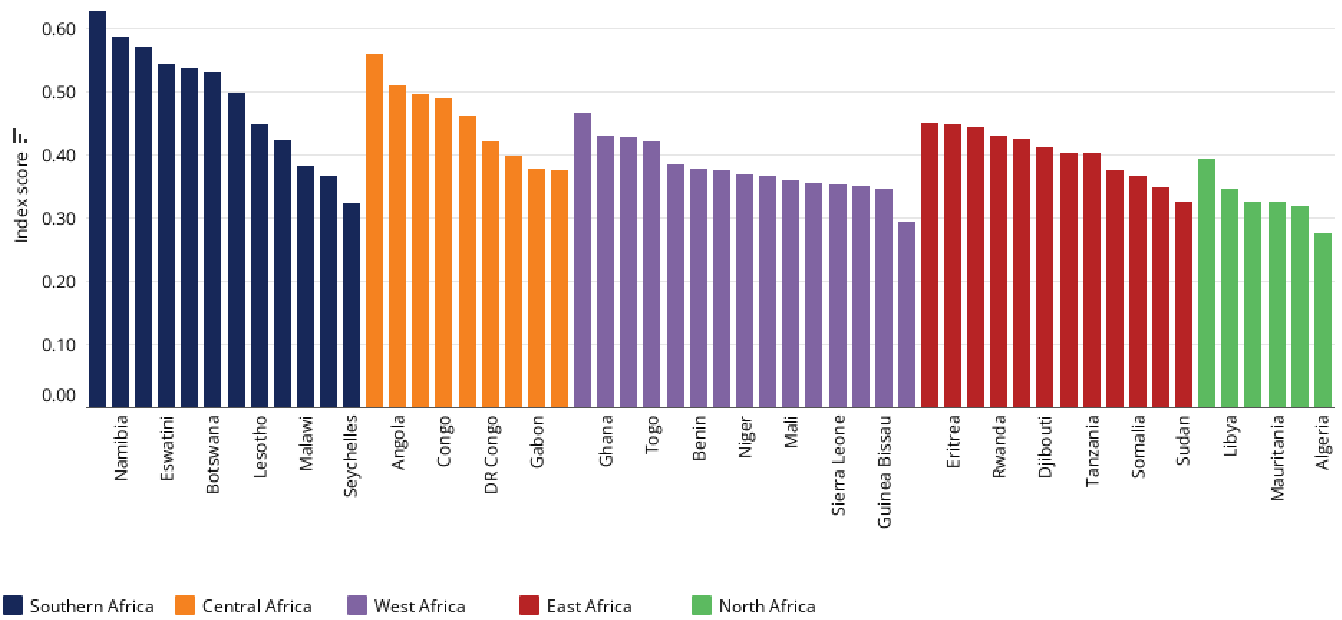

Source: IFs 8.34 initialising from IMF and UNPD data

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When comparing regions according to the Gini index, North Africa is significantly more equal than any other African subregion —largely a function of the central role that the state has played in providing all kinds of services and subsidies, often on the back of oil or gas income. Southern Africa is the most unequal region globally. Central, West and East Africa are somewhere between Southern and North Africa.

Another common way to measure inequality is the distribution of wealth such as done by the World Inequality Database that provides data on income inequality, average wealth and wealth inequality, often presented by gender. For example, in Europe the share of wealth held by the top 10% stood at 60.5% in 2022. This number is quite modest when compared to most other regions such as that 95% of net personal wealth in Sub-Saharan Africa is held by the top 10% and 78% in the Middle East and North Africa (MENA). In Latin America, generally considered the most unequal region globally, the number is "only" 78%. These are horrendous numbers and an important explanation of slow poverty reduction and instability in Africa.

Inequality is a complex phenomenon, well illustrated by the Freedom and Dignity Revolution (the Tunisian name for the so-called Arab Spring or Jasmine Revolution) that occurred in North Africa, despite its relatively high levels of development compared to the rest of the continent and low levels of inequality.

The promise of the Arab Spring has not alleviated the deep frustration among the citizenry. Tunisia is the only country in North Africa that transitioned to democracy but is now increasingly fragile. The progress in education, women's rights and general positive macroeconomic indicators since independence several decades ago conceal deep frustration in a populace weaned on large state subsidies of petrol, water, food and a vast array of state-owned enterprises that now consume large amounts of revenue, fuel corruption and limit opportunity. Special interest groups constrain political, social and economic opportunity. The impact is to confine the vast majority of the population to dependence. It is no surprise that frustration continues to simmer. With little economic growth expected and an increasingly authoritarian leadership, the potential for violent disruption is high.

These concerns and caveats aside, countries with low levels of inequality, such as Ethiopia, with a stronger bureaucracy can generally grow rapidly and translate that growth into extraordinary reductions in poverty should it benefit from capable, developmental leadership as happened with Prime Minister Meles Zenawi. This is until his unexpected demise, a subsequent leadership transition and its ethnic divisions rise to the fore, as happened in Tigray in 2020. Much more is required than economic growth, of course.

For example, in the early 1960s, GDP per capita in Ghana was more than three times above Botswana. Since then Botswana has consistently grown its economy more rapidly than Ghana to the extent that GDP per capita was roughly similar in 1973. A decade later, in 1983, the GDP per capita of Botswana was three times higher than that of Ghana, fully reversing the situation from the early 1960s. The reason is that the average growth rate for Botswana from 1961 to 1999 was 10.1%, whereas for Ghana it was only 2.5%. However, because Botswana has higher levels of inequality, poverty reduction in the two countries does not differ as much as expected. From 1970 to 1996, poverty in Botswana declined by 25 percentage points and by 14 percentage points in Ghana (using the US$2.15 poverty line).

Whereas Botswana is generally an island of stability and good governance in its region, Ghana has suffered from a series of coups, significant political instability and high levels of corruption for much of its independent history.

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About the authors

Dr Jakkie Cilliers is the ISS's founder and former executive director. He currently serves as chair of the ISS Board of Trustees and head of the African Futures and Innovation (AFI) programme at the Pretoria oce of the Institute. His 2017 best-seller Fate of the Nation addresses South Africa's futures from political, economic and social perspectives. His three most recent books, Africa First! Igniting a Growth Revolution (March 2020), The Future of Africa: Challenges and Opportunities (April 2021), and Africa Tomorrow: Pathways to Prosperity (June 2022) take a rigorous look at the continent as a whole.

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