Combined Scenario

Effect of sectoral scenarios on extreme poverty

Jakkie Cilliers

Last updated 14 January 2025 using IFs v8.13

Effect of sectoral scenarios on extreme poverty

In addition to interpreting extreme poverty rates in the Combined scenario, it is also useful to compare the impact of the eight sectoral scenarios on extreme poverty.

Chart 7 compares the impact on extreme poverty rates for each scenario with the forecast in the Current Path for each African country or group in 2033 or 2043, using the threshold of US$2.15. These would reflect the end of the second and third ten-year implementation plans of Agenda 2063.

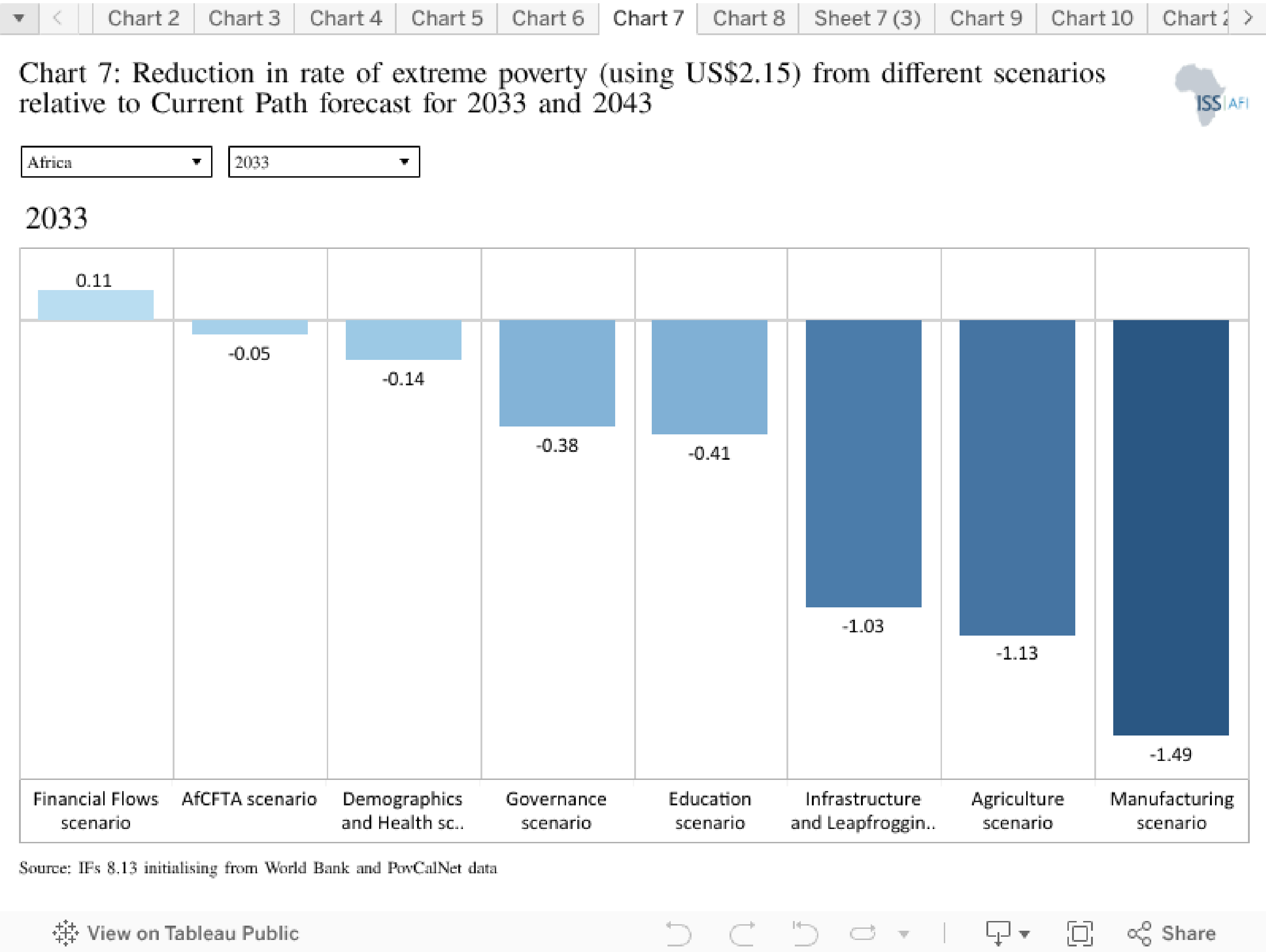

Chart 7: Reduction in rate of extreme poverty (using US$2.15) from different scenarios relative to Current Path forecast for 2033 and 2043

Source: IFs 8.13 initialising from World Bank and PovCalNet data

At the continental level, the Manufacturing scenario is particularly powerful in reducing extreme poverty by 2043, followed by the Agriculture and Education scenarios.

In low-income countries, the Manufacturing and the AfCFTA scenarios generally have the largest impact on poverty reduction, narrowly doing better than Agriculture. In low-middle-income countries Education does best followed by Agriculture. In Africa's seven upper-middle-income countries the Manufacturing scenario sees the most rapid reductions in extreme poverty followed by better Governance.

Here it is important to point out that the scenario on Manufacturing includes interventions that emulate cash transfers or social grants, since large increases in inequality and poverty often accompany the early stages of industrialisation. Cash transfers have proven a particularly effective short- to medium-term strategy for reducing poverty and inequality.

The general tendency in many North African countries has been to subsidise fuel and foodstuffs, often linked to foreign exchange payments. Still, these tend to lock governments into expensive programmes they find impossible to retreat from. For this reason, and also because of the market distortions such subsidies can create, the World Bank and the IMF generally target the reduction of fuel and food subsidies as a key component in their assistance strategies and have only grudgingly come around to support cash grant systems in recent years. Poor countries generally have limited financial means to effect substantive transfers to the poor through social grant programmes. It is a policy that is particularly well suited to countries that discover new mineral resources, such as the gas potential of Tanzania and Mozambique. In these countries, a portion of the associated income can be ring-fenced for allocation as cash grants as an effective and efficient means to alleviate extreme poverty in the short to medium term.

Donors and sponsors

Cite this research

Jakkie Cilliers (2025) Combined Scenario. Published online at futures.issafrica.org. Retrieved from https://futures.issafrica.org/thematic/17-combined-agenda-2063/ [Online Resource] Updated 14 January 2025.

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, head of the African Futures and Innovation (AFI) programme at the Pretoria oce of the Institute, and is an extraodinary professor at the University of Pretoria. 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.

About African Futures & Innovation

Scenarios and forecasting can help Africa identify and respond to opportunities and threats. The work of the African Futures & Innovation (AFI) program at the Institute for Security Studies aims to understand and address a widening gap between indices of wellbeing in Africa and elsewhere in the world. The AFI helps stakeholders understand likely future developments. Research findings and their policy implications are widely disseminated, often in collaboration with in-country partners. Forecasting tools inspire debate and provide insights into possible trajectories that inform planning, prioritisation and effective resource allocation. Africa's future depends on today's choices and actions by governments and their non-governmental and international partners. The AFI provides empirical data that informs short- and medium-term decisions with long-term implications. The AFI enhances Africa's capacity to prepare for and respond to future challenges. The program is headed by Dr Jakkie Cilliers.