Combined Agenda 2063
Effect of sectoral scenarios on extreme poverty

Jakkie Cilliers
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In addition to interpreting extreme poverty rates in the Combined Agenda 2063 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.

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.
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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 office 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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