

Basic  
elements

Tomi

What is  
feasible?

Methodology

Determining  
poverty-lines

The state of  
poverty and  
inequality in  
Africa

Determining the  
Growth Rate  
required to  
Address Poverty  
and Inequality

Determining the  
Financing Gap

Results and  
Discussion

Results and  
Discussion

Conclusion  
and Policy  
Implications

# Growth and Development Finance Required for Achieving Sustainable Development Goals (SDGS) in Africa

Zivanemoyo Chinzara, Abbi Kedir, Sandjong Tomi

New Delhi, June 2016

# Remarks

Basic elements

Tomi

What is feasible?

Methodology

Determining poverty-lines

The state of poverty and inequality in Africa

Determining the Growth Rate required to Address Poverty and Inequality

Determining the Financing Gap

Results and Discussion

Results and Discussion

Conclusion and Policy Implications

- **Determining the financing gap is a complex and speculative exercise**(see Devarajan, 2002; Atisophon, 2011).
- **The estimated financing gap should be interpreted with caution and can only be used as indicative of the financing required the SDG goals of poverty and inequality**
- The second source of complexity is the fact that there is ignorance and the huge uncertainty surrounding the range of assumptions that have to be made about the variables used to determine the financing gap (Atisophon et al 2011). This is mainly due to the **absence/reliability of existing data, the need to make numerous assumptions and value judgments. What we do not know outweigh what we know !!!**

# Key Questions

Basic  
elements

Tomi

What is  
feasible?

Methodology

Determining  
poverty-lines

The state of  
poverty and  
inequality in  
Africa

Determining the  
Growth Rate  
required to  
Address Poverty  
and Inequality

Determining the  
Financing Gap

Results and  
Discussion

Results and  
Discussion

Conclusion  
and Policy  
Implications

- Is eradicating poverty within 15 years feasible given the initial conditions?
- What is the financing gap needs to be bridged to eradicate poverty, while keeping the same level of inequality by 2030?
- What is the financing gap that needs to be bridged to halve poverty and inequality by 2030?
- How long will it take to eradicate extreme poverty if Africa grows at 7 per cent?

# What is feasible?

Basic elements

Tomi

What is feasible?

Methodology

Determining poverty-lines

The state of poverty and inequality in Africa

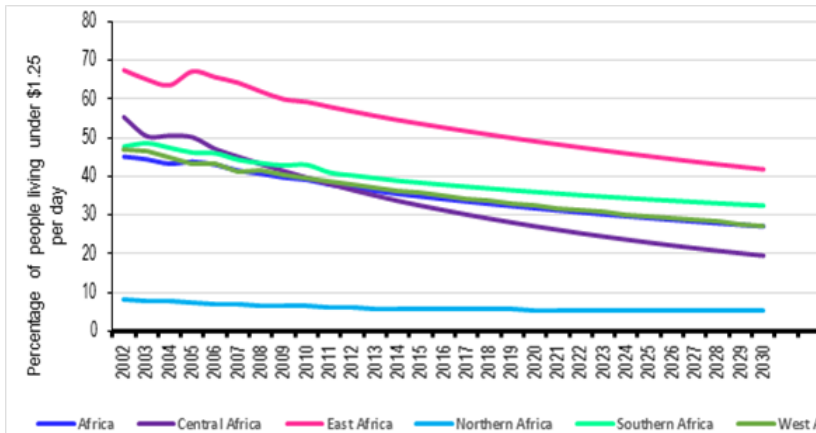
Determining the Growth Rate required to Address Poverty and Inequality

Determining the Financing Gap

Results and Discussion

Results and Discussion

Conclusion and Policy Implications



# What is feasible? Cont...

Basic  
elements

Tomi

What is  
feasible?

Methodology

Determining  
poverty-lines

The state of  
poverty and  
inequality in  
Africa

Determining the  
Growth Rate  
required to  
Address Poverty  
and Inequality

Determining the  
Financing Gap

Results and  
Discussion

Results and  
Discussion

Conclusion  
and Policy  
Implications

- Countries have different levels of poverty. For instance, those with the highest initial poverty rates need extraordinary efforts to improve their poverty situation relative to others with lower rates of poverty to start with.
- If poverty were to decline at the same rate as it did between 2002 and 2012, Africa will only achieve a poverty level of just below 30 per cent by 2030
- Moreover, given the actual growth rate of the population coupled with the possibility of the poverty line to shift up before 2030, income per capita should grow faster to ensure that the size of the population below the poverty line is close to zero or at least below 3 per cent in less than 16 years

# What is feasible? Cont...

Basic elements

Tomi

What is feasible?

Methodology

Determining poverty-lines

The state of poverty and inequality in Africa

Determining the Growth Rate required to Address Poverty and Inequality

Determining the Financing Gap

Results and Discussion

Results and Discussion

Conclusion and Policy Implications

- Even if poverty were to be eliminated to zero at one point, it is possible that at any point in time, people may temporarily fall back into poverty due to reasons beyond their control (World Bank, 2015). *This might happen due to, for example, global shocks such as financial crises, natural disasters, sudden outbreak of war and diseases*
- Reducing extreme poverty to zero, given the current elasticities of poverty and poverty lines with respect to income and inequality will imply that countries GDP will need to grow at historic levels well above the recent robust growth rates prevailing in Africa.
- Eliminating extreme poverty by 2030 will not be possible even under the best case scenario on growth and redistribution. Ncube, et al. (2015), Ravallion, (2013), Chandy et al. (2013), Hughes, et al. (2009).

# Methodology: Determining poverty-lines

Basic elements

Tomi

What is feasible?

Methodology

Determining poverty-lines

The state of poverty and inequality in Africa

Determining the Growth Rate required to Address Poverty and Inequality

Determining the Financing Gap

Results and Discussion

Results and Discussion

Conclusion and Policy Implications

$$\ln z = \underset{(s.e)}{3.119} + \underset{(0.04)}{0.0066} \mu - \underset{(0.00)}{0.00000116} \mu^2 \quad (1)$$

Where

$z$  = the poverty line

$\mu$  = mean consumption expenditure per person per month in 2005 PPP USD

$$\varepsilon = \frac{d \ln z}{d \ln \mu} \quad (2)$$

Where  $\varepsilon$  is the the elasticity of poverty line with respect to mean income.

# Methodology: Determining poverty-lines Cont...

Basic  
elements

Tomi

What is  
feasible?

Methodology

Determining  
poverty-lines

The state of  
poverty and  
inequality in  
Africa

Determining the  
Growth Rate  
required to  
Address Poverty  
and Inequality

Determining the  
Financing Gap

Results and  
Discussion

Results and  
Discussion

Conclusion  
and Policy  
Implications

$$P(\alpha, z) = \frac{1}{n} \sum_{1 \leq i \leq q} \left(\frac{g_i}{z}\right)^\alpha 1_{\{y_i \leq z\}} \quad (3)$$

Where

$\alpha$  : is a parameter reflecting the degree of aversion to poverty ;

$n$  : is the size of the population (poor and non-poor);

$q$  : is the size of the population of poor ;

$z$  : is the poverty line ;

$g_i$ : is the poverty gap.



# Determining poverty-lines Cont...

Basic  
elements

Tomi

What is  
feasible?

Methodology

Determining  
poverty-lines

The state of  
poverty and  
inequality in  
Africa

Determining the  
Growth Rate  
required to  
Address Poverty  
and Inequality

Determining the  
Financing Gap

Results and  
Discussion

Results and  
Discussion

Conclusion  
and Policy  
Implications

$$P = P(\mu/z, m) \quad (4)$$

$$P^* = [(1 - \varepsilon)\eta] \mu^* + \nu m^* \quad (5)$$

Where

$\eta$  : is the elasticity of poverty with respect to mean income;  
 $\nu$  : is the the elasticity of poverty with respect to the Gini coefficient/inequality.

$P^*$ ,  $\mu^*$ ,  $m^*$  are respectively the growth rates of poverty, income per capita and inequality(Gini coefficient) between two periods  $t$  and  $t + n$ .

# The state of poverty and inequality in Africa

Basic elements

Tomi

What is feasible?

Methodology

Determining poverty-lines

The state of poverty and inequality in Africa

Determining the Growth Rate required to Address Poverty and Inequality

Determining the Financing Gap

Results and Discussion

Results and Discussion

Conclusion and Policy Implications

- The average poverty line for Africa stands at USD 45.22 per month (i.e. USD1.5 per day) in 2014, albeit it varies widely across the sub-regions
- The headcount poverty ratio for Africa is estimated to be 40.6%
- Southern Africa has the highest headcount ratio of 59.5% per cent, followed by East Africa (39.8%), West Africa (39.2%), Central Africa (38.43%), and North Africa (27%)

Region	N. of Countries	Poverty line (\$)	Head-Count ratio (%)	Poverty-Gap ratio (%)	Sq Poverty Gap ratio (%)	Gini coefficient (%)	Mean Consumption (\$)*
Central Africa	4	47.85	38.43	14.94	7.78	45.49	97.02
East Africa	8	32.87	39.81	15.2	7.83	45.4	56.02
Northern Africa	6	65.72	26.95	7.52	3	36.42	159.5
Southern Africa	6	61.47	59.46	28.82	17.31	54.97	128.56
West Africa	13	35.04	39.2	13.55	6.36	40.05	64.57
Africa	37	45.23	40.55	15.56	8.06	43.62	109.20

# The state of poverty and inequality in Africa Cont...

Basic elements

Tomi

What is feasible?

Methodology

Determining poverty-lines

The state of poverty and inequality in Africa

Determining the Growth Rate required to Address Poverty and Inequality

Determining the Financing Gap

Results and Discussion

Results and Discussion

Conclusion and Policy Implications

- The poverty line varies from a high of USD 93 for upper-middle income countries to a low of USD 31.90 for low-income countries
- Low income countries have the highest headcount ratio at 42.6% while upper-middle income and lower-middle income countries have a slightly lower poverty headcount ratio of 38.1%

Economies by per Capita	N. of Countries	Poverty line (\$)	Head- Count ratio (%)	Poverty-Gap ratio (%)	Sq Poverty Gap ratio (%)	Gini coefficient (%)	Mean Consumption (\$)*
Upper middle income	5	93	38.1	16	8.7	47.9	218.6
Lower middle income	12	47.5	38.1	14.8	8	42.7	106.1
Low income	20	31.9	42.6	15.9	8	43.1	51.9

# Determining the Growth Rate required to Address Poverty and Inequality

Basic elements

Tomi

What is feasible?

Methodology

Determining poverty-lines

The state of poverty and inequality in Africa

Determining the Growth Rate required to Address Poverty and Inequality

Determining the Financing Gap

Results and Discussion

Results and Discussion

Conclusion and Policy Implications

- **Scenario 1:** Ending extreme poverty by 2030 based on the USD1.25, while keeping inequality constant;
- **Scenario 2** Halving poverty based on the new poverty lines as well as international poverty lines;

To explore the growth and distribution implication of the required growth rate we follow Sarel (1997) and Ali (1999) and used the estimated Kuznets curve based on the formulation suggested by Anand et al (1993).

$$m = \underset{(33.7)}{46.4} - \underset{(-12.6)}{0.00145} y - \underset{(-1.99)}{1940(1/y)} + c'X \quad (6)$$

Where  $m$  is the Gini Coefficient;  $y$  is the income variable measured in 2005 PPP-adjusted dollars per person per year;  $X$  is a vector of other explanatory variables in the equation and  $c'$  is a vector of their estimated coefficients.

# Determining the Growth Rate required to Address Poverty and Inequality

Basic elements

Tomi

What is feasible?

Methodology

Determining poverty-lines

The state of poverty and inequality in Africa

Determining the Growth Rate required to Address Poverty and Inequality

Determining the Financing Gap

Results and Discussion

Results and Discussion

Conclusion and Policy Implications

From (6) it is possible to estimate the elasticity of the Gini coefficient with respect to income,  $k$ .

$$k = \frac{d \ln m}{d \ln y} = [-0.00145y + 1940/y] m \quad (7)$$

Using equations (2), (5), (7) and the average population growth rate, the required growth rate is given as follows

$$g_G^* = \mu_G^* + n_G \quad (8)$$

Where

$$\mu_G^* = \frac{\sum_{i=1}^p \mu_i^* Pop_i 1_{\{i \in G\}}}{\sum_{i=1}^p 1_{\{i \in G\}}}$$

$$n_G = \frac{\sum_{i=1}^p n_i 1_{\{i \in G\}}}{\sum_{i=1}^p 1_{\{i \in G\}}}$$

# Determining the Financing Gap

Basic  
elements

Tomi

What is  
feasible?

Methodology

Determining  
poverty-lines

The state of  
poverty and  
inequality in  
Africa

Determining the  
Growth Rate  
required to  
Address Poverty  
and Inequality

Determining the  
Financing Gap

Results and  
Discussion

Results and  
Discussion

Conclusion  
and Policy  
Implications

Once the target growth rate needed to SDGs under the scenarios (1) and (2) is determined, a set up akin to the Harrod-Domar model is used to determine the resources needed.

$$\mu_G^* = f(s, \theta, FDI, ODA, n_G, A) \quad (9)$$

Based on a simple Harrod-Domar model, where savings is the only source of financing,

$$\mu_G^* = \frac{s}{\theta} - n_G \quad (10)$$

# Determining the Financing Gap Cont...

Basic  
elements

Tomi

What is  
feasible?

Methodology

Determining  
poverty-lines

The state of  
poverty and  
inequality in  
Africa

Determining the  
Growth Rate  
required to  
Address Poverty  
and Inequality

Determining the  
Financing Gap

Results and  
Discussion

Results and  
Discussion

Conclusion  
and Policy  
Implications

Augmenting others resources, (10) can be rewritten as :

$$\mu_G^* = \frac{sY + ODA + FDI + A}{Y} * \frac{1}{\theta} - n_G \quad (11)$$

By rearranging (11) it is thus possible to derive financing gap and additional resources as

$$\text{Add res}(A) = \underbrace{(\mu_G^* + n_G) * Y * \theta - sY}_{\text{Required Investment}} - \underbrace{(ODA + FDI)}_{\text{External Finance}} \quad (12)$$

# Results and Discussion

Basic elements

Tomi

What is feasible?

Methodology

Determining poverty-lines

The state of poverty and inequality in Africa

Determining the Growth Rate required to Address Poverty and Inequality

Determining the Financing Gap

Results and Discussion

Results and Discussion

Conclusion and Policy Implications

## The Poverty and Poverty Line Elasticities

Elasticities of poverty measures with respect to income and the Gini coefficient: \$1.25 poverty line

Region	Head count ratio: w.r.t. Income (Gini)	Poverty Gap: w.r.t. Income and Gini	Square Poverty Gap: w.r.t. Income and Gini
Central Africa	-1.58(1.80)	-2.33(4.73)	-3.04(7.62)
East Africa	-1.25(0.62)	-1.84(2.19)	-2.35(3.74)
Northern Africa	-7.64(21.21)	-12.10(38.49)	-16.48(55.61)
Southern Africa	-1.94(10.82)	-3.48(24.30)	-4.91(37.58)
West Africa	-1.11(0.46)	-1.63(1.99)	-2.05(3.49)
<b>Africa</b>	<b>-2.60 (6.13)</b>	<b>-4.08 (12.49)</b>	<b>-5.47 (18.78)</b>
Economies by per Cap	Head count ratio: w.r.t. Income and Gini	Poverty Gap: w.r.t. Income and Gini	Square Poverty Gap: w.r.t. Income and Gini
Upper middle income	-3.62(18.02)	-6.08(38.30)	-8.50(57.69)
Lower middle income	-3.74(8.85)	-5.90(16.99)	-7.96(25.05)
Low income	-1.24(0.57)	-1.83(2.12)	-2.34(3.66)



# Results and Discussion Cont...

Basic elements

Tomi

What is feasible?

Methodology

Determining poverty-lines

The state of poverty and inequality in Africa

Determining the Growth Rate required to Address Poverty and Inequality

Determining the Financing Gap

Results and Discussion

Results and Discussion

Conclusion and Policy Implications

## The Poverty and Poverty Line Elasticities Cont...

Elasticities of poverty measures with respect to income and the Gini coefficient: Our Estimated poverty line

Region	Head count ratio: w.r.t. Income and Gini	Poverty Gap: w.r.t. Income and Gini	Square Poverty Gap: w.r.t. Income and Gini
Central Africa	-1.26 (1.11)	-1.66 (3.31)	-2.03 (5.47)
East Africa	-1.43 (1.39)	-2.10 (3.90)	-1.32 (6.37)
Northern Africa	-1.98 (2.18)	-2.84 (5.18)	-3.70 (8.18)
Southern Africa	-0.72 (0.39)	-1.12 (2.18)	-1.45 (3.92)
West Africa	-1.51 (1.09)	-2.20 (3.25)	-2.85 (5.38)
<b>Africa</b>	<b>-1.41 (1.22)</b>	<b>-2.05 (3.54)</b>	<b>-2.34 (5.82)</b>
Economies by per Capita	Head count ratio: w.r.t. Income and Gini	Poverty Gap: w.r.t. Income and Gini	Square Poverty Gap: w.r.t. Income and Gini
Upper middle income	-1.39 (1.69)	-2.05 (4.64)	-2.70 (7.55)
Lower middle income	-1.45 (1.35)	-2.03 (3.68)	-2.59 (6.00)
Low income	-1.40 (1.03)	-2.05 (3.17)	-2.10 (5.28)

# Required Growth Rates and Financing Gap under Scenario 1

Basic elements

Tomi

What is feasible?

Methodology

Determining poverty-lines

The state of poverty and inequality in Africa

Determining the Growth Rate required to Address Poverty and Inequality

Determining the Financing Gap

Results and Discussion

Results and Discussion

Conclusion and Policy Implications

- If Africa pursues the target of reducing extreme poverty to 3%, while keeping inequality constant, it needs a per capita income growth rate of 14% per annum between 2015 and 2030
- Assuming a yearly 2.47% population growth rate during this period, the required growth in real GDP will be 16.6% per annum
- The required growth rates varies widely across sub-regions and levels of development.eg. Central Africa (11.9%); East Africa(25.03%); North Africa(2.71%); Southern Africa(15.89%); West Africa(18.04%); UMI(2.34%); LMI(13.77%) and LI(22.55%)

# Required Growth Rates and Financing Gap under Scenario 1 Cont...

Basic elements

Tomi

What is feasible?

Methodology

Determining poverty-lines

The state of poverty and inequality in Africa

Determining the Growth Rate required to Address Poverty and Inequality

Determining the Financing Gap

Results and Discussion

Results and Discussion

Conclusion and Policy Implications

Region/level of dvlpt	Headcount 2014	Headcount 2030	Required income per capita growth (%)	Avg Pop growth	Required GDP growth rate (%)
Central Africa	27.11	3	9.16	2.74	11.9
East Africa	49.18	3	22.19	2.84	25.03
Northern Africa	5.63	2.29	1.03	1.68	2.71
Southern Africa	35.34	3	13.58	2.31	15.89
West Africa	49.38	3	15.38	2.67	18.04
Upper-middle income	5.96	2.77	0.8	1.54	2.34
Lower-middle income	33.83	2.73	11.46	2.31	13.77
Low income	48.72	3	19.69	2.86	22.55
Countries with poverty Headcount above the median	56.79	3	23.76	2.73	26.49
Countries with poverty Headcount below the median	18.74	2.72	4.49	2.22	6.71
<b>Africa</b>	37.65	2.86	14.06	2.47	16.54

# Required Growth Rates and Financing Gap under Scenario 1 Cont...

Basic elements

Tomi

What is feasible?

Methodology

Determining poverty-lines

The state of poverty and inequality in Africa

Determining the Growth Rate required to Address Poverty and Inequality

Determining the Financing Gap

Results and Discussion

Results and Discussion

Conclusion and Policy Implications

- Although Africa needs considerably high growth efforts to meet the 3% poverty headcount by 2030, the required growth efforts are subject to great divergence across sub-regions and level of development. The main driving factor behind this divergence are **initial poverty headcount and the magnitude of the elasticities of poverty with respect to various variables (e.g. income or inequality)**
- These results demonstrate that countries above the median (i.e. with high rate of poverty) tend to have weaker elasticities of poverty with respect to income and inequality. This is mainly due to **the absence of strong mechanisms/institutions in place that can guarantee the distribution of the benefits of growth.**

# Required Growth Rates and Financing Gap under Scenario 1 Cont...

Basic elements

Tomi

What is feasible?

Methodology

Determining poverty-lines

The state of poverty and inequality in Africa

Determining the Growth Rate required to Address Poverty and Inequality

Determining the Financing Gap

Results and Discussion

Results and Discussion

Conclusion and Policy Implications

- Africa will require a staggering investment to GDP ratio of approximately **87.5% per annum** and a corresponding residual finance of **65.46%** to achieve the growth rate required to reduce extreme poverty headcount to the minimum possible level i.e. 3%
- Upper-middle income countries will not need any additional resources to bring the extreme poverty headcount to below 3%, while lower-middle income and low income countries will need additional resources of approximately, 55.9% and 76.4% of GDP, respectively
- Countries below the median will require 6.7% of GDP, while countries above the median will require 26.5 % of GDP corresponding to a financing gap of 17.7% and 90% of GDP, respectively (e.g Burundi, DRC, Malawi, Nigeria, Rwanda and Zambia, whose poverty headcount is in excess of 60 per cent by 2014).

# Required Growth Rates and Financing Gap under Scenario 1 Cont...

Basic elements

Tomi

What is feasible?

Methodology

Determining poverty-lines

The state of poverty and inequality in Africa

Determining the Growth Rate required to Address Poverty and Inequality

Determining the Financing Gap

Results and Discussion

Results and Discussion

Conclusion and Policy Implications

Region	Required GDP growth rate (%)	ICOR	Domestic Savings rate (%)	Required investment/GDP rate (%)	Required External Finance (% GDP)	Current ODA Flows (% GDP)	Current FDI net inflows(% GDP)	Residual Finance (% GDP)
Central Africa	11.9	5.04	21.8	59.93	38.13	1.97	6.68	29.48
East Africa	25.03	3.84	7.15	96.11	88.96	3.31	2.64	83.01
Northern Africa	2.71	9.33	22.7	25.28	2.58	0.91	5.33	-3.67
Southern Africa	15.89	4.62	13.65	73.36	59.7	3.09	7.25	49.37
West Africa	18.04	4.89	12.41	88.22	75.8	3.02	4.14	68.65
Upper-middle income	2.34	8.04	23.67	18.77	-4.89	0.36	2.86	-8.11
Lower middle income	13.77	6.04	19.77	83.18	63.41	1.71	5.85	55.85
Low income	22.55	4.16	8.74	93.76	85.02	3.79	4.86	76.37
<b>Africa</b>	<b>16.54</b>	<b>5.29</b>	<b>14.46</b>	<b>87.53</b>	<b>73.07</b>	<b>2.64</b>	<b>4.98</b>	<b>65.46</b>

# Required Growth Rates and Financing Gap under Scenario 2

Basic elements

Tomi

What is feasible?

Methodology

Determining poverty-lines

The state of poverty and inequality in Africa

Determining the Growth Rate required to Address Poverty and Inequality

Determining the Financing Gap

Results and Discussion

Results and Discussion

Conclusion and Policy Implications

- Africa needs to grow by 6.22% per year to halve poverty under the international poverty lines respectively by 2030 corresponding to an investment to GDP ratio of 32.9% of GDP and a corresponding financing gap to GDP ratio of 10.9% per annum.
- Low income countries, lower-middle income countries and upper-middle countries need to grow at 7.7%, 5.6% and 2.5% respectively

# Required Growth Rates and Financing Gap under Scenario 2 Cont...

Basic elements

Tomi

What is feasible?

Methodology

Determining poverty-lines

The state of poverty and inequality in Africa

Determining the Growth Rate required to Address Poverty and Inequality

Determining the Financing Gap

Results and Discussion

Results and Discussion

Conclusion and Policy Implications

Region	$(1-\varepsilon)r$	$\nu K$	Required income per capita growth (%)	Avg Pop growth (%)	Required GDP growth rate (%)	Required investment /GDP rate (%)	Residual Finance (% of GDP)
Central Africa	-1.57	0.01	2.93	2.74	5.67	28.56	-1.88
East Africa	-1.24	0.02	5.45	2.84	8.28	31.81	18.7
Northern Africa	-7.59	-0.82	1.01	1.68	2.69	25.1	-3.84
Southern Africa	-1.93	-0.82	3.63	2.31	5.93	27.39	3.4
West Africa	-1.1	0.02	4.01	2.67	6.68	32.66	13.09
Upper middle income	-3.54	-0.49	1.03	1.51	2.55	20.47	-6.41
Lower middle income	-3.72	-0.31	3.25	2.31	5.55	33.56	6.23
Low income	-1.23	0.02	4.91	2.86	7.77	32.23	14.91
<b>Africa</b>	<b>-2.58</b>	<b>-0.26</b>	<b>3.75</b>	<b>2.47</b>	<b>6.22</b>	<b>32.94</b>	<b>10.87</b>



# How long will it take to eradicate extreme poverty if Africa grows at 7% ?

Basic elements

Tomi

What is feasible?

Methodology

Determining poverty-lines

The state of poverty and inequality in Africa

Determining the Growth Rate required to Address Poverty and Inequality

Determining the Financing Gap

Results and Discussion

Results and Discussion

Conclusion and Policy Implications

- With 7% real GDP growth per year, it will take Africa 33 years to eradicate extreme poverty.
- Upper-middle income countries will take a much shorter time period of 9 years while lower-middle income countries will have to wait for 26 years.
- Low income countries have to wait for 43 years getting them closer to the final years of the Agenda 2063 which articulates the transformation vision of the continent in the next 48 years.

# Conclusion and Policy Implications

Basic elements

Tomi

What is feasible?

Methodology

Determining poverty-lines

The state of poverty and inequality in Africa

Determining the Growth Rate required to Address Poverty and Inequality

Determining the Financing Gap

Results and Discussion

Results and Discussion

Conclusion and Policy Implications

## Conclusion

- **Addressing the goal of ending poverty seems to be daunting task** as seen from the required historically unprecedented high growth rates and the financing gap
- **Africa needs to grow by 16.6% per annum between 2015 and 2030** to achieve a poverty headcount ratio of less than 3 per cent in 2030
- The required financing gap of 65.5% of GDP per year between 2015 and 2030 is large.
- Certainly, these requirements are nearly impossible to achieve even if there are huge differences across countries depending on their levels of development and the sub-region they are located in.
- Yes growth is important but it has to be complemented with redistribution policies.

## Policy Implications

- **There is need to strengthening ways of mobilizing resources for investment** given the estimated large financing needs either to eradicate extreme poverty or halving both poverty and inequality simultaneously.
- **There is need to Channel remittances effectively towards growth-enhancing investment.** Ethiopia have, for example, successfully attracted remittances toward investment in sectors such as real estate and investment in public infrastructure (e.g. a bond for the Renaissance Dam).
- **Africa also needs to address the problem of illicit financial flows** to increase the available pot of domestic resources for productive purposes.

## Policy Implications

- **Africa also needs to strengthen mobilization of other domestic financial resources via savings and tax revenue collection** via aggressive spatial banking sector expansion to bring the unbanked to the financial system and through robust tax reforms and tax administration efficiency to improve public revenue collection.
- **Effort needs to go towards tackling inequality effectively.** This can be done through **redistribution through social safety net programs such as conditional-cash transfers, investing in education and ensuring that educational curriculum is aligned to the skills needed in industries.**

## Policy Implications

- There is ample evidence **that industrialization and manufacturing sector development has the potential to generate decent jobs and improve linkages between the sectors of the economy, thereby improving the responsiveness of poverty and inequality to growth.**
- Complex and age-old fundamental development problems such as poverty and inequality should be approached in the context of well-planned and executive development policies that focus on creating employment opportunities and improving the welfare of households

## Basic elements

Tomi

What is feasible?

## Methodology

Determining poverty-lines

The state of poverty and inequality in Africa

Determining the Growth Rate required to Address Poverty and Inequality

Determining the Financing Gap

Results and Discussion

Results and Discussion

## Conclusion and Policy Implications

**THANK YOU !!!**