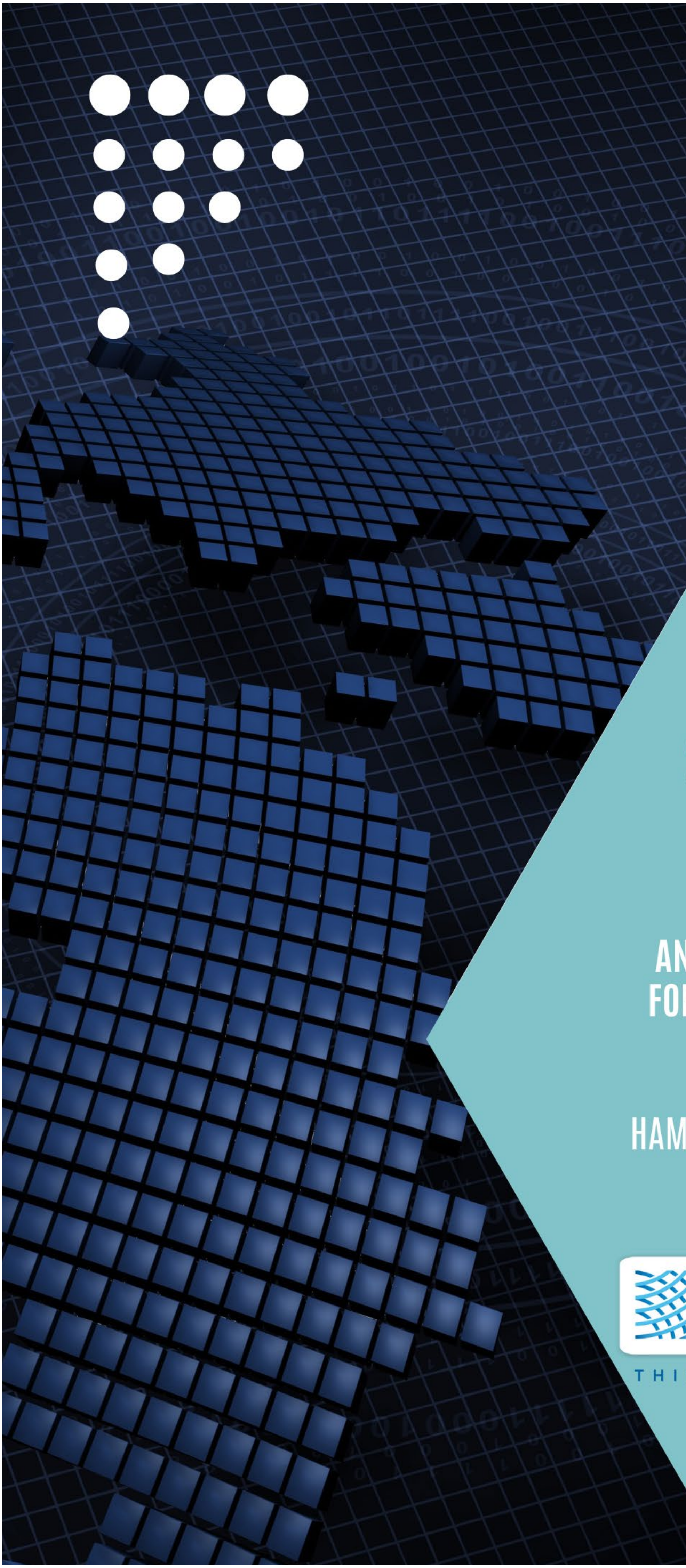

EMERGING MARKETS FORUM

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FIGHTING INEQUALITIES: A MAJOR CHALLENGE AND AN ESSENTIAL PREREQUISITE FOR INCLUSIVE AND SUSTAINABLE GROWTH IN AFRICA

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Emerging Markets Forum

Fighting inequalities: A Major Challenge and an Essential Prerequisite for Inclusive and Sustainable Growth in Africa

Hamza SAOUDI, Jean Louis-Sarbib

Introduction

Addressing inequalities in all their forms has emerged as one of the major global challenges faced by numerous countries across the globe, particularly in Africa. In a context where Africa faces many pressing challenges that are the subject of much analysis (Sarbib et al. 2022), there is a clear gap in conducting comprehensive reviews focused on inequalities, partly due to the lack of available data.

Inequalities, which are both consequences and partial causes of poor development outcomes, cover a wide range of issues, including disparities in education, access to healthcare, security, and migration. Recognizing the central role inequalities play, not only as outcomes but also as influential factors adding to socio-economic imbalances, requires a thorough and comprehensive analysis. Based on available data, this paper takes a deep look at the different facets of inequality in Africa and its evolution over time. It proposes broad areas of policy interventions that could address the situation.

Income inequalities in Africa are high. In 2021, according to the World Inequality Database, the share of the top 10% cluster on the African continent accounted on average for approximately 54% of the total national income, which is more than six times the share held by the bottom 50%. Wealth inequalities are even more pronounced, with the 10% richest Africans concentrating nearly 71% of total wealth, more than double the wealth held by the bottom 90%. Strikingly, the bottom half of the population possesses a meager fraction of the total wealth, amounting to nearly 1%. These findings underscore the pressing need to fully document the dimensions of inequality and to work towards a more equitable distribution of the fruits of development across African societies.

Recent empirical studies (Piketty, 2013, 2019) suggest that beyond a certain threshold, high levels of inequality have a negative impact on economic growth. Not only does it lead to a decline in domestic demand, but it also results in the underutilization of human capital (IMF, 2017), in great part because of gender inequalities.

High levels of inequality are associated with patterns of economic growth that disproportionately benefit the wealthy, rather than reaching the bottom 50% of the population. Less inclusive growth hinders poverty reduction efforts. Additionally, pronounced inequality can create a sense of frustration, which can fuel internal tensions and increase the likelihood of social conflicts, ultimately undermining social cohesion and investment.

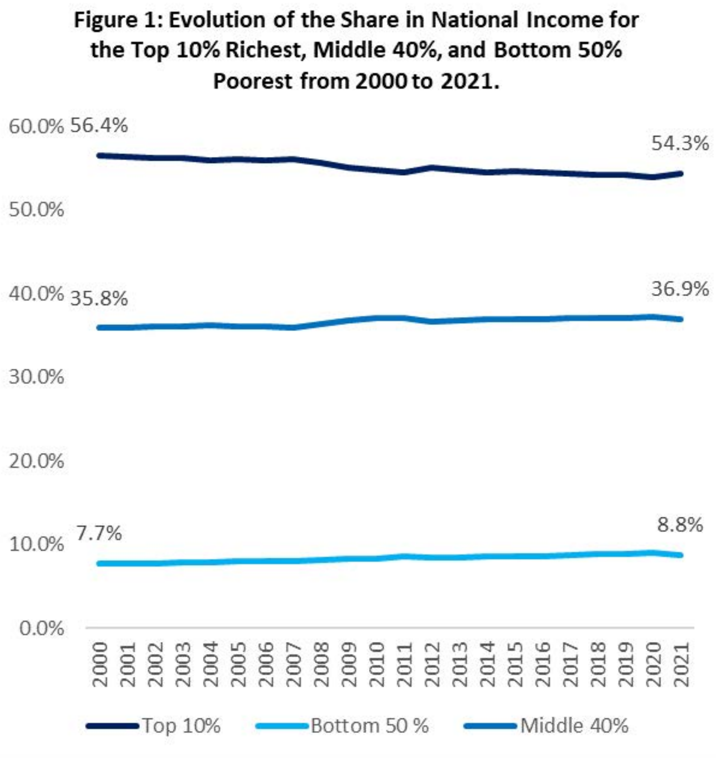
The COVID-19 pandemic has served as a stark reminder of the consequences of inequality. A significant majority of workers have lost their jobs and have been unable to meet their daily basic consumption needs. The impact has been particularly severe due to the prevalence of the informal sector, which accounts for an average of around 83% of total employment in Africa (ILO, 2022). Limited job security and inadequate social protections schemes for workers in the informal sector, the size of which is often the result of non-inclusive development, exacerbated inequalities. Compounding the issue, the low coverage of social protection programs for other populations with a mere 17% of the population covered by at least one social protection scheme (ILO, 2022). further deepened the vulnerability of the population to the pandemic.

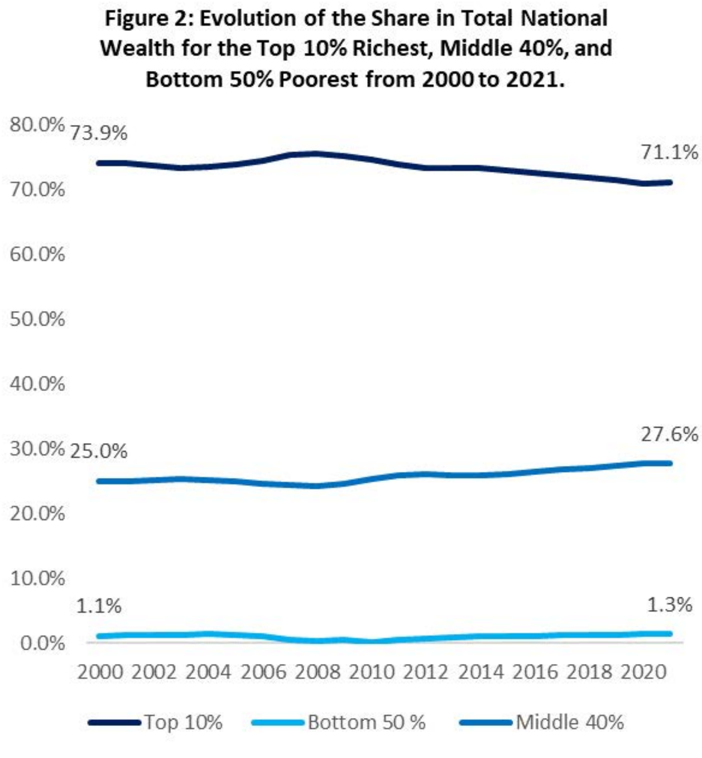
The combination of factors underlined by the COVID-19 pandemic has intensified the challenges faced by individuals and communities, underscoring the urgent need for comprehensive measures to address and redress the causes of persistent inequalities in African societies. Addressing income and wealth inequalities requires fostering more inclusive growth, focusing on shared prosperity, and enhancing resilience. This underlines the fundamental importance of strong, legitimate, and ethical leadership with the political will to tackle the underlying causes of inequality and the vested interests behind it. Such leadership is needed to produce significant changes in fiscal, social, educational, and governance policies. Transparency and access to statistical data at the country level in each African nation are crucial for a better understanding of the dynamics of within country and continental inequalities, as well as for the development of more appropriate inclusive economic policies.

Despite Africa's considerable progress in economic growth, both income and wealth inequalities remain high.

Despite Africa's progress in economic growth, which, according to International Monetary Fund (IMF) data, averaged almost 4.2% over the period 2000-2021, the scale of inequality remains high, with minimal change over time (Figures 1 and 2). The proportion of the highest decile, representing the richest 10% of the population in the overall income aggregate has undergone a marginal reduction, from around 56.4% in 2000 to 54.3% in 2021. This modest reduction in concentration has been almost evenly distributed between the bottom half of the income distribution and the middle 40% of the population, i.e., those between the least prosperous 50% and the most affluent 10%.

In terms of wealth inequality, the share of the top decile in total wealth fell from 73.9% to 71.1%, representing a perceptible drop of 2.8%. This gradual reduction, in turn, mainly conferred benefits on the middle segment of the population (40%)- the cohort between the richest 10% and the least wealthy 50% - while the poorest half of society did not experience any significant change. This latter group has experienced essentially stagnant wealth growth, hovering around a very low average of approximately 1% over the period 2000-2021.



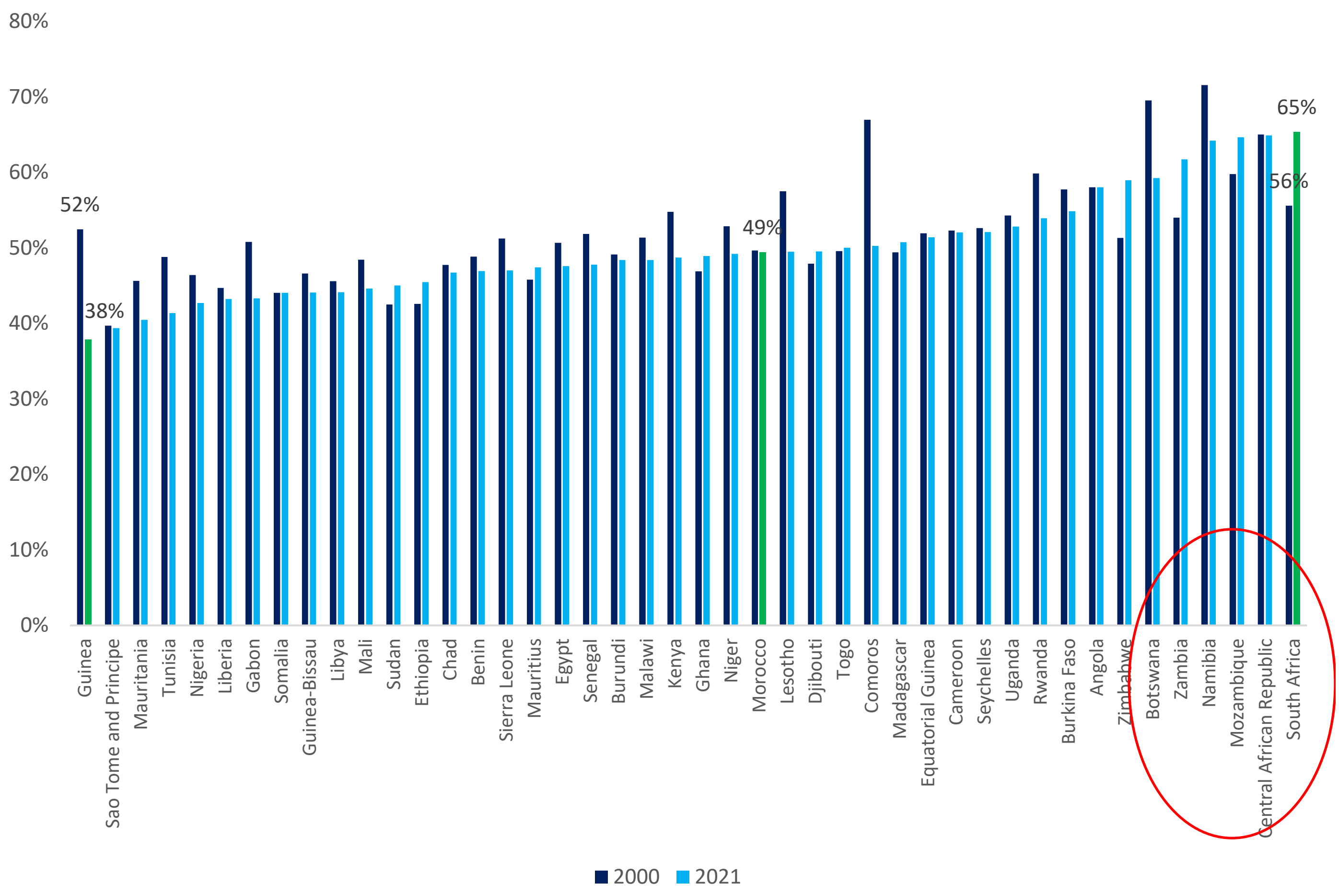


Authors' elaboration, World Inequality Database, 2022

The problem lies not only in these high levels of income and wealth inequality in Africa, but also in the average stagnation of incomes held by the poorest half of the total population, as well as by the middle class - represented by the 40% of the population who fall between the richest 10% and the poorest 50% of the total population. This stagnation becomes even more problematic in terms of poverty reduction when factoring in the rising cost of living (rising costs of housing, healthcare, higher education, childcare...). High levels of income and wealth inequality are associated with patterns of economic growth that benefit the rich more than the poorest 50% of the population, compounding the challenge of reaching more inclusive development outcomes.

These figures, however, conceal considerable regional and national heterogeneity. Indeed, the share of the richest 10% in total income in Africa varies considerably from country to country, ranging from 38% in Guinea to 65% in South Africa, which is considered the most unequal country in the world.

Figure 3 : Evolution of the income share held by the top 10% in total income in Africa between 2000 and 2021.



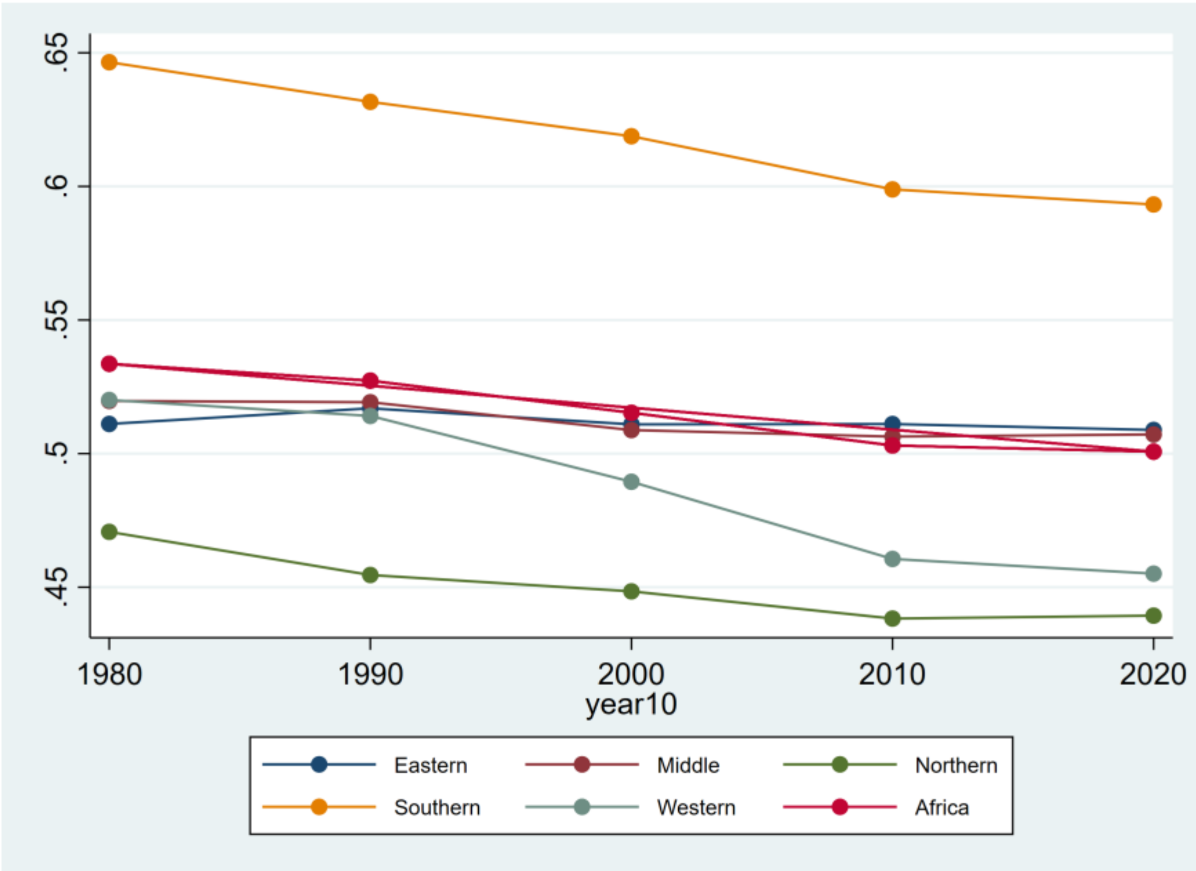
Authors' elaboration, World Inequality Database, 2022

While income inequalities have decreased across all African sub-regions, the reduction remains modest.

An examination of income inequality trends in Africa, covering the period from 1980 to 2020, shows a small yet persistent decrease in income inequality across nearly all African sub-regions. Significantly, this period witnessed an overall modest reduction of approximately 3% in income inequality across the entire continent over the course of four decades. In the early 1980s, the average top 10% income share stood at around 53%, gradually decreasing to 50% over time.

This shift towards greater income equality is more pronounced in Southern and Western Africa, where sub-regional inequality has shown more substantial declines. Conversely, Eastern and Northern African countries have witnessed minimal changes in income inequality on average.

Figure 4: Evolution of the share of the top 10% wealthiest individuals in total income by African region.

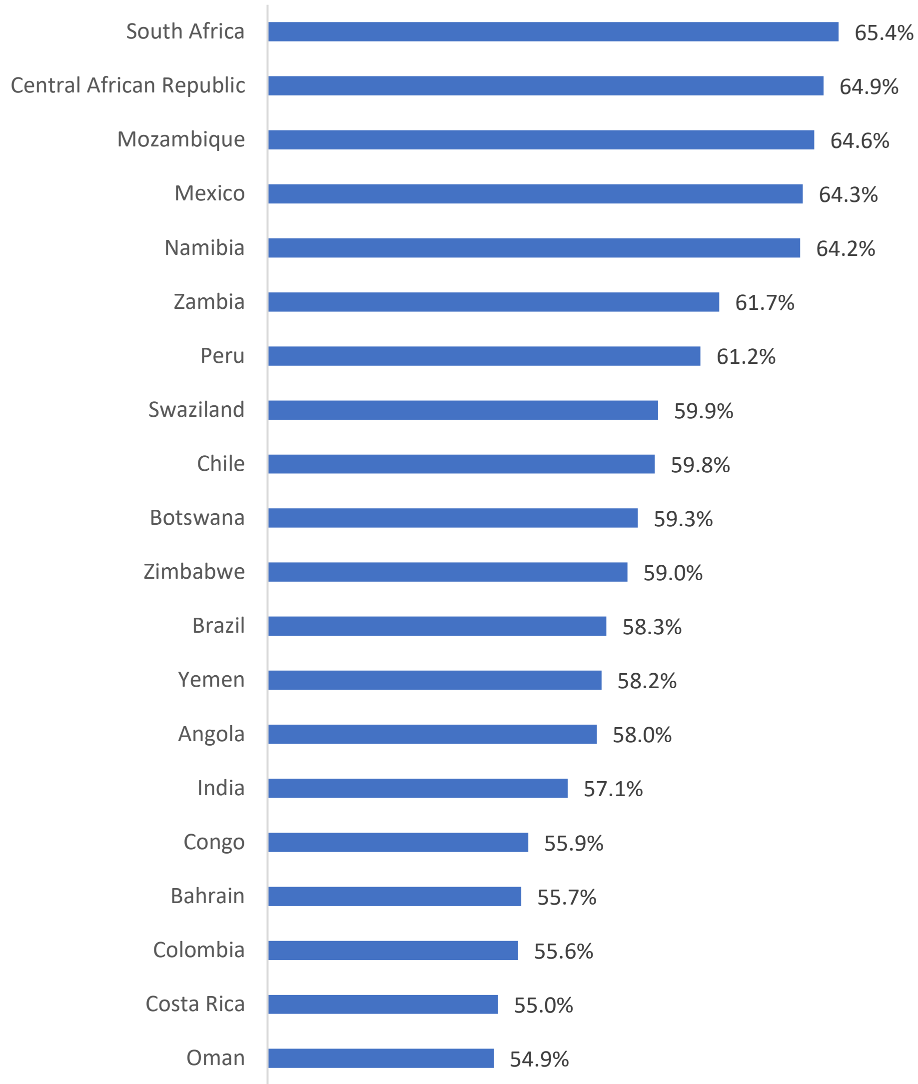


Source: World Inequality Lab Issue Brief 2022-09, What's New About Income Inequality in Africa?

Out of the top 20 most unequal countries in the world, 9 are African, mainly resource-rich countries such as South Africa or Botswana.

In the African context, a discernible pattern emerges, as nine of the world's twenty most unequal nations are found on this continent. This group of nations is defined primarily by a large imbalance in the distribution of income and wealth. This phenomenon is particularly pronounced in countries rich in natural resources, as illustrated by the cases of South Africa and Botswana, underlining the complex interplay between resource wealth and disparities in economic well-being. In these countries, the availability of substantial natural resources has not translated into equitable distribution, revealing a complex interplay of socio-economic factors that has been the object of many studies on the "natural resource curse" that are beyond the scope of this paper.

Figure 5: Top 20 Countries with Highest Income Disparities (Percentage of Total Income Held by the Top 10% Wealthiest Individuals in 2021)

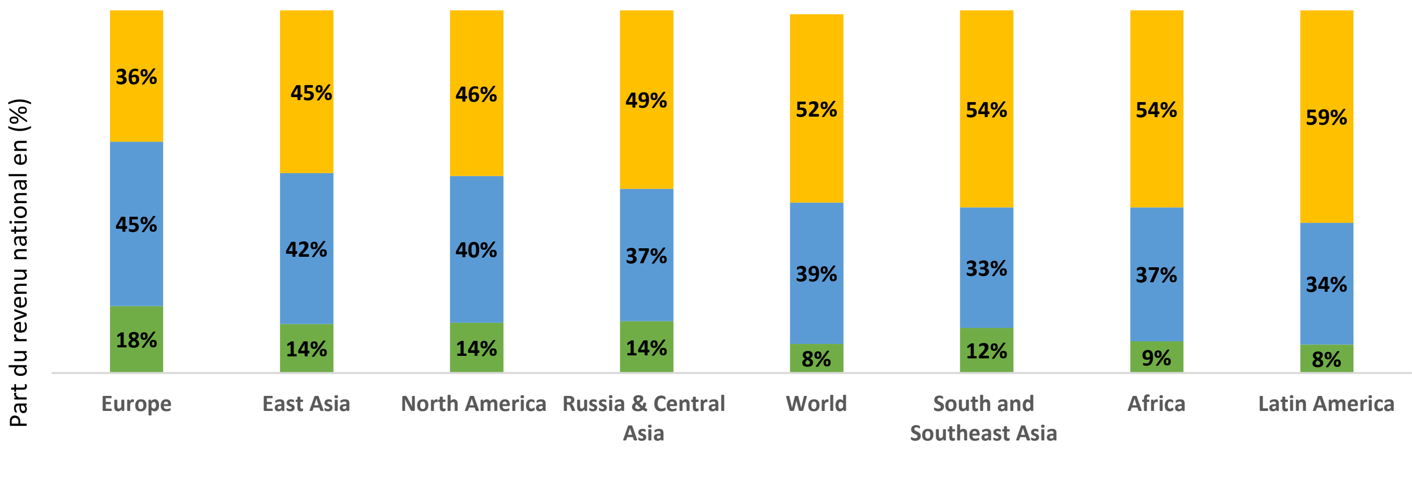


Source: Authors' elaboration, World Inequality Database, 2022

International comparisons place the African continent as the world's second most unequal region, after Latin America.

In 2021, the income share held by the top 10% of the African population exceeded by a significant factor of six the combined earnings amassed by the lower 50%. In contrast, this ratio stands at 7.4 in Latin America, 4.5 in South and Southeast Asia, 3.5 in Russia and Central Asia, 3.3 in North America, 3.2 in East Asia, and 2 in Europe (Figure 6).

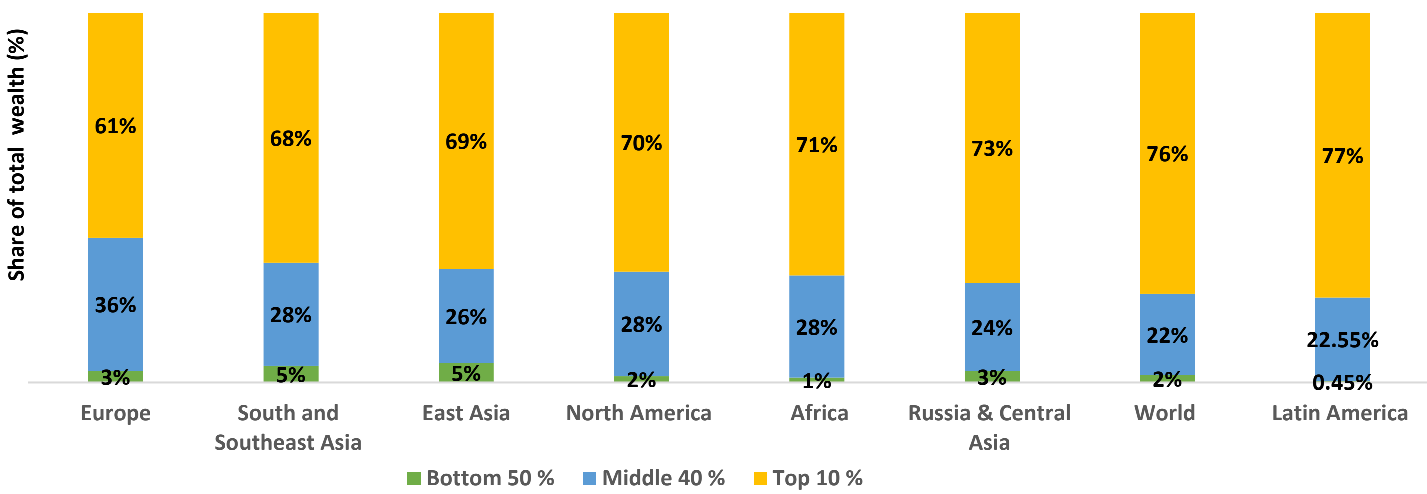
Figure 6: The share of total income held by the bottom 50%, the middle 40% and the top 10% in different regions of the world, 2021.



Source: Authors' elaboration, World Inequality Database, 2022

Wealth inequality is, in turn, very high across regions worldwide. The share of wealth held by the top 10% stands at nearly 71% in Africa, compared to an average of 61% in Europe, 68% in South and Southeast Asia, 70% in North America, 73% in Russia and Central Asia, and 77% in Latin America. The bottom half of the population, the poorest, is left behind, with less than 5% of the total wealth in all regions globally, and only around 1% in Africa (WDI,2022).

Figure 7: Extreme concentration of capital: wealth inequality worldwide, 2021



Source: Authors' elaboration, World Inequality Database, 2022

Kuznets (1955) highlighted the negative correlation between inequality and the standard of living of countries, in the early stages of development with income inequality tending to decrease as the level of development increases. According to Kuznets, when a country reaches a high level of development, inequalities start to decrease, primarily due to the ability of countries to implement progressive taxation capable of generating adequate and sufficient financial resources to fund social expenditures, particularly in education and healthcare, which are necessary for reducing inequalities. This has not been the case in Africa. The correlation between inequality and the standard of living remains very weak in Africa, and it runs even in the opposite direction of the Kuznets curve (Figure 8).

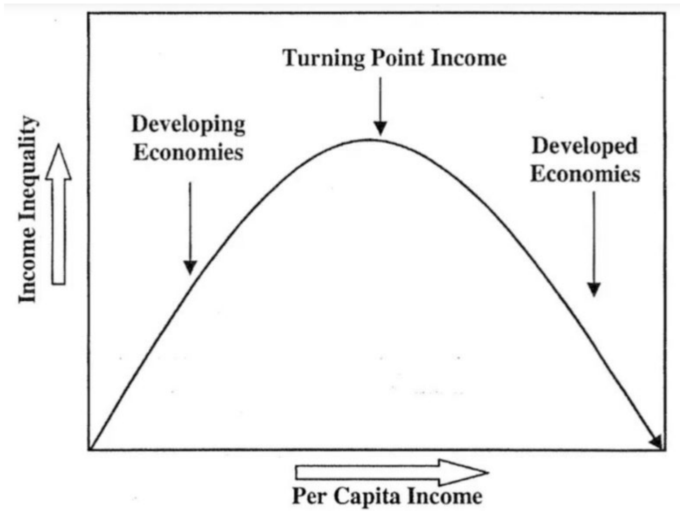
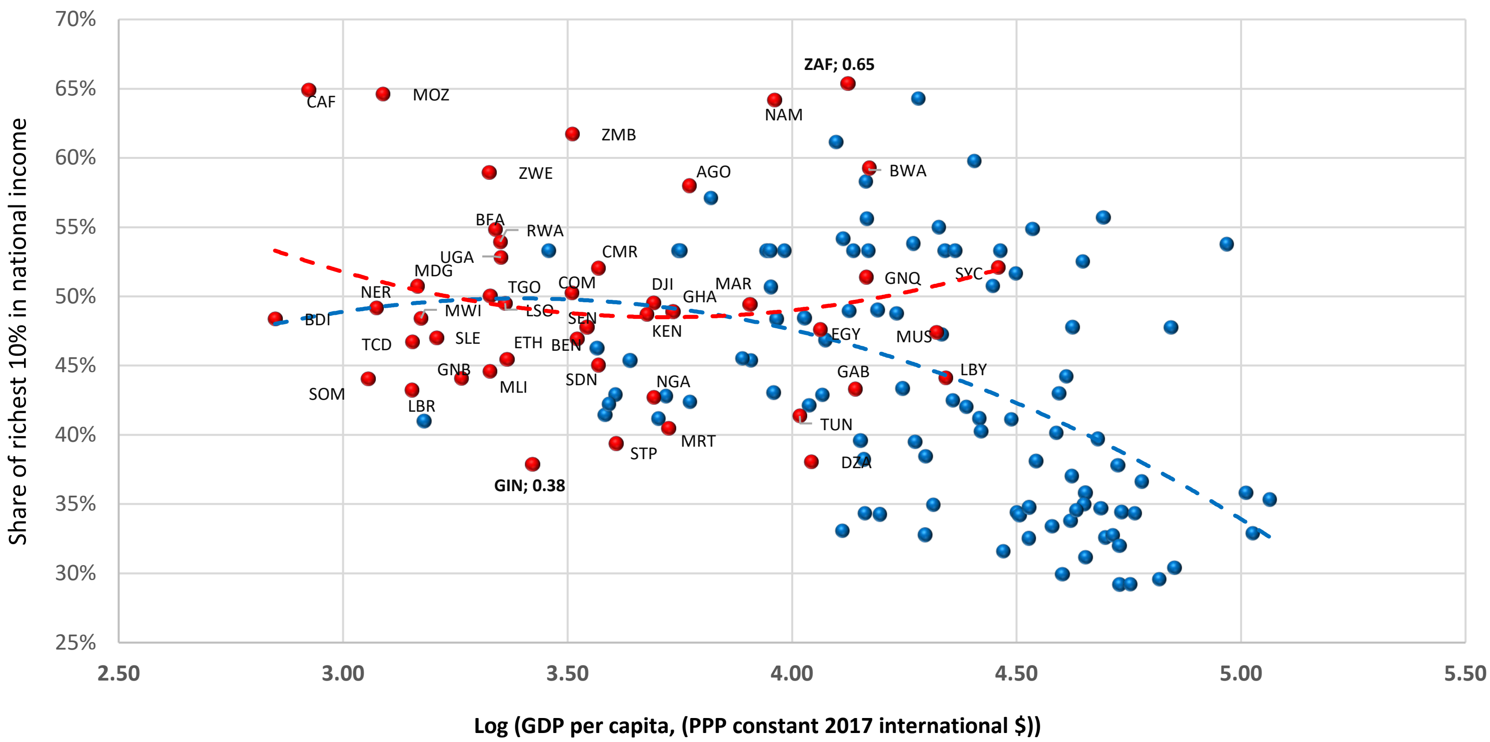


Figure 8: Relationship between inequalities measured by the top 10% richest and the standard of living across all countries.



** The blue line illustrates the correlation between income inequality, quantified by the share of the top 10% in national income, and the standard of living, measured as Log(GDP per capita), for all countries for which data is available.*

**The red line, on the other hand, represents the same relationship as the blue line but exclusively for African countries.*

Source : Authors' elaboration, World Inequality Database & WDI, World Bank, 2022.

This results partly from policies and a political economy that have not always put inclusivity as a priority, limiting social mobility for the poorest segments of the population and their access to basic infrastructure and quality social services, including education and healthcare, which are important factors in in poverty reduction. Until relatively recently, the predominant focus of economic policies has been on fostering economic growth first and addressing inequality after the fact through redistributive measures, notably social assistance programs, such as cash transfer programs. This approach has often overlooked addressing the root causes of inequalities and has omitted considerations related to environmental sustainability and climate, which are now receiving greater attention.

A paradigm shift might be necessary that puts a greater emphsis on inequality. Such a changing perspective is already emerging in international organizations such as the World Bank and the IMF. This evolving paradigm places a greater emphasis on shared prosperity and more inclusive development (World Bank, 2021) and more recently on the impact of climate change and the need for greter resilience.

Inequality in African countries is a complex phenomenon, as it reflects gender and regional inequality as well as social/income inequality.

Several factors explain the high levels of inequality in advanced and developing countries, particularly in Africa. Supply side policies since the 1980's followed by The Unbridled Globalization of the 1990s onwards, led to increasing deregulation of economies, including financial systems and the dismantling of the old, highly progressive tax system, among many other factors. Such changes played a major role in the rise in inequality in industrialized countries, particularly the United States and the United Kingdom (Piketty, 2019). They have also had a knock-on effect on developing countries, particularly in Africa, where needed macroeconomic reforms have often paid insufficient attention to distributional consequences and to the political economy dimensions of reforms. This has resulted in low social investment, particularly in social protection, basic infrastructure, and quality social services, with quantity often trumping quality, especially in education.

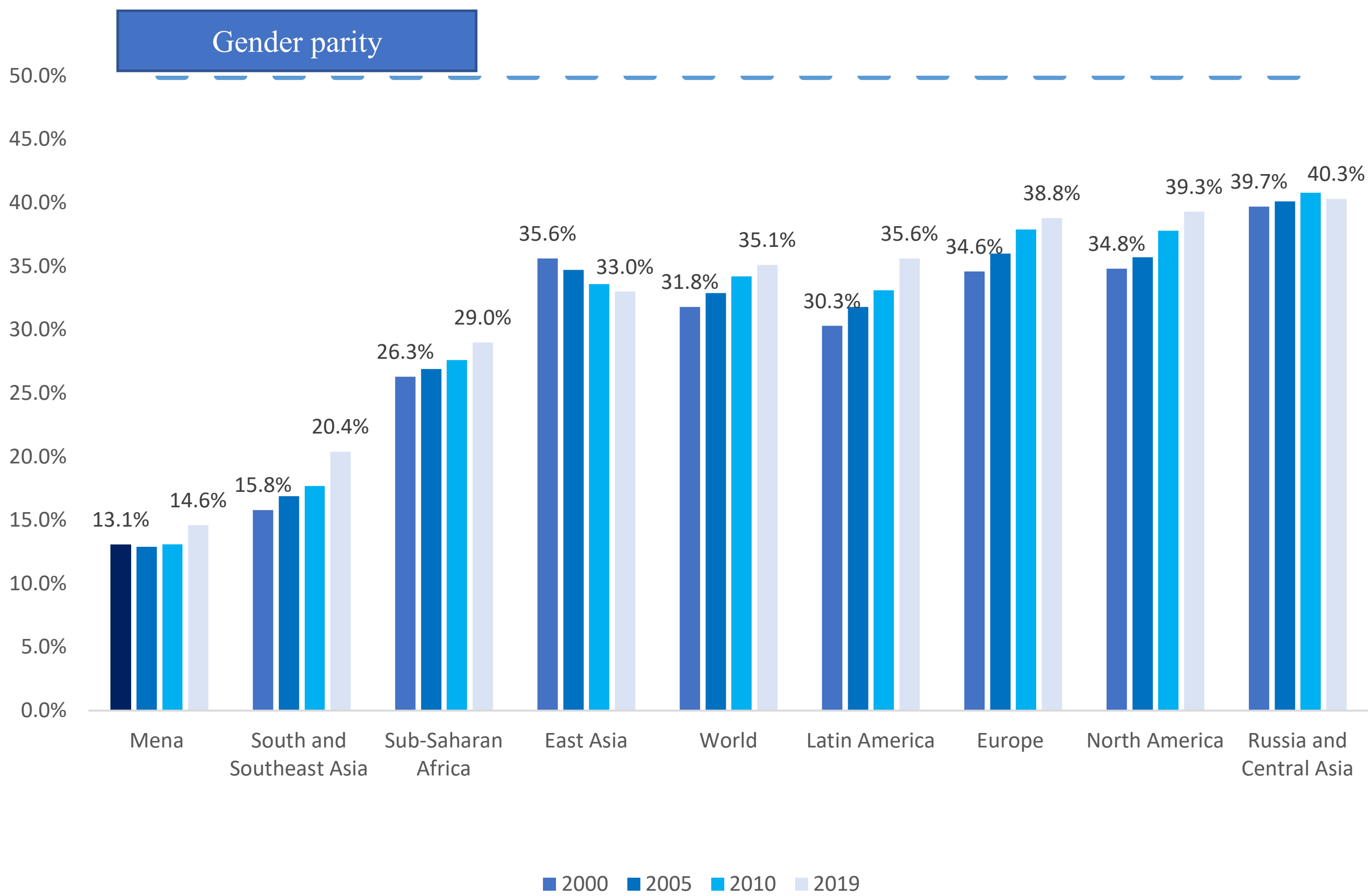
For advanced economies, for which historical data series are available, the rate of return on capital has exceeded the GDP growth rate over long periods, spanning decades and even centuries, thereby accentuating wealth inequalities and, ultimately, income disparities (Piketty, 2013). The requisite extended data series to validate this theory are generally lacking in developing countries, particularly in Africa. Nevertheless, given that advanced economies exhibit a greater capital intensity compared to developing ones, it becomes challenging to envisage that the gap between risk-adjusted capital returns and GDP growth rates would be narrower in developing countries than in advanced ones (Dadush & Saoudi, 2019).

- ***Gender disparities are a significant dimension of inequalities in Africa.***

Gender inequality is a key dimension of disparities in African countries. Women receive only 29% of labor income in Sub-Saharan Africa and only around 14.6% of total income in the MENA

(Middle East and North Africa) region, mainly due to the low participation of women in the labor market, which averages just 20 % in the MENA region and 46% in Sub-Saharan Africa. Women's share of total income is one of the lowest in the world, compared to an average of close to 35% worldwide, 39% in Europe, and almost 40% in Russia and Central Asia (figure 9).

Figure 9 : Share of labor income received by women in different regions of the world, 2000-201



Source: Authors' elaboration, World Inequality Database, 2022

Gender inequalities alone impose a significant cost of nearly 95 billion USD per year on Sub-Saharan African countries (UNDP, 2016). According to World Bank and United Nations data, in 2021, this amount exceeded the sum of received remittances, totaling 51.8 billion dollars, the combined total of Official Development Assistance (ODA), which amounted to approximately 62.3 billion dollars, net foreign direct investment inflows, representing 74 billion dollars, and estimated illicit financial flows of around 89 billion dollars.

- ***Territorial and regional disparities, as well as the colonial legacy, also play a part in explaining the extent of inequalities in Africa.***

Differences in inequality between African regions are also the result of various historical factors, such as specific colonial legacies, previous land distribution or the lingering effects of high racial inequality in southern Africa. In countries where ex-colonial populations still have a significant presence, such as South Africa and Zimbabwe, inequality is closely linked to the distribution of land rights and racially discriminatory socio-economic and income distribution policies (Sam Moyo, 2014). Reforms of property rights and access to land are therefore necessary, and the proper articulation of these two policies remains a central issue.

Furthermore, spatial inequalities, both regional and territorial (by region, city, or province, etc.) are an important dimension and explain up to 30% of income inequality in some countries (Beegle et al., 2016). The ratio of average consumption between the richest and poorest regions is 2.1 in Ethiopia (regions), 3.4 in the Democratic Republic of Congo (provinces) and over 4.0 in Nigeria (states) (Beegle et al., 2016).

Concentration of income and wealth tends to limit social mobility and perpetuate high levels of inequality.

High concentrations of income and wealth tend to be strongly correlated with inequality of access to economic opportunities and services, limiting social mobility and perpetuating inequalities that are passed down from one generation to the next. The level of education of the head of household is also a factor that explains a large proportion of income inequalities in certain African countries. In Rwanda, South Africa, and Zambia, the level of education of the head of household explains around 40% of total inequality. (Beegle et al., 2016).

Difficult access to microeconomic data on households in Africa complicates the ability to assess social mobility, particularly that relating to young children's ability to benefit from quality education in relation to their parents' income. It would not be surprising if, as in many other parts of the word, the level of income or education of the head of household were positively correlated with the child's future standard of living.

Excessive levels of inequality could undermine economic growth and social cohesion in several African countries.

High levels of inequality in Africa pose significant challenges not only from a perspective of justice, equity, and equality but also in terms of their potential negative impact on economic growth and social cohesion. Elevated levels of inequality tend to erode the strength of a country's middle class and diminish their ability to boost domestic demand and contribute to growth. In addition, excessive levels of inequality reduce the full utilization of one of an economy's most important resources - its human capital – for the reasons outlined above (lack of access to education, health, and economic opportunities). Lack of opportunities, especially for the large number of young people in Africa, can foster a sense of hopelessness leading to desperate measures such as dangerous immigration travel or greater susceptibility to radicalization of various forms. It would be important to study in greater depth than is possible here the possible links between inequality, hopelessness, and the growth of internal strife in many African countries.

Underperformance in terms of economic growth can also be explained by a possible drop in domestic investment. Excessive levels of inequality have a negative impact not only on the most disadvantaged people, but also on certain elites that may be reluctant to invest in their countries in an environment marred by inequality, the lack of effective demand, and the prospect of greater insecurity. This hampers the dynamism of entrepreneurship and the creation of VSEs and SMEs, which are the main promoters of jobs in African countries, thus limiting employment and its positive impact on growth and poverty reduction.

The succession of crises and future shocks, including climate change and those linked to the new technological revolution, are likely to accentuate already high levels of inequality and increase the risk of social unrest in Africa.

The succession of recent economic and social crises is likely to further accentuate the already very high levels of inequality in Africa. The lack of preparedness of health systems during the COVID-19 health crisis and the failure to respect distancing measures in the poorest and most densely populated neighborhoods made the poorest populations the most vulnerable to the disease. Certain categories of workers, notably low-skilled workers who lost their jobs overnight, as well as workers in the informal sector, were faced with two extremely difficult choices: "die of hunger or die of the virus" (Saoudi, 2022).

Of the world's 2 billion informal workers, almost 1.5 billion have been affected by these government measures of containment and social distancing. Most of these workers are in the Asia-Pacific region and Africa, with nearly 988 million and 325 million informal workers respectively (Table, 1).

Table 1: Informal economy workers significantly affected by social containment and distancing measures in 2020.

	Informal employment (in millions)	Informal workers significantly affected (in millions)	Weight of informal workers significantly affected (% of informal workers)
World	**2 060**	**1 564**	**76**
By region			
Africa	391	325	83
Latin America and the Caribbean	158	140	89
Asia & Pacific	1 346	988	73
Europe & Central Asia	100	65	64

Source : ILO, 2020

The low level of qualification among workers in the informal sector, jobs that require physical presence, connectivity issues, and the educational crisis, have compounded the challenges low-skilled workers faced during the pandemic. The impact of COVID-19 reversed progress made by Africa in terms of poverty reduction, pushing almost 40 million Africans into extreme poverty (World Bank, 2020). It is also likely to accentuate inequalities in Africa and leave lasting scars if specific measures are not put in place by governments, notably to catch up in education. These school closures will cost sub-Saharan African countries nearly USD500 billion in future revenues, or almost USD7,000 per child (IMF, 2021). Losses of years of education were mainly caused by the closure of schools during the period of restriction, compounded by the lack of adequate and sufficient technology in many African countries, especially in disadvantaged areas, which made distance learning difficult in several countries on the continent. The number of days young pupils in sub-Saharan Africa are absent from school is more than four times larger than the number of days of absence of children in advanced countries. The pandemic's long-term negative impacts in delaying education progress include setbacks in improving the status of women, equity, and labor productivity. This will impede much-needed progress in accelerating SSA's very slow demographic transition and economic transformation, reinforcing the rapid growth in youth unemployment and its consequences on furthering inequality. (Sarbib 2022).

In addition, the recent surge in the price of essential goods, particularly food and energy, triggered by the Russian-Ukrainian war, has had a disproportionately negative impact, particularly on the poorest and most vulnerable population groups. The high levels of inequality that translate into low purchasing power for a large part of the population in Africa, make the impact of economic crises of this kind much greater on a large part of the population, especially the poorest 50%, which can pose a further risk to stability and social cohesion in several African countries.

At the same time, climate change is projected to have a disproportionately negative impact on the most disadvantaged populations, with the consequent risk of exacerbating inequality, poverty, and security issues in fragile states (Jaramillo et al., 2023). According to World Bank estimates, climate change could push between 68 and 135 million people into poverty by 2030. Climate disruption can lead to higher food prices, worsening health conditions, and exposure to natural disasters, such as flooding, affecting the poor as well as the general population (World Bank, 2020). What's more, climate change could cause over 216 million people in six regions to migrate within their own countries. Without immediate and concrete climate action, sub-Saharan Africa could experience up to 86 million internal climate migrants, and 19 million in North Africa (World Bank, 2021).

International evidence shows that governments can do a lot to reduce inequality, or to increase it.

Lustig et al. (2013) conducted an examination that revealed the achievement of a significant reduction, approximately amounting to 25%, in the Gini coefficient through the enactment of tax and transfer policies in specific scenarios. Noteworthy among their findings is the considerable headway made in addressing the issue of income inequality. To illustrate, in the case of Argentina, the Gini coefficient experienced a reduction from 0.497 to 0.369, while in Brazil, it decreased from 0.574 to 0.438. These statistical figures underscore the concrete impact that adequately targeted fiscal strategies can have on fostering a more equitable income distribution. However, care is needed in the design of social protection and cash transfer programs to avoid unintended consequnces, as for example incoherent social programs in Mexico have hampered growth, fostered illegality, and provided erratic protection to workers, trapping many in poverty (Santiago Levy, 2008).

Longitudinal studies suggest that shifts in governance can play an important role on the dynamics of inequality. Eastern Europe under communist rule saw the Gini coefficient drop from 0.4 in 1929 to 0.27 in 1990. However, this reduction came at a considerable cost to civil rights. Following the collapse of the Berlin Wall in 2000, the Gini coefficient increased to 0.36 (Moatsos et al., year). This underscores the dynamic nature of inequality and the impact of public policies and societal arrangements, where political and historical contexts play a pivotal role in shaping its trajectory. It also underlines the additional challenge of reconciling greater equality with economic dynamism and the protection of civil rights.

The era of Unfettered globalization following the fall of the Berlin Wall and the dissolution of the Soviet Union that led to a significant growth in inequality offers another source of lessons. Reforms aimed at stimulating economic growth and promoting market forces led to a period of sustained growth but their impact on inequality was profound. The Gini index, which had already been at elevated levels, experienced a notable escalation. This serves as a stark reminder that careful consideration of potential ramifications on income distribution and inequality ought to be considered ex-ante in the design of economic and social policies.

Some broad areas for policy interventions

External shocks will continue to affect Africa in the short, medium, and long term - notably climate shocks and potential disruptions linked to the impact of new technologies, including automation, on the low-skilled workforce. They are likely to accentuate existing levels of inequality and could lead to significant negative social repercussions, as is already the case in many parts of the Continent. African governments need to be proactive and implement reforms that reconcile the triple objectives of boosting growth, reducing inequality, and fostering resilience to climate change. In addition to sound macroeconomic management, seven broad areas need special attention. We mention them here without going into details that have been largely documented in the literature and are beyond the scope of this paper.

1. **Education.**

Education outcomes in Africa are poor, underlining the urgent need for fresh and innovative approaches from pre-school to university. While the quantity of children in primary and secondary school has increased significantly, the quality of their education has deteriorated at the time when an educated workforce is a prerequisite to finding decent jobs (Sarbib et al. 2022).

It is also crucial to rethink education systems and teaching methods (including a greater focus on teachers' skills) to adapt to rapid changes in the environment and the uncertain dynamics of the labor market, by promoting a culture of lifelong learning and adaptability. Greater public and private investment in infrastructure, including better access to high-speed internet and digital technologies for the most disadvantaged groups, would also help to improve learning conditions for the poorest groups, particularly using ed-tech as a complement to traditional teaching methods.

The quality of education is a determining factor for integration into the labor market and is fundamental to the fight against inequality. With more equal access to education and opportunities, the distribution of wages will reflect the distribution of skills and abilities, including the ability to benefit from education (Stiglitz, 2016). The necessary reforms do not necessarily require an increase in spending, although that would be helpful, but a more efficient and equitable distribution of that spending and, above all, better governance and management of the education system.

2. Inclusive Innovations

Encouraging innovation holds the potential to serve as a complement to labor, elevating worker productivity and contributing to the generation of high-quality employment opportunities, rather than simply displacing human labor.

In light of this objective, direct investments in the development of inclusive technologies that take into account the specificities of the African labor market can make a difference. These technologies should not only be cognizant of the unique characteristics of the region's workforce but also de designed to enhance the productivity of low-skilled workers. For example, given the important role of the agricultural sector in African economies, the introduction of modern mechanical and digital technologies can help increase the sector's overall productivity and improve people's living standards. In addition, new technologies can enable small farmers to access new markets and increase their incomes through sales of their products via digital platforms. Furthermore, appropriate digital technologies can play a crucial role in boosting the productivity of workers in the informal sector and can subsequently foster a transformation of this sector. A significant increase in productivity could encourage a natural movement of very small companies operating in the informal sector to greater formalization, so that they can grow further by gaining access to bank financing (Saoudi, 2021).

Concurrently, a significant focus should be placed on research and development endeavors by a comprehensive set of incentives, going beyond taxes, to guide innovation towards technologies that augment worker productivity and facilitate the creation of good job opportunities. This entails a departure from singularly automation-centric solutions. A pronounced emphasis should be placed on the provision of targeted public services necessary for businesses. This encompasses aspects like spatial planning, infrastructural enhancements, localized amenities and policies, alongside robust programs aimed at enhancing job qualification and certification.

3. Women’s inclusion in the labor market

Implementing targeted policies aimed at enhancing working conditions to align with women's requirements (including part-time employment, parental leave, and combating workplace violence against women), advancing women's economic inclusion (facilitating financial inclusion, fostering access to land, and bolstering support for women-led enterprises), and investing in childcare services (both within workplaces and through after-school care provisions for young children) would not only foster higher female workforce participation but also directly curtail gender disparities.

This multifaceted approach stands to yield multiple benefits. Beyond encouraging women's inclusion in the workforce, it holds the potential to considerably diminish gender-based inequalities, elevate the incomes of less privileged urban families, and concomitantly alleviate poverty. Furthermore, this approach bears the promise of mitigating income disparities among households.

The multiplier effect of increasing the number of wage earners within disadvantaged urban households, achieved either by incentivizing women's engagement in the workforce or liberating them from low-productivity roles, would significantly improve the well-being of their families and tangibly reduce societal inequalities. Illustratively, in the context of Morocco, fostering higher female workforce participation through such policies could potentially elevate the annual GDP growth rate by a range of 0.2 to 1.95 percentage points, thereby instigating profound and lasting economic progress (Agénor et al., 2017).

4. Well-Targeted Social Protection Schemes for all Vulnerable Groups

Extending the reach of well-targeted social protection schemes to encompass all vulnerable groups would enhance the resilience of African countries in the face of economic shocks. Prioritizing the extension of such schemes is crucial for African nations and appears to be an appropriate solution for helping vulnerable and poor populations, particularly those working in the informal sector, to cope with economic shocks.

More solid and better targeted safety nets would also equip countries to prepare for other potential pandemics and crises, including the impact of automation and new technologies, especially on low-skilled workers and those in the informal sector. Achieving this broader scope must meet three objectives: first, ensuring appropriate coverage with proper targeting; second, providing high-quality services capable of addressing the multifaceted challenges of social protection, including the rehabilitation of the healthcare sector; and third, guaranteeing the sustainability and viability of the financing mechanisms supporting these social protection systems. Streamlining, coordination, and effective governance of public expenditure are essential success factors.

5. Progressive taxation.

Establishing an efficient and equitable tax system is fraught with social and political challenges. In principle, the tax system must be able to mobilize the necessary tax revenues in an equitable and fair manner, without excessive recourse to borrowing.

The significant weight of the informal sector in the economy, which represents on average almost 86% of total employment, makes the challenge even greater. It creates a high level of tax pressure on workers and companies operating in the formal sector. Fairness and justice require broadening the tax base. Measures to encourage the formalization of the informal economy can play an important role. To achieve this, the government must ensure that it both: (i) encourages the expansion of formal businesses by improving the business climate, combating corruption and market rents, and developing a flexible fiscal, regulatory, and legal framework that is conducive to private sector development; and (ii) identifies and addresses the challenges facing informal businesses while seeking to improve the productivity and incomes of their employees (Saoudi, 2022 & 2023)

6. **Climate change adaptation and mitigation policies.**

African nations need to increase their efforts in bolstering climate resilience, which could propel economic growth and alleviate poverty. International conferences have underlined the need to inject a substantial USD26 trillion into the global economy by 2030, alongside the creation of 65 million new low-carbon jobs globally (UN, 2018). While the availability of such funds would create significant opportunities for green jobs and growth, funding has proven difficult to mobilize at in the recommended amounts.

Policies to mitigate climate change should incorporate social dimensions and consider the impact on different social groups and on women, at both the country and the continental level. In addition, compensatory mechanisms should target the populations most vulnerable to climate change and be included in the design of safety nets. Achieving social justice within countries and between African countries and the rest of the world is a critical prerequisite for ensuring climate justice. The current negotiations on the Loss and Damage Fund underline the difficulty of these issues.

Data.

Transparency and the availability of statistical data that include household surveys and tax returns at the individual country level in Africa are critical prerequisites for a deeper understanding of inequality dynamics within countries and across the continent. This transparency is also critical for formulating more appropriate, inclusive, and evidence-based policies.

To be most effective, public policies need a foundation based on a better understanding of household attributes across the spectrum of income distribution. These attributes include various facets such as income sources, type of employment, education levels, health status, with disaggregated statistics, especially by gender and region. Timely and reliable information will enable policymakers to rigorously evaluate the redistributive impact of various government policies. This suggests the importance of more systematic approaches to building the capabilities of national statistical systems with a long-term perspective.

Conclusion

The multiple challenges Africa will face –- economic and climate-related shocks, potential disruptions from technologies such as automation that affect lower-skilled jobs-risks, etc. -- will exacerbate the current and stubborn income and wealth inequalities in the absence of an appropriate set of policy responses.

Furthermore, the weak link between economic growth and inequality in Africa which runs counter to classical theories requires a new paradigm challenging the notion that growth alone benefits everyone. Most economic strategies have focused on promoting economic growth, while inequality has only been addressed subsequently throughmcorrective and redistributive measures. But this approach has not been effective in tackling the root causes of inequality. It may be wiser for African governments to pursue reforms that balance reducing social inequality with promoting economic growth from the onset.

Governments have a key role to play. The recent COVID-19 pandemic emphasized the importance of the return of an active and competent state in addressing inequality. Across several countries in the region, the crisis witnessed a substantial resurgence of government involvement. This resurgence led to robust recovery policies crafted both to prevent economic collapse and to shield the most vulnerable segments of society, notably informal sector workers. Without this support, the potential economic and social ramifications could have been significantly more pronounced.

Addressing income and wealth inequalities requires fostering more inclusive growth, focusing on shared prosperity, and enhancing resilience. This underlines the fundamental importance of strong, legitimate, and ethical leadership with the political will to tackle the underlying causes of inequality and the vested interests behind it. Such leadership is needed to produce significant changes in fiscal, social, educational, and governance policies. Transparency and access to statistical data at the country level in each African nation are crucial for a better understanding of the dynamics of within country and continental inequalities, as well as for the development of more appropriate inclusive economic policies.

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