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## ***Two Africas?***

### ***Why Africa's 'Growth Miracle' is barely reducing poverty***

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## **Abstract**

Although growth has improved substantially in most African countries in recent years, poverty across the continent has fallen very little in the aggregate, even though there have been outstanding performances by some countries. Indeed, some African countries have slipped back, and exhibit higher poverty rates than in 1990. This paper seeks to understand the reasons for this variance between countries; the reasons why, certainly if one uses headcount poverty data, there are ‘two Africas’, one with powerful ability to reduce poverty and one without.

We argue that some of the reasons for this difference are rooted in colonial times, and those countries which developed dynamic exports of smallholder cash crops, the ‘peasant export economies’, received a headstart in relation to mineral- and large farm-based economies, because of the more equitable income distribution which labour-intensive, smallholder-based economies generate. However, in the post-colonial period, many peasant export economies wasted this headstart, and some mine/plantation economies were able to transcend the limitation of not having received one. The key reasons for this evolution, we argue, lie in the motivation and ability of African elites to form pro-poor coalitions, which in some cases were then able to implement tax and expenditure policies with the ability to bring a pro-poor pattern of growth into being. This story is tested both econometrically and by means of four contrasted country case studies.

**Keywords:** Africa, poverty, politics, pro-poor coalitions

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## 1. The problem

To the relief and pleasure of Africans and the global community, Africa has now returned to growth, averaging 5-6 percent per year since the late 1990s (Devarajan 2013: S9), and there is now talk of 'African cheetahs' to rival the Asian tigers (Martins 2013). In terms of reducing poverty, however, Africa's achievement has been far less impressive. The World Bank (2013a) reports that extreme poverty in Africa (at \$1.25 a day purchasing power parity) is certainly moving in the right direction, but has declined by only three percentage points – from 51 percent to 48 percent – since 1981, during a period when the developing world as a whole has halved poverty, from 52 percent to 21 percent.<sup>1</sup> The UNDP's latest report on the Millennium Development Goals (UNDP 2013: xiii) acknowledges that, for this reason, poverty in Africa will not fall sufficiently to meet the Millennium Development Goals, and in particular the primary target of a halving of dollar-a-day poverty by 2015.

However, examples of successful and sustained poverty reduction in Africa, which might serve as examples to the rest of the continent, are not hard to find. The cases of Ghana, Uganda and Botswana, which surpassing the global trend have managed to halve poverty over the last 20 years alone, are now well documented (Besley and Cord 2007; Aryeetey and McKay 2007; Okidi et al. 2007; Lawson et al. 2008; Amann and Lawson 2013); and there is also plenty of evidence, although the data are sometimes disputed, of significant long-term decline in poverty in Ethiopia, Rwanda, Senegal and Sierra Leone.<sup>2</sup> With the still disputed exception of Ethiopia, however, none of these 'clear success' cases is a large and populous country, and this is one of the things which has tended to drag the African aggregate figure down. And there are also several contrary cases, where growth is 'immiserising' (Bhagwati, 1958), i.e. healthy rates of growth are associated with a big medium-term increase in poverty rates; these include the crucial and under-documented case of Nigeria, which accounts for about one-fifth of the population of sub-Saharan Africa.

Indeed, when we compare across all African countries (Table 1), we find that there is very considerable dispersion around the mean tendency. Can it be that, in terms of poverty, there are two separate Africas, in one of which (the upper part of the table) the growth path is highly inclusive,<sup>3</sup> whereas in the other it is not, and all that is occurring is 'growth without development'? And if it is the case, why is it the case?

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<sup>1</sup> During this period, poverty in East Asia fell from 61 percent to 13 percent, in South Asia from 66 percent to 26 percent, and in Latin America and the Caribbean from 12 percent to 6 percent (World Bank, *ibid.*) For a more detailed World Bank statement on African poverty trends, see Chen and Ravallion (2009).

<sup>2</sup> The paper by Sala-i-Martin and Pinkovskiy (2013), , indeed, alleges that aggregate poverty in Africa is falling faster than the official statistics allow, and that 'if present trends continue, the poverty Millennium Development Goal of halving the proportion of people with incomes less than one dollar a day will be achieved on time' (Sala-i-Martin and Pinkovskiy 2010 :1)

<sup>3</sup> Inclusiveness has several dimensions, and we are here referring to *vertical* inclusiveness, or the ability of the growth pattern to reach out to the lowest income groups and involve them in economic activity.

**Table 1: poverty rates, 1990 and 2010, for 31 African countries**

(Countries are listed in ascending order of poverty elasticity; that is, with the most impressive cases at the top and the least impressive at the bottom)

Country	Population (millions, 2008)	Initial conditions (Gini coefficient, 1990)	(1)GDP growth rate, %, 1990-2010 (annual average)	(2)Poverty headcount(% poor) at national poverty line:			(3) = (2c)/(1) 'Poverty elasticity'
				(a)1990 (or nearest year)	(b)2010 (or nearest year)	(c)% change 1990-2010 (annual average)	
<b>'Improvers' (poverty rate falling 1990-2010)</b>							
Ghana***	23	34.9	3.8	51	23	-2.3	-0.61
Sierra Leone**	6	49.0	2.1	80	60	-1.3	-0.60
Cameroon**	19		2.6	54	40	-1.3	-0.50
Uganda***	32	41.0	6.0	56	24	-2.9	-0.48
Senegal***	12	35.0	3.0	64	46	-1.4	-0.47
Angola*	18		5.9	68	37	-2.7	-0.45
Namibia*	2		3.3	38	28	-1.4	-0.4
Ethiopia***	81	41.9	4.3	44	30	-1.7	-0.4
Mauritania*	3		2.9	57	42	-1.3	-0.4
Botswana*	2	56.0	7.4	45	23	-2.5	-0.33
Gambia***	2		4.0	64	48	-1.2	-0.3
Cape Verde***	0.5		5.7	37	27	-1.7	-0.3
Zambia*	13	50.1	2.2	68	60	-0.6	0.27
Rwanda***	10	34.0	4.1	54	44	-1.0	-0.25
Congo-Kinshasa(DRC)**	64		1.5	75	70	-0.3	-0.2
Mozambique***	22	39.0	4.4	69	58	-0.8	-0.2
<b>'Uncertain cases' (no evidence of any significant change in poverty 1990-2010, and/or conflict between alternative statistical sources)</b>							
South Africa*	49	59.6	2.5	56	54	-0.15	-0.06
Tanzania***	42	47.0	4.7	39	37	0.3	-0.1
Mauritius**	1		5.2	9	8	-0.5	-0.1
Central Af. Republic***	4		1.0	62	62	0	0
Malawi**	14	60.0	3.1	54	50	-0.4	near 0
Chad***	11						
Burkina Faso***	15	50.7	4.6	45	47	0.02	near 0
Swaziland**	1	60.6	5.2	60	64	0.3	0.1
Kenya**	39	58.2	2.8	42	46	0.5	0.2
<b>'Decliners' (poverty rate increasing 1990-2010)</b>							
Lesotho*	2		3.5	56	66	0.9	0.25
Guinea***	10		3.5	40	55	1.9	0.54
Cote d'Ivoire***	21	39.6	0.9	37	42	0.6	0.67
Nigeria**	151	48.9	3.2	43	62	2.2	0.69
Togo***	6		2.4	32	58	4.2	1.75
Burundi***	8		1.8	35	67	4.5	2.50
Zimbabwe*	12	56.6	1.6	26	58	6.5	4.10
<b>Weighted mean</b>		<b>52.5</b>	<b>3.4</b>	<b>48.0</b>	<b>47.6</b>	<b>0.04</b>	<b>+0.08</b>

Source: World Bank, World Development Indicators database, supplemented by UNDP, country reports for 2013 Millennium Development Goals report (United Nations 2013). Shaded

countries are discussed in more detail in Section 5. In terms of their colonial inheritance, peasant-export economies are denoted \*\*\*, mine-plantation economies are denoted \*, and 'hybrid' economies containing elements of both ideal types are marked\*\*.

What urgently needs to be done, we would further argue, is to try and understand why this variance between cross-country experiences exists, in order that the global community – but more particularly the African countries which are currently having difficulty in reducing poverty – can learn from the more successful experiences of poverty reduction. The structure of the paper is as follows. In the next section, we argue that during the colonial and post-colonial period African economies became rigidified along a bimodal structure, which provided better opportunities for the poor in countries whose production pattern was based on the development of labour-intensive smallholder exports than in countries whose growth strategy was based on more capital-intensive mines and plantations; and that the dichotomy in anti-poverty performance revealed in Table 1 reflects both that initial divide and, more importantly, the varying success of efforts to build on or where necessary counteract those initial conditions, such that the colonial inheritance could be converted into a pro-poor pattern of growth. In Section 3, we convert this story into an explanatory model; this is tested by econometric methods in Section 4, and through the medium of four contrasted country case-studies in Section 5. Section 6 concludes.

## **2. Analytic approach**

A substantial debate in the early 2000s, sparked off by the famous Dollar-Kraay paper (Dollar and Kraay 2002), 'Growth is good for the poor', scrutinised the cross-national relationship between growth and poverty, which Dollar and Kraay claimed to exhibit an elasticity of exactly minus one: poverty, in their view, was the mirror-image of growth, and declined in exact proportion as growth increased.<sup>4</sup> Part of this debate, associated with the Millennium Development Goals, examined which factors other than growth influenced poverty; and the main consensus of this literature was that the main variable impacting on poverty, apart from growth itself, was the distribution of income, as measured by the Gini coefficient (Hanmer and Naschold 2000; World Bank 2006).

That income distribution influences the possibilities for poverty reduction is almost tautologically true, as an increase in the wellbeing of the poor in relation to the wellbeing of other income groups automatically makes the distribution of income more equal and reduces the Gini coefficient of inequality. In addition there are plenty of plausible reasons why a reduction in inequality might be expected to reduce poverty, including the ability of lower levels of inequality to boost the level of domestic demand and thence production, and the likelihood that lower levels of vertical and horizontal inequality will reduce the likelihood of conflict and thus provide a boost to growth (Galbraith 2012; Mosley 2012; Stiglitz 2013).

However, to draw attention to the importance of inequality is neither a complete nor an operational explanation for those wishing to reduce poverty in practical terms. First, there are

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<sup>4</sup> The recent paper by Sala-i-Martin and Pinkovskiy (2010), Figure 6, page 11, also depicts dollar-a-day poverty as the exact mirror-image of growth.

many cases where poverty goes down even though inequality increases, as the private 'capitalist sector' – in which levels of private enterprise but also inequality are high – expands at the expense of the 'subsistence sector' (the case of Uganda is examined in detail in Section 5 below). And, second, simply knowing that inequality matters does not provide us with a pathway explaining how inequality, and thereby poverty, can be reduced in practical terms without prejudicing growth. Such a pathway is what is required by, in particular, those African countries which have not yet been successful in reducing poverty.

We have previously argued, in relation to a small sample of African countries (Bowden, Chiripanhura and Mosley 2008; Bowden and Mosley 2012), that the division between 'two Africas', one with a potential for inclusive development and one much less so, has its roots in colonial times, and that this has relevance to the poverty reduction strategies which have a chance of being effective today. During the late 19th century, two alternative strategies were used to try and make colonies economically viable (Hancock 1943; Myint 1976). First was the approach of *settler capitalism*, in which the chosen strategy was to allow European settlers to appropriate agricultural land and produce estate crops on it for export (and also in many cases conduct mining operations), as in South Africa, Zimbabwe and parts of Angola, Mozambique, Congo-Kinshasa, Kenya and Zambia. Secondly there was the approach of *peasant export development*, found for example in Senegal, Ghana, Sierra Leone, Nigeria, Uganda, Ruanda-Urundi (now Rwanda and Burundi) and Tanzania, under which European colonists were prohibited from owning land, and agricultural production and exports were in the hands of indigenous African smallholders.

The second, more labour-intensive, system clearly also provided greater opportunities, from the early 20th century onward, for a large proportion of low-income Africans to earn cash incomes from production of smallholder crops, such as coffee and cotton (Uganda), palm oil (Nigeria), cocoa (Ghana and Cote d'Ivoire) and tea (Rwanda) and in some cases to accumulate modest amounts of capital in the form of land, rather than being confined to the bottom end of the labour market (Baldwin, 1963). We may immediately note that all of the 'star performers', in terms of poverty reduction rates over the last 20 years – Senegal, Sierra Leone, Uganda, Ghana and Cameroon – fit historically within the peasant export economy group.<sup>5</sup> Peasant export economy status, we would argue, gave that group of countries a valuable legacy, in the shape of a relatively equitable initial distribution of income and assets. This eventually provided several African countries, and certainly the countries mentioned, with a valuable platform which could be used as the basis for an inclusive development strategy.

At the end of the colonial period in the 1960s, at which time income distribution data are scarce, the Gini coefficients for African peasant economies are typically in the high thirties

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<sup>5</sup> It was also the case that in peasant export economies the government provided greater opportunities for educational progression and thence for advancement into high-income jobs than in mine-plantation economies, and a (road, rail and electric power, in particular) infrastructure which served African smallholder farmers much better (Bowden and Mosley 2012, Chapter 13).

and low forties,<sup>6</sup> whereas for mine-plantation economies they are already in the high fifties and sixties. Thirty years on, in 1990, by which point the structure of several peasant export economies (e.g. Sierra Leone, Nigeria, Tanzania) has become 'hybridised' by the discovery of mineral resources, we estimate that this dichotomy had not altered much: in Table 1, there is still a 15-point gap between the weighted average Gini coefficient for mine-plantation economies (57.5 percent), and for peasant export economies (42.5 percent).<sup>7</sup> One of the key foundations for a successful poverty-reduction programme – equality of economic opportunity – was, therefore, at the starting point of our analysis, heavily weighted in favour of former peasant-export economies.

However, initial peasant-export status is neither a necessary nor a sufficient condition for a successful poverty-reduction strategy: several peasant-export economies, under the stress of civil conflict, governance deficiencies, failed development strategies and, in the case of hybrid economies, Dutch disease (the case of Nigeria is discussed in detail in Section 5 below) dissipated the initial advantage which peasant export status had given them and fell down a snake, whilst some mineral-rich economies (of which Botswana is the most famous, [Poteete 2009]) were able to climb the ladder out of the natural-resource, capital-intensive trap and develop highly effective poverty reduction strategies. Whether the legacy of peasant export status was converted into a durable developmental asset depended, we shall argue, on whether a *pro-poor coalition* could be assembled which had the vision, the technical capacity and the motivation not only to break out of the low-income trap – which most of Africa appears to be on the brink of achieving – but also to make a dent in poverty levels through an effective pro-poor policy framework, which, as Table 1 shows, is a much more elusive achievement.

How can we explain whether this happens or not? Our point of departure is that the poorest people have few or no assets and therefore can sell nothing but their labour; therefore peasant export-based economies, by virtue of operating along a relatively labour-intensive production function, start with an advantage (Baldwin, 1963) which is denied to mining, plantation- or large-farm based economies.<sup>8</sup> This is not enough, however: sustained growth of any sort requires a continuous growth in productivity and competitiveness, which requires investment in human capital. If such growth is to be pro-poor, then such investment needs to be in the human capital of the poor (World Bank 1990), for example in smallholder agricultural extension, primary health, technical training for small businesses, and (especially female) primary education.

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<sup>6</sup> See e.g. the paper by Ahluwalia in Chenery et al. (1975), Table I.1, which puts South Africa, Rhodesia (Zimbabwe) and Kenya in the high-inequality category and Uganda, Niger and Chad in the low-inequality category.

<sup>7</sup> In this comparison, the following countries are classed as peasant export economies: Burkina Faso, Cote d'Ivoire, Ethiopia, Ghana, Mozambique, Rwanda, Senegal, Tanzania; and the following as mine-plantation economies: Botswana, Kenya, Zambia, Zimbabwe, South Africa, Swaziland. 'Hybrid economies', which contain elements of both categories, are excluded from this calculation.

<sup>8</sup> Capital-intensity as a constraint on the possibility of inclusive policies is an important part of the classic development literature, as argued here, but this idea has also been re-emphasised in the context of policies to reach the Millennium Goals, notably in the paper by Martins (2013).

The crucial next step in the argument is that neither the maintenance of a labour-intensive growth impetus in a peasant-export type economy, nor *a fortiori* the achievement of pro-poor growth in a capital-intensive mine-plantation type economy, can be achieved through the free market. It is commonplace that there are massive imperfections in the labour and capital markets of all developing economies, especially at the bottom end of those markets, aggravated by institutional deficiencies, notably limited fiscal capacity. Without purposive action to remedy those market imperfections, the necessary investment in the human capital of the poor will not materialise; but, because of the aforementioned fiscal and institutional deficiencies, even the green revolutions almost universally achieved in Asia, never mind the necessary accompanying processes of technical transformation in the non-agricultural sector and transformation of the infrastructure, have been only patchily achieved in Africa.<sup>9</sup> These persisting limitations have forced, or rather kept, almost all poor African countries within the protective embrace of the aid donors and their Poverty Reduction Strategies, and therefore what governments have been able to achieve in partnership with aid donors is a further key determinant of poverty reduction outcomes. The key point is that pro-poor growth cannot occur without a purposive pro-poor public expenditure and institutional development programme, which will only be forthcoming in those African states which have not only the necessary desire and administrative capacity to sustain growth, but also the political will to create and nurture a *pro-poor coalition*, as we call it, in order to make sure that the impact of that growth is pro-poor. The final link in the chain is to understand the conditions under which this can be achieved.

In Mosley (2013), the findings from which are summarised in Section 5 below, we argue that the formation of pro-poor coalitions, able to act effectively in the interests of the poorest, is by no means a spontaneous or even an intuitively plausible thing to happen: as argued by Haggard et al. (1995:120) ‘the politically most active groups are not necessarily the poorest’. The poor are nowhere a class with the ability to organise in their own interest, and have little leverage in their own right. And yet, in many developing countries – including most of those African countries in the upper part of Table 1 – pro-poor coalitions have indeed formed. Why should this happen, if the poor have no political leverage?

Our answer begins from two hypotheses originally suggested by Bell (1975): the elite may be currently strong, but fear that in the future the poor will revolt if they do not make sufficient concessions to them, and act so as to pre-empt this risk; or, the elite may be weak, and find it expedient to seek the help of the poor, among other groups, to help them hold on to power. We call these, respectively, the *precautionary* and the *reactive* motivations for the formation of a pro-poor coalition. Uganda, Rwanda and Sierra Leone provide illustrations of the first of these motivations: all three, between the late 1980s and the late 1990s, had achieved a fragile recovery from prolonged periods of inter-group conflict and economic collapse, and drew the inference that if a long-term recovery were to be sustained, a necessary condition would be the inclusion of low-income groups and regions not previously associated with the elite, such as the east and north of Uganda, to enable the incumbent governments to protect themselves against the risk of rebellion. And Ghana provides an example of the second:

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<sup>9</sup> Crop yields in Africa still typically average only just over one tonne per hectare, by contrast with over three, in places four, in almost all parts of Asia: Mosley (2013), Chapter 5.



both of the two main political parties which emerged in the 1990s (and still vie for power today), the National Democratic Congress (NDC) and the New Patriotic Party (NPP), knew that they could not hope to retain and build an effective power-base without going beyond their existing regional loyalties (respectively, the south-centre of the country and the Ashanti region). Therefore, both these parties made a bid for ‘floating voters’ not tied by ancestral loyalties to either party – in particular in the poor, mainly agricultural and pastoral, north of the country (Fridy 2007; Mosley 2012, Chapters 5 and 6). (In other countries – Indonesia, from the late 1960s on, and Argentina, in the early 2000s – provide excellent illustrations of the precautionary and reactive motivations for pro-poor action, respectively.)

Thus elites, in order to govern, have often thought it expedient to make concessions to poor as well as non-poor regional, ethnic and social groups, and have included representatives of such poor groups within their ruling coalition. However, in order to retain their hold on power, they have needed to keep the ruling coalition together around an agreed development programme – a task which requires formidable technical, diplomatic and managerial skills. Often, our case studies find, success or failure in this job of keeping a pro-poor coalition together has been rooted not in the achievements of an individual, but rather of a partnership able to broker a coalition between the interests required to design and execute a pro-poor development strategy. As discussed above, this in an African context, with just a few middle-income exceptions such as Botswana and Mauritius, inevitably brings into play the effectiveness of the relationship with aid donors: often, the donors themselves become incorporated into pro-poor coalitions.

What are the key elements of policy required to carry through a broad-based, pro-poor development strategy? Many options have been attempted over the years – land reform, price controls, export subsidies and aggressive exchange rate management as in the Far East – but the focus here will be on fiscal policy options, because the capacity of fiscal policy predetermines much of the ability of other pro-poor instruments to operate effectively (Mosley 2012, Chapter 5). Specifically, the ability of the state and NGOs to overcome deficiencies in labour and capital markets and direct expenditure towards sectors such as agricultural research and extension, primary health and education, rural infrastructure, and social expenditure (and away from capital-intensive and, above all, military expenditures), is, we hypothesise, a key determinant of the ability of the underlying growth process to reduce poverty. These are the sectors which, we argue (Mosley, Hudson and Verschoor 2004) best capture the ability of the state to embed public expenditure within a labour-intensive production function (smallholder agriculture), provide support to the poor from the recurrent budget (social expenditure) and finally invest in the human capital of the poor (rural infrastructure, health and education). We further argue (Hudson, Lenton, and Mosley 2013) that the level and composition of the social wage serve as an instrument by which the state can signal the interests with which it identifies and the way in which it intends to arbitrate between them;<sup>10</sup> and in this way construct coalitions which buttress its ability to govern,

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<sup>10</sup> In Hudson et al. (2013) we characterise an expenditure pattern in which the social wage is high and oriented towards the poor as a *social efficiency wage* – in which, by analogy with the efficiency-wage theories of labour economics in which the payment of a higher private wage buys stability in the labour force and thus higher productivity, the payment of a higher or more targeted social wage buys higher social stability, and therefore once again higher productivity.

thereby, by the 'precautionary' argument mentioned above, protecting the stability of the prevailing political settlement.

It is not only, of course, reallocations of expenditure which can serve as a political signal, but also reallocations of the tax burden. One of the key divides between the 'two Africas' identified in this paper was established during the process of liberalisation in the 1990s, as statutory crop marketing authorities loosened their control on crop marketing and, in particular, reduced or removed the implicit export taxes which since colonial times had prevented producers from receiving a large part, often the majority, of the export price. Administrations which duly handed over most of the gains from this tax cut to low-income peasant producers, such as Ghana, Uganda and Rwanda, were able thereby to assist the poor a great deal, and much of the poverty reduction in these countries shown in Table 2 derives from this source. However, there were many other countries – Nigeria is the case illustrated in detail in Section 5 – which because of corruption, lack of effective political competition amongst the elite, Dutch disease and lack of developmental strategy, or – as in the case of Nigeria – all four, simply wasted this dividend, and let the country drift on to a capital-intensive, anti-poor production function.

The essence of our story therefore consists of three steps: first, colonial and post-colonial policies determine economic structure (in particular, a country's status as a 'mine-plantation type' or a 'peasant-export type' economy) and thus the initial distribution of economic opportunities between the rich and the poor; second, this dividend can either be consolidated by determined government policies and institutional reforms which bring a lasting pro-poor political settlement into being, or wasted by poor policies which throw it away; and 'lasting pro-poor political settlements' do not of course simply descend from a blue sky, but will only happen if governments are motivated to make them happen, in other words if a pro-poor political economy can be brought into being and embodied in a pro-poor ruling coalition. The next three sections will seek to put empirical flesh on these bones.

### **3. Empirical strategy**

Before we present our methodology, it is necessary to draw attention to the poor quality of many of the data, both because this is not sufficiently brought out by much of the literature and specifically the literature on the Millennium Development Goals, and because the flaws and ambiguities in the poverty data necessarily condition the methodology which we use to explain changes in poverty. Africa, Devarajan has claimed, is facing a 'statistical tragedy, in that the statistical foundations of the recent growth in per-capita GDP and reduction in poverty are quite weak' (Devarajan 2013: S9). Fundamentally, the problem is one of resources applied to statistics collection: statistical offices, Jerven has argued, 'lack the time and funds to collect the basic statistical data required to compile data in accordance with the standards of national accounts on a regular basis' (Jerven 2010: 85). This problem is at its worst in relation to the non-monetary, or subsistence, economy, where the figures used to compile estimates of production and capital formation are often arbitrary in the extreme. In several countries, foreign governments and international agencies have developed their own statistical sources to compensate for the defective methodologies of the national statistical

services, as in the case of FAO and the US Department of Agriculture in Nigeria (Mosley 1992, 2013), with the consequence that multiple statistical sources are operating in competition, often telling very different and mutually incompatible stories. This problem also occurs with poverty data, as we illustrate in Section 5 and in the Statistical Appendix.

The problems are in fact even worse with poverty data than they are with national income and output data. One reason for this is that the poorest people produce only for subsistence and have little or no contact with the market economy; and it is in relation to the subsistence economy, as stressed above, that the estimates of national statistical agencies tend to be most inaccurate. But another problem is with the frequency of surveys: at least national income data are collected annually, but poverty data are based on income or (more typically) consumption surveys, conducted at best every four or five years and often much less frequently, such that a majority of poverty time-series, including the ones we use here, have to be derived by interpolation rather than from estimates. The problem is very much an African one: as Devarajan shows, whereas the developing world has an average of 3.9 estimates of poverty since 2001, Africa has 1.7 (Devarajan 2013: 59). As shown in the Appendix (part ii, Table A2), several African countries have conducted only one or two consumption surveys since the early 1990s: Lesotho and Mali have not carried out any household surveys since 2000, and a further nine countries (Angola, Burundi, Cape Verde, Chad, Central African Republic, Guinea-Bissau, Namibia, Tanzania) or a quarter of the total enumerated in Table 1, have carried out only one. As a result, these countries have had to be deleted from the statistical analysis. As additional defences against the defects in the headcount data, our principal dependent variable, we have replicated the main analysis using infant mortality, for which annual data are usually available, as an alternative indicator of deprivation, and use a case-study methodology in the following section to complement the econometric analysis presented here. The Appendix also presents growth-poverty scatters featuring a third deprivation indicator, 'dollar-a-day poverty' as used by the Millennium Development Goals.

We thus, corresponding to these three steps in the story, have the following relationships in our proposed explanatory model for poverty:

*Initial poverty-reducing capacity* ICP (as in 1990, our initial year) is determined by the Gini coefficient of income inequality (Gini 1990) and economic structure (proxied by a natural resource dummy, NR)

$$ICP = f(\text{Gini1990}, \text{NR}) \quad (1)$$

*Current poverty* (P) is, first, determined by initial poverty-reducing capacity (the Gini coefficient), as in (1); it is also constrained by capital-intensity and by the natural resource curse, which we represent by a one-zero dummy according to whether the country is or is not natural resource-rich (NR). Thirdly, we have also argued that a critical determinant of whether countries are able to build on this advantage (or, if they lack it, to overcome the initial disadvantage inflicted by a capital-intensive production function) is the ability to articulate an effective pro-poor policy framework, which helps poor people to gain access to capital and labour markets and thereby raise their productivity. This objective has been

sought in many ways, but the one on which we shall focus here is, as discussed above, fiscal strategies for mobilising revenue and then redistributing it in a pro-poor direction, because the capacity of fiscal policy predetermines much of the ability of other pro-poor instruments to operate effectively (Mosley 2012, Chapter 5). Revenue mobilisation capacity is represented here by the ratio of taxation to national income (T), and the pro-poor thrust of public expenditure is captured by a variable called pro-poor expenditure (PPE), which is the ratio of expenditure on specific sectors (agricultural research and extension, primary health and education, and social expenditure) to total expenditure. We estimate PPE in two forms, with (PPEM) and without (PPE) military expenditures deducted. The likelihood of pro-poor expenditure programmes being introduced, and of the government generating sufficient revenue to finance them, depends on the pro-poor motivation of the elite, PPM. Thus our initial estimating equation for poverty reads

$$P = f(\text{ICP}, \text{PPE}, \text{PPM}, \text{C}) \quad (2)$$

Thus, substituting (1) into (2)

$$P = f(\text{Gini 1990}, \text{NR}, \text{PPE}) \quad (2a)$$

As discussed above, we see pro-poor expenditure as determined by the motivation of the elite, and our third equation examines this. We have argued above that pro-poor motivation is determined by experience of past conflict, which we represent by a 'recovery from conflict' term (PC), lowest during periods of conflict according to the severity of the conflict, higher during periods of peace, and highest of all after a conflict ends. The level of pro-poor expenditure, we further argue, is also influenced by the existence or not of 'brokers' able to mediate effectively between the interests of different groups. Given the continuing dependence of, in particular, the poorest countries on aid flows, aid donors are frequently crucial in brokering clusters within the government around a poverty reduction strategy (as further illustrated in Section 5 below) and therefore we treat the aid/income ratio, A/Y, as a further element in pro-poor motivation. Finally, expenditure of any sort, and especially pro-poor expenditure, which is very resource-intensive, requires an adequate tax base (T/Y). Therefore our equation for pro-poor expenditure, PPE, is:

$$\text{PPE} = f(\text{PC}, \text{A}, \text{T/Y}) \quad (3)$$

Finally, aid (A) is endogenous to poverty – indeed poverty reduction has for some time been the main overt objective of OECD donor policies – and so must be instrumented. Our instruments are

country size (POP) and mortality (IM)

$$\text{A} = f(\text{POP}, \text{IM}) \quad (4)$$

The variables in the model and their sources are listed in Table 2.

**Table 2. Notation**

Variable symbol	Meaning	Unit of measurement	Source	Remarks
Gini1990	Initial value of Gini coefficient in 1990	%	World Bank <i>World Development Indicators</i>	
NR	Natural resource dependence	1-0 dummy variable	Sala-i-Martin and Pinkovskiy (2010), Appendix Table 1	Value 1 only if above threshold level
P	Poverty headcount	% of population below national poverty line	World Bank <i>World Development Indicators</i>	Some data gaps filled from UNDP, <i>Millennium Development Goals Progress Reports: Africa</i> , various countries and years
PPE	'Pro-poor expenditure' = (agriculture+health+education+social expenditure)/total expenditure	%	IMF <i>Government Expenditure Statistics Yearbook</i>	
PPEM	Pro-poor expenditure net of military expenditure	%	IMF <i>Government Expenditure Statistics Yearbook</i>	
T/Y	Ratio of taxes to national income	%	IMF <i>Government Expenditure Statistics Yearbook</i>	
PC	Recovery from conflict	1-0 dummy variable	Quality of Government database ( <a href="http://www.qog.gu.se">www.qog.gu.se</a> )	3/2/1 if country is in a state of conflict, according to the numbers of deaths; -1 during the 10 years after a conflict finishes; thereafter 0. (Note that this indicator is expected to vary <i>negatively</i> with indicators of development.)
A	Aid/GDP ratio	%	World Bank <i>World Development Indicators</i>	
IM	Infant mortality	%	World Bank <i>World Development Indicators</i>	
POP	Country size	Millions	World Bank <i>World Development Indicators</i>	

We now estimate the model consisting of (2a), (3) and (4) by simultaneous-equation (3SLS) methods.

#### **4. Results: econometric**

The results are presented in Table 3a, and indicate that, as our hypothesis predicts, the poverty headcount in Africa is negatively correlated with the pro-poor expenditure index, positively associated (at the 10 percent level of significance) with mineral-rich countries, and positively associated with a high Gini coefficient of income inequality. Like Martins (2013), we find that capital-intensity, in the shape of a high natural resource intensity, is a significant negative influence.

The principal policy variable influencing poverty in this analysis, the pro-poor expenditure index, is positively associated with recovery from conflict and with a high tax-to-GDP ratio, both of which we have suggested can be seen as ‘triggers’ favouring the adoption of a pro-poor expenditure programme. The third predictive variable, the presence or not of ‘brokers’ for a pro-poor expenditure programme, we have proxied by the aid flow; and it is insignificant. (In both the poverty and the pro-poor expenditure equation, the Sargan overidentification test is passed at the five percent level.) We see this more as an indication that we have chosen a poor proxy for the determinants of pro-poor expenditure than as a refutation of the idea that brokerage is unimportant, and we take up the question of the social relations governing the poverty-effectiveness of aid in the case-study in Section 5 below.

In view of the deficiencies in the statistics discussed above (and also the fact that, partly because of this, the sample is much smaller than we would like it to be), we reproduce in Table 3b the results of repeating this analysis with an alternative indicator of deprivation, infant mortality, as dependent variable. Broadly speaking, the results of the previous analysis and in particular the significance of pro-poor expenditure, the tax ratio, the natural resource dummy and (more weakly) the recovery from conflict dummy are confirmed; we note, however, that the Gini coefficient is now not significant. Again, the Sargan-test for overidentification is passed.

**Table 3a. Determinants of poverty and pro-poor expenditure: results of regression analysis**

Three-stage least squares analysis

Dependent variable	Poverty headcount (national poverty line)	Pro-poor expenditure index	Aid per capita
<b>Regression coefficients on independent variables:</b>			
Constant	30.5*** (4.63)	3.58*** (5.13)	67.07** (12.85)
Pro-poor expenditure index	-1.46*** (2.60)		
Natural resource dummy	5.26* (1.76)		
Gini coefficient of inequality	0.60*** (3.22)		
Recovery from conflict		-0.71** (2.05)	
Aid per capita		-0.01 (0.96)	
'Tax effort' (tax-to-GDP ratio)		0.21*** (7.03)	
Population			-1.03*** (6.99)
GNP per capita at 1988 prices			-0.007 (1.13)
$r^2$	0.35	0.41	0.32
Number of observations	93	93	93
P	0.0000	0.0000	0.0000
Sargan-Hansen overidentification statistic	0.08	0.62	

Sources: as listed in Table 2. The sample comprises the following countries between 1990 and 2010: Botswana, Burkina Faso, Cote d'Ivoire, Ethiopia, Ghana, Kenya, Malawi, Mauritius, Mozambique, Nigeria, Rwanda, Senegal, South Africa, Sierra Leone, Tanzania, Uganda, Zambia, Zimbabwe. For a discussion of the sample and the reasons governing inclusion of a country in the sample, see the Appendix, part (ii).

Notes: Statistics in parentheses below coefficients are Student's t-statistics: \*\*\*/\*\*/\* denote significance of a coefficient at the 1%/5%/10% level of significance.

**Table 3b. Determinants of poverty and pro-poor expenditure: results of regression analysis**

Three-stage least squares analysis

Dependent variable	Infant mortality	Pro-poor expenditure index	Aid per capita
Regression coefficients on independent variables:			
Constant	119.0*** (11.74)	3.72*** (5.75)	
Pro-poor expenditure index	-6.91*** (4.97)		
Natural resource dummy	13.5*** (3.38)		
Gini coefficient of inequality	0.051 (0.23)		
Recovery from conflict		-0.40* (1.66)	
Aid per capita		0.015 (1.11)	
'Tax effort' (tax-to-GDP ratio)		0.12*** (4.46)	
Population			-0.91*** (6.89)
GNP per capita at constant prices			-0.006** (2.15)
'r <sup>2</sup> '	0.19	0.10	0.23
Number of observations	143	143	143
P	0.0000	0.0000	0.0000
Sargan-Hansen overidentification statistic	0.05	0.06	

*Sources:* as listed in Table 2. The sample comprises the following countries between 1990 and 2010: Botswana, Burkina Faso, Cote d'Ivoire, Ethiopia, Ghana, Kenya, Malawi, Mauritius, Mozambique, Nigeria, Rwanda, Senegal, South Africa, Sierra Leone, Tanzania, Uganda, Zambia, Zimbabwe. For a discussion of the sample and the reasons governing inclusion of a country in the sample, see the Appendix.

*Notes:* Statistics in parentheses below coefficients are Student's t-statistics: \*\*\*/\*\*/\* denote significance of a coefficient at the 1%/5%/10% level of significance.

## 5. Results: case studies

We now address the question of determinants of poverty-leverage by examining in more detail four African countries, two of them in the 'improver' (high poverty elasticity) group of Table 1, and two of them in the 'uncertain' or 'decliner' (low poverty elasticity) groups.



### **(i) Ghana (poverty elasticity -0.61) vs. Nigeria (poverty elasticity +0.69)**

The first two cases of (poverty-reduction) success and failure which we first examine – Ghana and Nigeria – are both low-income West African countries. Both originated as peasant-export economies, in which smallholder exports (of cocoa and palm oil) served as the mainspring of economic growth. Ghana, at the point where we take up the story in the mid-1980s, was also emerging from a long period of political turbulence.

Until 1992, Ghana was a dominant-party, indeed single-party, regime, under the newly established National Defence Council (NDC; before 1992, Provisional National Defence Council or PNDC) under the President, Flight-Lieutenant Jerry Rawlings: like Museveni's in Uganda, a reformist process achieved through military intervention, but, after the establishment of civil rule, using a determinedly light military touch. The key elements in the reform process were also similar: tax reform and liberalisation of customs duties, exchange rate decontrol, and privatisation of statutory marketing boards (achieving, however, a smaller impact on the share of the price achieved by the producer than in the case of the Uganda Coffee Marketing Board). As in the Ugandan success case to be examined below, the achievement of what is now a harmonious and trusting relationship with the aid donors was no straightforward matter. The IMF were exasperated by the fact that macro-economic stability proved hard to achieve, with inflation remaining for a long time well into double figures; and the World Bank disliked the Ghanaians' insistence on converting part of what had previously been cocoa export tax revenue into a subsidy on fertiliser and other inputs. But, in the end, the international financial institutions, encouraged by the beginnings of success in the fight against poverty, and much assisted by the brokerage of the chief IMF negotiator, Peter Heller, decided to put their trust in the big things (including the fight against poverty) rather than fuss about the many performance criteria that were going wrong: and were duly led on to fortune.

One of the big contrasts between Ghana and other African countries – including Uganda, to be examined below – lies in the early abandonment of single-party, quasi-authoritarian politics in favour of genuine multi-party democracy of a kind which in 1992 was rare in Africa. The 1992 elections were won by the NDC, the more rural-oriented and less business-oriented (and in the view of some, also the more pro-poor) of the two emergent main parties. The NDC, as ruling party, took on for themselves the role of political organisation of the poor, which in Bolivia and Argentina was initiated by the opposition.<sup>11</sup> On a tide of growth driven by more progressive fiscal policies (generously supported by the aid donors) and expansion of newly liberalised cocoa exports, poverty fell rapidly. But the pattern of beneficiaries from this golden decade for poverty reduction in Ghana is somewhat surprising: of the decline in overall headcount poverty in Ghana, from 51 to 26 percent over the course of the 1980s and 90s, it appears that a very large share went to the *urban* poor. This concentration of gains among the urban electorates of Accra and Kumasi also contrasts with the Ugandan situation. Francis Teal (2006, see also Nsowah-Nuamah et al. 2010) calculates that 'growth was not

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<sup>11</sup> Kosack (2012) draws attention especially to educational policies as an instrument by which the NDC captured the loyalty of poor voters, and argues (2012: 200) that, 'after taking power Rawlings and his PNDC added to their political support by doing something that previous governments had not done: they organized, and served, the poor'.

pro-poor among [self-employed] farmers', who only begin to show gains from the 64th percentile upwards, but that it was amongst workers (*including* farm workers) and self-employed people, all of whom gained over the decade, from the richest to the poorest. Because farm workers gained in common with other workers, this cannot be called a return to the bad old days of urban bias, but it perhaps points to the predominance of unintended (spin-off) effects over intended ones. And, in spite of all the gains emerging from the budget surveys, many urban people nonetheless felt a continuing pinch from the effects of liberalising policy reforms, and transferred their vote to the more urban-oriented National Patriotic Party (NPP) in 2000 and 2004.

Of the three groups of poor people in Ghana (urban workers, cocoa workers and the arid subsistence-farming areas of the north), it was, therefore, the third group, the poor northerners, which had got least benefit from the boom of the 1990s (Porter 2003). During the 2000s, therefore, the NPP stirred itself, moved beyond its heartlands, and, like any party seeking to capture a marginal constituency, targeted the north and its NGOs with offers it could not refuse: during this period the three northern regions were finally connected to the national electricity grid and a rural electrification programme was extended to most district capitals. A number of new schools were opened in the north at this time, and even a new University of Development Studies (Kosack 2012). For a time, this yielded the hoped-for political dividend, and the NPP made gains in the north (Fridy 2007), which were eventually reversed by the NDC in the elections of 2008 and 2012. By contrast with the situation in northern Uganda, also the poorest region, pro-poor development was achieved not by pre-emptive moves by a single party, but rather through genuine two-party competition.

Like Ghana, Nigeria is a multi-party West African state,<sup>12</sup> whose economy is historically rooted in African smallholder exports of cotton, cocoa and palm oil and which latterly has enjoyed healthy rates of economic growth (averaging 6 percent between 2000 and 2010). However, the recent poverty trajectories of the two countries could not be more different. Whereas Ghana's headcount poverty rate has halved since 1990, Nigeria's on the best available estimate<sup>13</sup> has increased by half, from 43 percent in 1992 to 69 percent in 2012 (Mogues et al 2008: 12; Central Bank of Nigeria,, 2012; Khalid, 2013). In other words, Nigeria is almost certainly the largest country to exhibit a positive or perverse 'poverty elasticity', in which poverty increases as the economy grows. How can we explain this difference?

The conventional wisdom (Bach 2004; Karl 2007) answers this question in one sentence: in Nigeria, the political system was not able to resist, and indeed amplified, the effects of the 'natural resource curse'. Nigeria's oil resources, on this view (which still represent about 70 percent of federal revenues: Bach, 2004), generated Dutch disease, promoted a capital-

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<sup>12</sup> There are, at the current count, 29 national-level political parties registered in Nigeria, the largest of which is President Goodluck Jonathan's People's Democratic Party (PDP). The four next largest parties, the southwestern Action Congress of Nigeria, the northern Congress for Progressive Change, the northern All Nigeria People's Party and the southeastern All Progressive Grand Alliance, have recently merged (Mazen 2013) into an 'All Progressive Congress', with a view to presenting a united opposition to the PDP at the 2015 elections.

<sup>13</sup> Nigeria has many mutually inconsistent statistical sources, as discussed in the Data Appendix below.

intensive pattern of production, which was bad at generating new jobs and stifled rather than encouraged smallholder agriculture, where most of the poor were based. Nor were the forces which in Ghana and our other 'pro-poor' case studies managed to countervail this trend – the aid community, the NGOs and progressive elements within the polity – able to do so in the Nigerian case.

Is the natural resource curse the whole story? There is no doubt that Nigeria's ostentatiously multiparty political system has failed to achieve equitable or inclusive governance, to the point that parts of the political settlement which have held together in our other case-study countries have not done so in Nigeria. One constant in the strategy of the Nigerian federal state through the last 40 years, whether under dictatorial or under democratic governance as now, has been to recycle as much of the oil revenues in the east to the Hausa-dominated elites in the north of the country and the Yoruba-dominated elites in the southwest as is necessary to keep them politically stable. However, this strategy has been unable to maintain the rule of law in many parts of the north (which, as in Ghana, is the poorest part of the country<sup>14</sup>) and some forms of insurgency which are a Nigerian particularity (such as local militias [Guichaoua, 2010]) and the outrages of the fundamentalist sect Boko Haram<sup>15</sup>) are on the rise. Worse, there is no effective political or fiscal mechanism to enable surpluses in the hands of any of the three elites – northern, southeastern and southwestern – to trickle down to the mass of the population,<sup>16</sup> and thus inequality, even more than poverty, is high and rising,<sup>17</sup> with no countervailing technocracy such as the 'Berkeley mafia' in Indonesia, or even the Ghanaian technostructure, to restrain it. So, on the surface, Nigeria provides a classic case of Karl's dictum (2007: 256) that 'the resource curse in oil-exporting countries ... is primarily a political and not an economic phenomenon – a fact that most policy makers have been slow or perhaps unwilling to grasp'.

However, some dimensions of this predicament, in particular the state of smallholder agriculture, need to be explored beneath the surface. For Nigeria, between the mid-1980s and the mid-1990s, like Ghana and Uganda, dismantled a large part of the apparatus of marketing boards, including covert taxes on exports. In Uganda and Ghana, as we have seen, these reforms in commodity taxation were the foundation on which much of the poverty reduction of the 1990s was built. So why did the same result not occur in Nigeria? The answer, we believe, is that everything depends on the use which is made of the tax-reduction dividend; and in Nigeria, it was comprehensively wasted. Federal public spending

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<sup>14</sup> In 2010 (Odunuga 2012), the northwestern and northeastern regions reported the highest headcount poverty rates in the country (78 percent and 76 percent, respectively) by comparison with 59 percent in the southwest. Sokoto State in the far north of the country had the highest poverty rate, at 86 percent.

<sup>15</sup> Boko Haram translates as 'western education is sinful' and riots organised by it have claimed thousands of lives in the last four years. Based in the poor Muslim provinces of the north, it has been active since the early 1990s, but only began its campaign to overthrow the government in 2009 (Adenrele, 2012).

<sup>16</sup> Thus, in Nigeria, the vertical element in what Laws (2012:1) styles as a 'two-level' game (between elites, and between elites and followers) is ritualised, since followers have not been able to compete effectively with elites by political means. If they have challenged elites, it is by violence, as in the case of Boko Haram in the north, rather than by political argument.

<sup>17</sup> World Bank data suggest that the national Gini coefficient of inequality was static at 51 percent from 1992 to 1996, but then rose to 55 percent (Christiaensen et al. 2003).

on agriculture, the mainstay of most poor people's subsistence, is minute, at only 1.7 percent of federal and 2.8 percent of total public spending (Mogues et al. 2008);<sup>18</sup> much of this has gone not on smallholders but (as in South Africa) on mechanised large-farm agriculture, with limited poverty-reduction potential (Ifeanacho et al. 2009; Philip et al. 2010); and since 1990, agricultural yields for all crops except rice, for which the trend has been steeply downwards, have been flat to slowly declining, by contrast with the encouraging trends observed in (for example) Uganda, Ethiopia and Rwanda, as well as Ghana (Breisinger et al. 2011).

The green revolution, with all its potential to reduce mass rural poverty, has not yet arrived in Nigeria. The cause of this is that only a very small part of the oil surpluses accruing to local elites has found its way into supporting agricultural input markets in smallholder areas (in particular for new seeds, irrigation, agricultural extension and smallholder credit), so that they can raise the productivity of the mass of the population. The reason for this in turn is partly corruption and, even more importantly, that rural smallholder interests, as in South Africa, are excluded from the ruling coalitions at both federal and local (state) level. The ruling political imperatives are to keep the oil flowing, to keep the price of food down and to keep unrest under control, and although a long-term view would realise that a green revolution would contribute to both the last two objectives, successive Nigerian governments have preferred to meet them in a short-term way, for example through food imports through client export-import companies. The contrast with Indonesia, which did take a long-term view of both inclusion and the role of agriculture, is highly instructive (Mogues et al.: 7). Indonesia also had an oil windfall in the 1970s; and by contrast with Nigeria, it managed it – by withholding a share of the inflows when prices were above trend, by aggressively devaluing the exchange rate so as to keep tradeables competitive, and by subsidising the key agricultural inputs mentioned above. Although corruption was certainly present in Indonesia, it did not destroy the coherence and dynamism of development strategy in the manner that occurred in Nigeria.

Not only agriculture, but also education, has experienced a decline in expenditure shares in Nigeria over the period 1990-2010, from 1.4 to 0.9 percent (World Bank, *World Development Indicators*, various). Worse, primary educational enrolments have been falling, overall from 90 percent to 72 percent between 1990 and 2004 (Nnamani 2004), with a particular decline among girls in the primarily Muslim northern provinces. These trends add up to a falling level of 'pro-poor expenditure' over time (Table 2 below), which contrasts with the trend in Ghana and other countries, where political support for small farms and businesses was stronger (Table 2 below), which we argue is an important predictor of poverty.

Thus, the ruling coalition's allocation of resources in Nigeria was governed by political imperatives which did not include long-term poverty reduction; and, interestingly, an increasingly transparent electoral process made no difference to this. The final piece of the jigsaw is that the extra-governmental *agencies of poverty dialogue*, as we have called them, which in Ghana were so powerful, in Nigeria were weak. The *aid donors*, which in the 1970s

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<sup>18</sup> This compares with an Africa average figure of 6.4 percent and an overall developing-country figure of 11.2 percent (Mogues et al. 2008:18).

and 1980s had been disinclined to operate in Nigeria, on the grounds that as a middle-income country it did not need the money, then distanced themselves from the country in the 1980s and 1990s, during which time its per capita income fell from around \$1,000 to around \$300 in 1980 prices, in the hope of sending the country a signal to improve its governance. As a result, the aid/GDP ratio, which averages about 10 percent in Ghana, is less than 1 percent in Nigeria, and donors have no ability to exercise leverage, either pro-poor or of any other sort. Most donors have not discovered any reason to form with Nigeria the kind of trust relationships that have been so fruitful for poverty reduction in Ghana, Uganda or Rwanda. And the poverty leverage of NGOs, whose operations are interlinked with those of donors, is weakened as a consequence. Thus it has not been possible for external actors in Nigeria to plug the gaps in a weak state in the way that has been so successfully achieved in (say) Bangladesh.

In conclusion, the big differences between Ghana and Nigeria are three: oil (and thence capital-intensity); bad governance; and the inability of 'agencies of poverty dialogue' to correct the harm these do to inclusive growth. As in our econometric analysis (Tables 3a and 3b) we find that differences in the incidence of fiscal policy between sectors were crucial to the outcome. In this case, a particularly crucial element in the equation is the contrast in the way a fiscal dividend, arising from the liberalisation of the state crop marketing boards, was used – beneficially in Ghana, in Nigeria wastefully.

*(ii) Uganda (poverty elasticity -0.48) vs. South Africa (poverty elasticity -0.15)*

By contrast with the two previous cases, both peasant-export economies, here we are making a comparison between an economy whose origins were peasant-export and an economy whose origins were mine-plantation. One of our key arguments is that being a mine-plantation economy imposes handicaps on pro-poor development, in terms of high inequality and capital-intensity, and this is certainly visible in the case of the two countries studied; the Gini coefficient in Uganda was 41 percent in 1990, rising slightly in recent years, but in South Africa, having been 63 percent in 1990, it had risen in 2011 to nearly 70 percent, one of the highest in the world.

In *Uganda* in 1986, 14 years of political turbulence and five years of guerrilla war came to an end. The victory of Yoweri Museveni – the country's president for the last quarter of a century – in the guerrilla war was founded on an alliance between his own home region in the southwestern part of the country (and one of the main bases of the pre-war Democratic Party) and the Luwero Triangle in the centre, previously the base for the other main political party, Kabaka Yekka. These two factions, having fought shoulder to shoulder in the guerrilla war, then combined to form what for the next 20 years was to be not only a dominant party, but Uganda's only legitimate political party – the National Resistance Movement (NRM). The NRM's priorities were the restoration of the rule of law, the economy and the infrastructure, and until the early 1990s the words 'poverty' and 'poverty reduction' were scarcely mentioned by any member of the governing elite – whether by President Museveni, or by any other member of leader of the National Resistance Movement. Policy at this time, indeed, was not only not pro-poor, but profoundly anti-Washington Consensus, with pegged exchange rates and great reliance on commodity export taxes as the main instrument of

public finance. Moreover, the President was profoundly antipathetic towards the one pro-poor measure which the donors had managed to smuggle into Uganda – the PAPSCA (Poverty Alleviation Programme for the Social Costs of Adjustment), designed to compensate Uganda’s retrenched ‘new poor’<sup>19</sup> – which he saw as a waste of money. And yet, within ten years a pro-poor coalition had converted this unpromising raw material into one of the most spectacular cases of long-term poverty reduction in Africa, if not the world.

The three key measures which caused poverty to almost halve between 1992 and 2000 were, first, the removal of taxes on exports of coffee and cotton – the bulk of which were produced by low-income smallholders;<sup>20</sup> second, the prioritising of pro-poor expenditures, including primary health and education, rural infrastructure and above all smallholder agriculture; and, third, in a more long-term sense, the pursuit and eventual achievement, in 2002, of universal primary education in Uganda, which served as a constant reminder of the NRM’s determination to be inclusive in every sense. This package was brokered (and in the case of the second of these measures, forced on a reluctant President) by, first, the aid donors – in particular in the World Bank and the UK Department for International Development (DFID) – and, second, Emanuel Tumusime-Mutabile, then Permanent Secretary to the Treasury, now Governor of the Bank of Uganda, who became a supreme expert in wrapping the government’s fiscal priorities in the kind of pro-poor language which the donors wanted to hear (Mosley, 2012). Tumusime-Mutabile, then, had a dual role: he was not just an implementer of economic modernisation, like the ‘Berkeley Mafia’ in Indonesia, but explicitly a broker in the matter of poverty reduction strategy between the elite and other interest groups. Without Tumusime-Mutabile’s success in persuading the President to leave the minutiae of financial implementation, and in particular the donors, to him, the government’s secure financial base, and therefore the entire ‘Ugandan poverty miracle’, would not have come to be.

In forming the coalition which implemented that pro-poor strategy, two additional groups of actors are particularly important. These are, first, ‘minority’ members of the dominant National Resistance Movement from outside the dominant alliance which had won the war

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<sup>19</sup> As Museveni later explained: ‘The problem of rural poverty is a threefold one. The first problem is infrastructure. Once one has adopted a free-market economy, whereby private entrepreneurs will be the main actors, it follows logically that the next priority is roads, to allow people to move up and down the country in pursuit of their economic activities and, in the process, develop the country. If there are no adequate roads, then it is difficult to produce goods for sale. *Unfortunately*, in our case, the appropriate ministries did not follow up this issue quickly. Instead, they focused their energies and resources on research, on setting up various poverty relief programmes, such as PAPSCA (Poverty Alleviation Programme for the Social Costs of Adjustment), *and generally scattering money in inappropriate directions*’. (Museveni 1997: 182; emphasis added) The other two items in Museveni’s threefold list of basic obstacles to development, apart from lack of infrastructure, are lack of incentives to produce and the culture of reliance on government (ibid). Museveni has travelled a distance from his Marxist roots!

<sup>20</sup> This exercise is in itself interesting, given the political justification for export taxes provided by Bates (1981): namely, that they enabled *selective and individualised* benefits to be financed by means of the *collective and less visible* deprivation of on-farm price, which was well below the export realisation. Did the reversal of this imposition not imply a loss of political popularity? No, because the NRM took care to publicise that the benefits from the liberalisation of the coffee price (in 1992) were its doing; and since about three-quarters of Ugandans are smallholder coffee producers, the political dividend was very widely diffused.

(especially from the poor, dry and fragile north of the country) and, second, non-governmental organisations (NGOs).

The poorest part of Uganda has always been the north, historically 'a labour reserve and recruiting ground for the army and the police' (Lindemann 2011: 392). Since 1986, it has also been the most politically turbulent part of Uganda: five of the seven insurgencies which the NRM has had to counter since 1986 have been located in that part of the country<sup>21</sup> (Lindemann 2011: 388), and that provides an obvious rationale for the sometimes dramatic (such as in the period before the 2011 election) transfer of resources into that part of the country; also, since 1986, the share of northerners in parliament has almost doubled, from 11.8 to 21.1 percent (Lindemann 2011: 399). In return for this largesse, Museveni was rewarded with large gains in the northern vote at the 2011 election, achieving a majority there for the first time (Conroy-Krutz and Logan, 2012: 21). If, as modern economic theories of conflict might lead us to expect, the worst conflict was always in the poorest places, this would give us a built-in political mechanism to rationalise pro-poor redistribution, but in practice (e.g. Kenya, Nigeria, Rwanda, DRC) this is often not the case.

An important element in the allocation of resources in Uganda has been a process of decentralisation to local councils, to whom all administrative powers except security, foreign affairs and national-level projects are now devolved. Within this process, non-governmental organisations, NGOs, have been intimately involved; the Ugandan NGO sector is one of the most vital in Africa (Barr and Fafchamps 2006, etc.), and provides the NRM with an important additional channel for the delivery of services such as microfinance,<sup>22</sup> rural health and extension to low-income groups, as well as a means for taking the political temperature in trouble spots. NGOs have become ever more formally linked to the machinery of government patronage, to the point that after the 2011 election President Museveni's brother was made Minister for Microfinance.

For a range of reasons (worsened relations between the westerners and the Buganda, accelerating inflation, and, with the discovery of oil in the northwest in 2006, the spectre of Uganda being struck by the 'natural resource curse'), both the NRM dominant party, and the pro-poor coalition are widely seen as more fragile than ever before (Kjaer and Katusimeh 2012). But Uganda still stands as a template for poverty reduction strategies, and for making pro-poor politics effective politics, in Africa. The coalition which achieved it is, in terms of motivation, a 'precautionary' rather than a 'reactive' pro-poor coalition, but it is not at all like many of the political initiatives which have latterly reduced poverty so much in South America, such as the Argentinian pro-poor coalition of 2002, in which poor and unemployed protesters forced their way into the corridors of power. Rather, northerners, NGOs and other entrepreneurs for the poor were incorporated into the machinery of government (through the dominant NRM party) to serve as a buttress against such protests, and the whole process was reinforced by the boost to rural smallholder income provided by the liberalisation of cotton, the north's dominant cash crop.

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<sup>21</sup> The Uganda People's Democratic Army, the Holy Spirit Movement, the West Nile Bank Front, the Uganda National Rescue Front and, most tenaciously, the Lord's Resistance Army.

<sup>22</sup> Uganda has been a test-bed for a number of pro-poor innovations in microfinance, notably the FINCA microinsurance scheme (Mosley 2003).

Post-apartheid South Africa represents a fascinating contrasting case. Rightly celebrated for its achievements in political and social inclusion since Nelson Mandela's accession, and having achieved fairly comfortable rates of economic growth throughout that time, it also has one of the worst poverty records of any African or any middle-income country. There are many rival estimates of inequality and poverty trends in South Africa (discussed in more detail in part (iii) of the Appendix), but perhaps the most reliable estimate (Leibbrandt et al. 2010) suggests that between 1993 and 2008, the overall proportion below the national poverty line (currently R515 per month) has gone from 56 percent to 54 percent,<sup>23</sup> but that within this total poverty is static within the black population and has increased by 6 percent, from 29 percent to 35 percent, within the Coloured population (Leibbrandt et al 2010: Tables 2.10 and 2.11, see also Aguero et al. 2007; Statistics South Africa 28 November 2012<sup>24</sup>). The two political traits most crucial for understanding this paradox are the increasing strength of the black (and white) trade unions and the impotence of agriculture, especially smallholder agriculture.

Within the political settlement achieved at the end of apartheid, in April 1994, by South Africa's dominant political party, the African National Congress (ANC), the formal-sector trade unions, in the shape of the South Africa Confederation of Trade Unions (COSATU), rapidly emerged as a key power-broker: the group, along with business, whose support the ANC most needed in order to govern. Through an alliance with the elite forged during the independence negotiations, COSATU achieved protected status for black and white workers already in formal-sector jobs and high rates of wage growth for black skilled, clerical and professional workers, who were rapidly able to occupy jobs previously reserved for whites after 1994. These alliances 'pushed the economy up its labour demand curve', in other words caused employers, committed by the terms of the coalitional agreement to hire high-cost unionised labour, to then adjust by shedding low-cost labour from the unorganised sector, and the consequence was that across the entire country, between the mid-1990s and the mid-2000s, unemployment more than doubled – on the broad definition, from just over four million to nearly 8.5 million (Kingdon and Knight 2007, Table 1, p.815). These increases in unemployment were not evenly spread across the labour force: because the formal wage-earning sector was relatively protected, the burden of adjustment, as discussed, was pushed onto the self-employment sector and especially the informal sector in the shantytowns<sup>25</sup> (in turn, within the shantytowns, the more vulnerable groups were themselves hit, and tens of thousands of Zimbabwean, Mozambican and Basotho workers were laid off and often had to return home). This tendency was then aggravated by trends in education, in which enrolments were hugely expanded over the decade, but quality standards declined. This put a brake on the numbers of black people who were able to climb the ladder from unskilled to technical and administrative grades (van der Berg 2007), which then increased the earnings disparities between those who were able to climb the educational ladder and those who

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<sup>23</sup> There are many estimates and many definitions of poverty in South Africa (see Appendix below part (iii))

<sup>24</sup> See <http://beta2.statssa.gov.za/>

<sup>25</sup> Thus, 'whereas formal sector real wages fell by 0.5 percent per annum over the period 1997-2003, informal sector real wages fell by 7.8 percent during this period' (Knight and Kingdon, 2007).



were not.<sup>26</sup> In other words, although apartheid had come to an end, segmentation within the labour market had not, and it resulted in the persistence of trends, in particular an aggravation in the inequality of income distribution,<sup>27</sup> which were the opposite of (vertically) inclusive.

This was also and particularly the case in smallholder agriculture, the great motor of poverty reduction in Uganda, Ghana and also most countries of east and south-east Asia. Under apartheid, farming had been stratified between large, high-productivity white farms and low-productivity subsistence holdings in the black homelands; but in the closing years of apartheid after 1987, the Ministry of Agriculture had invested on a large scale in 'agricultural development corporations' within the African-designated homelands, which provided integrated rural development programmes (credit, extension, fertilisers, and in some cases mechanisation) in support of foodcrop production, creating a transient black rural middle class. These investments produced something of a mini-green revolution, and in the early 1990s black smallholder maize yields in the Phokoane region of Gauteng, at around 3 tons/hectare, outstripped average white yields on commercial farms (Singini and van Rooyen 1995). However, whereas agricultural interests had great leverage in Museveni's Uganda, they had little in Mandela's South Africa,<sup>28</sup> or that of his successors, and African smallholders had none. In the midst of a general reorganisation of the finance of public statutory bodies in 1995, the agricultural development corporations, and the services they provided, were dismantled. From the middle 1990s on, smallholder maize yields quickly fell back towards the subsistence levels of about one metric ton per hectare that had prevailed under apartheid (and still prevail across much of Africa), and in the 2000s they have remained there. Other potential pro-poor expedients failed also: immediately after the end of apartheid, an attempt was made to try and attack the inequality of rural asset ownership through land reform – which, across much of Latin America throughout the 20th century, had been the classical reformist instrument used to promote the inclusion of the poor.<sup>29</sup> The South African Land Transfer Programme was to be a new style, 'willing seller, willing buyer' reform, in which there was to be no coercion and vendors were to be fully compensated for the price of the land. However, the reforms were a failure: by the end of the 2000s barely 3 percent of the land scheduled to be redistributed had been transferred to its new owners, and what had been transferred had not had the effect of reducing rural poverty, in the sense of food security, but rather of increasing it (Valente 2008, Chapters 4 and 5; Valente 2009). Many large farms were simply not subdivided at the point of reform by the incoming settlers,

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<sup>26</sup> As Leibbrandt et al. (2010: 9) comment: 'While between-race inequality remains high and is falling only slowly, it is the increase in intra-race inequality which is preventing the aggregate [inequality and poverty] measures from declining'.

<sup>27</sup> The Gini coefficient for the whole country rises from 66 percent to 70 percent between 1993 and 2008, and the generalised entropy measure of inequality from 0.91 to 1.00 – that is by 10 percent – but intra-African inequality, measured in the same way over the same period, rises from 0.57 to 0.75 – that is by 31 percent (Leibbrandt et al., 2010, Table A3.9, page 81).

<sup>28</sup> In a poll of ministries held in 2005 to assess the levels of influence held by ministers, agriculture came 19th out of 20, or next to last. Personal communication, Gerhard Coetzee.

<sup>29</sup> We may refer once again to the analysis by Bell (1975: 54), who shows that land reform was often brought about by coalitions between a rising industrial bourgeoisie and the emergent rural groups in opposition to rural landlords, with a view to achieving higher rural productivity and cheaper food. This was the motivation behind the (Zapata) Mexican land reform of 1911, the Bolivian reform of 1951 and the Peruvian reform of 1974.

but simply occupied as large units by cooperatives, making any benefits from reform harder to realise. In the Northern Region (Limpopo Province, which as in Uganda – and Ghana – is the poorest in the country), there was some inward transfer of resources (Basarir 2012), but this made little difference to the level of poverty there.

Putting these two trends together, South Africa suffered from severe urban bias (which should really be called formal sector bias, as the bias acted against shantytown residents as well as farmers). Therefore, one way of explaining the difference between the economies of falling-poverty countries, such as Uganda, and the economies of still-high-poverty countries, such as South Africa, is that in the latter, unlike the former, no mechanism has been found for the reversal of urban bias. Crucial in the embedding of urban bias is the power of organised and trade unions and other privileged organisations, and we thus need to explore a new proposition: where organised-sector labour is strong within the ruling coalition, that weakens the likelihood of effective pro-poor action. Policy coalitions which remove protection from privileged entities (such as large companies and professional and high-wage trade unions) are likely to be more successful in reducing poverty.

Notable also in the South African case is the absence of a broker willing to force pro-poor reforms on the country in the way that had occurred in Uganda. In part this is because South Africa, as a middle-income country, is less eligible for aid than Uganda and indeed than most of the countries of Africa, which are low-income. Because South Africa's aid inflow is marginal and not crucial to its fiscal capacity,<sup>30</sup> any attempt which the donors might make to force the South African elite towards a more pro-poor allocation of public resources would not be credible and has not been attempted.

Although social movements representing poor people, by contrast with special-interest groups such as trade unions and professional associations, have relatively little leverage in South Africa, and although (Mitlin and Mogaladi 2011) they have not been able to break into the policy-making circle in the way that was achieved, for example, in Argentina (case study 2) they managed, by the early 2000s, to arouse sufficient anxiety within the elite to eventually bring about a substantial broadening of the social protection system, to encompass child support grants, public works programmes and unemployment assistance in addition to the long-standing old age pension. The first of these is the most important: access to the Unemployment Insurance Fund is highly restricted and, for example, offers no assistance to the jobless without previous work experience. But the child support grant has become so crucial that it now provides two-thirds of the income of the bottom quintile of households (Leibbrandt et al. 2010: 10), and Leibbrandt's verdict is that 'these grants have been crucial in reducing poverty among the poorest households' (Leibbrandt et al. 2010: 4, etc). It is sobering to think that the neutral-to-negative poverty trend described above has occurred in spite of the existence of social protection going beyond that available in any other African country. Our diagnosis of South Africa's predicament is, then, fundamentally, of a failure to push the economy along a mass-education, labour-intensive production function in the manner which occurred in Uganda and elsewhere. Although the technology of

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<sup>30</sup> Aid in South Africa is less than 1 percent of GDP, by comparison with over 10 percent in both Uganda and Ghana.

production may be seen as a technical issue, the root of the problem lies in South Africa's segmented labour market, its continuing system of trade union privileges underwritten by the ANC elite, and in the lack of leverage of its rural smallholder lobby; and these are fundamentally political matters.

On this analysis, therefore, the main factors which caused the ruling coalition to have effective pro-poor impetus in Uganda, but not in South Africa, were:

- (i) the relatively strong political leverage of smallholder agriculture, leading to wide diffusion of the gains from growth, and relatively low income inequality;
- (ii) the strength in Uganda, and debility in South Africa, of effective institutions able to lift the incomes of the poorest (including smallholder extension and microfinance for the urban self-employed) – the ineffectiveness of the South African land reforms is also relevant here; and
- (iii) the existence of effective pressure from 'brokers', notably including donors and the civil service, to prioritise state spending around pro-poor functions (including smallholder agriculture).

All these factors are highlighted in the theoretical framework set out in Section 3, and show significance in the econometric estimations of Section 4. But study of this particular pair of countries also highlights a fourth:

- (iv) the absence from the power-structure of powerful trade unions or other forces tending to push up the cost of labour (and thus make development capital-intensive).

Table 4 summarises the findings of our case studies in relation to the influences affecting poverty discussed in Section 3 and, in particular, in the final column, summarises the factors influencing the pro-poor impulse which are *not* captured by the drivers of pro-poor growth identified in Section 3.

**Table 4. Factors affecting political motivation to execute pro-poor expenditure policies: summary of evidence emerging from case studies**

Expected determinants of pro-poor fiscal policy (from equation (3)):	Recovery from conflict	Brokerage by aid donors and others	Tax capacity	Other influences on pro-poor motivation or capacity, not captured in econometric analysis but emerging as important from case studies
<i>High poverty reduction countries:</i>				
Ghana	Not directly relevant; but although Ghana did not experience civil war during the 1980s, it did experience chronic civil conflict, of which a 'fairer' distribution of expenditure was seen as a potential means of mitigation.	Crucial: the existence of a strong trust relationship between the IMF (and to a lesser extent the Bank) and the Ghana government, based on their willingness, was key in making sure the momentum of development was not interrupted, even though Ghana had breached its inflation and budget-deficit targets.	Crucial; again the IMF was the key influence, specifically in articulating tax reforms (such as VAT and cocoa price liberalisation).	Emergence and maintenance of two-party democracy (pressure on the elite) and competition between elites; vitality of NGOs.
Uganda	Crucial: President Museveni saw the formation of a single party, inclusive of all regional and ethnic groups, as the main instrument by which a return to civil conflict could be prevented.	Crucial: more than in Ghana, the location of brokerage was within government (especially with the Permanent Secretary for Finance) and at lower levels in partnerships between Ministry of Finance officials and donors	Crucial in the early stages (mid-1980s – mid-1990s), during which Bank and Fund support were important in enabling Uganda to diversify out of almost total dependence on coffee export taxation. After that, the momentum of tax reform (and tax revenue) stalled.	

<i>Low or 'negative' poverty reduction countries</i>				
Nigeria	The government's redistributive strategy (of transferring oil revenues from the richer south to the poorer north) has failed: the influence of terrorism (especially Boko Haram) important in limiting ability to implement pro-poor projects in rural areas.	Aid (and even IBRD loans) only a small part of GNP, and so their ability to exercise (pro-poor or other) leverage over government was small.	<p>Liberalisation of crop marketing in the 1990s more drastic than in Ghana (crop marketing boards were not just reformed, but abolished); but because of corruption, failed agricultural policies and the more capital-intensive structure of the economy, this tax-reduction dividend was largely wasted.</p> <p>Redistribution of expenditure from rich south to poorer north, to the extent that it has been implemented, has failed to curb civil unrest (see left).</p>	<p>Because small farmers are excluded from ruling coalitions, the thrust of federal and most state-level agricultural policies does not target smallholders explicitly (as it does in Ghana and, albeit decreasingly, in Uganda). Hence, by contrast with those cases, smallholder yields are falling.</p> <p>Declining school enrolments.</p>
South Africa	Recovery from civil unrest after the end of apartheid in 1994 very important in embedding the principle of social justice and horizontal inequality as means for preventing social conflict. Less successful in reducing vertical (i.e. income and asset) inequality, possibly because the influence of aid donors was less.	Aid (and even IBRD loans) only a small part of GNP (though higher than), and so their ability to exercise leverage over government was small.	Decline in quality of secondary and some education (and thence in the ability of trainees to progress to higher income levels).	<p><b>Positive:</b> Existence of a pensions system and, after 2000, a system of cash transfers to the poor was important in preventing poverty trend from being even worse.</p> <p><b>Negative:</b></p> <p>(1) Land reform was attempted as an instrument of income distribution, but failed.</p> <p>(2) High rate of growth of formal-sector incomes was key in limiting the growth of employment.</p> <p>(3) Smallholder agriculture a much smaller proportion of the economy than in the other countries considered here, hence less scope for poverty reduction by this means; what was attempted in the way of</p>

				<p>'green revolution' initiatives in the former homelands, after showing promise in the early 1990s, eventually flopped (Singini and van Rooyen 1995). This is partly due to the lack of political support for agriculture (as in Nigeria; but in South Africa encompassing even large farmers) at national level.</p>
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Thus, some things which do not emerge as significant determinants of poverty reduction from our econometric analysis (and in particular the influence of aid donors) do emerge as important from our case-study material. Part of the reason for this is our clumsy specification of the influence of aid donors in terms of aid aggregates, whereas in fact this influence is determined much more by trust relationships and by the influence of individual personalities – things which are perhaps too subtle to capture in an econometric model.<sup>31</sup> In addition, other influences on poverty which we did not specify in our model – notably the rate of wage increase in the formal sector, the trend of school enrolments and, perhaps most importantly, the political salience of smallholder interests in the ruling coalition – emerge as locally significant influences in at least some of the countries reviewed here. The last of these factors, at least, is probably significant across Africa as a whole, but this intuition cannot be confirmed with the data at our disposal.

## 5. Conclusion

By contrast with a literature which has tended to analyse African poverty trends in an aggregative way, we have focused on inter-country differences, which as we have shown are dramatic. We identify ‘two Africas’, in one of which the gains from growth have been widely spread among all levels of the population, whereas in the other this has not occurred and only a selected few have been able to climb the income ladder. Sadly, the Africa which provides the most illustrations of dramatic improvement in the living standards of the poor consists mainly of small countries: with the possible exception of Ethiopia, no large country in Africa has cracked the problem of how to cut poverty fast, and this is an elephant in the room which can no longer be ignored. There is a very wide variance between the best and the worst cases, a phenomenon which has been little discussed, and our purpose has been to understand this variance.

The more inclusive of the two Africas, in most but not all cases, consists of countries which in colonial times relied on African smallholder exports to achieve viability – thereby providing a potential vehicle for broad-based development, as a high proportion of low-income Africans nonetheless have a little tea, coffee, cotton or cocoa on their plots and many more work for people who do. But not all former ‘peasant export economies’, by any means, have been able to capitalise on this asset, nor have the countries which lacked it been barred from overcoming the barriers to successful poverty reduction – provided they had the necessary political will, and the necessary capacity and imagination to assemble a set of policy instruments appropriate to local circumstances. Thus, our next step has been to enquire what the nature of that set of policy instruments might be, and what might be the secret of forming the ‘pro-poor coalitions’ required to convert those policy instruments into a workable development strategy.

We have focused on fiscal instruments here, not because others are not important, but because without effective fiscal policy most of the other instruments will not work. Our main finding, robust to variations in the definition of poverty, is that what we call a ‘pro-poor expenditure pattern’, combined with strong initiatives to diversify and strengthen the pattern of taxation, is a significant influence, holding constant the levels of inequality and natural resource intensity, in determining the rate of poverty reduction. The main motivational factors bringing into being a pro-poor political settlement, and thus a pro-poor expenditure pattern, appear to be above all an adequate capacity to generate revenue and, in certain

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<sup>31</sup> For an attempt to assess the influence of trust relationships on aid flows, see however the essay by Mosley and Abrar (2006).

cases, also recent experience of conflict, which appears to ‘concentrate minds’ and induce a more long-term, and more inclusive, approach to policy. A ‘broker’ able to act as an intermediary between aid donors, the ministry of finance and the different spending ministries in government also appears, certainly on the evidence of our case studies, to be an important factor influencing the pattern of public spending.

However, even these lessons – which appear to be general – must be stated with caution, partly because the statistics, especially in the largest countries, are questionable; and partly because so many of the influences which determine poverty, on the evidence of our case-studies, appear to be local and not universal, including the operation of labour and education markets. Maybe the most crucial influence not yet properly examined, however, is the political significance of smallholder agricultural interests. We have not attempted to quantify this, and maybe that would be difficult; but in every place we have examined where smallholders are politically strong, poverty reduction performance has been good, and wherever they are weak, poverty reduction performance has been bad. Trying to convert this intuition into a serious investigation of the mechanisms through which it works (if it does work) represents, in our view, an important frontier for future research.



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## Data appendix

### *(i) The growth-poverty relationship with different estimators of poverty*

One of the ways in which we try to determine whether our general story on the causes of African poverty dynamics is robust, in face of the deficiencies in the data, is to examine the relationship between poverty and growth under different definitions of poverty. In Table 1, we used headcount poverty measured at the national poverty line from national consumption surveys, as this is the original source of all the data and the source for which we have the largest number of observations. In Table 1, we show, for comparison, the course over time of two other indicators of deprivation: 'dollar-a-day poverty' (actually now \$1.25-a-day poverty), the measure used to assess progress towards the Millennium Development Goals; and infant mortality.

These data show varying levels of performance; for example, Botswana, which is very good at reducing headcount poverty and dollar-a-day poverty, has scarcely managed to reduce infant mortality (largely because of the influence of HIV/AIDS); whereas in Malawi, where there has been only a marginal change in headcount poverty and dollar-a-day poverty over the 1990-2010 period, infant mortality has halved between those years.

Table A1. Growth and poverty in Africa, 1990-2010, with different poverty estimators

Country	(1) GDP growth rate, %, 1990-2010 (annual average)	(1) (Poverty headcount (% poor) at national poverty line:			(2) Poverty headcount (% poor) at \$1.25 a day poverty line:			(3) Under-1 infant mortality (per 1000)		
		(a)1990 (or nearest year)	(b)2010 (or nearest year)	(c)% change 1990-2010 (annual average)	(a)1990 (or nearest year)	(b)2010 (or nearest year)	(c)% change 1990-2010 (annual average)	(a)1990 (or nearest year)	(b)2010 (or nearest year)	(c)% change 1990-2010 (annual average)
Ghana***	3.8	51	23	-2.3				74	49	-1.7
Sierra Leone**	2.1	80	60	-1.3	71	52	-1.3	164	125	-1.2
Cameroon**	2.6	54	40	-1.3						
Uganda***	6.0	56	24	-2.9	45	24	-2.7	100	81	-0.9
Senegal***	3.0	64	46	-1.4	36	30	-0.8	73	52	-1.4
Angola*	5.9	68	37	-2.7	68	36	-2.7	153	100	-1.7
Namibia*	3.3	38	28	-1.4						
Ethiopia***	4.3	44	30	-1.7	44	31	-1.5	128	69	-2.3
Mauritania*	2.9	57	42	-1.3						
Botswana*	7.4	45	23	-2.5	41	23	-2.2	45	44	-0.1
Gambia***	4.0	64	48	-1.2				103	79	-1.2
Cape Verde***	5.7	37	27	-1.7						
Zambia*	2.2	68	60	-0.6	80	74	-0.4	108	87	-1.0
Rwanda***	4.1	54	44	-1.0				102	75	-1.5
Congo-Kinshasa (DRC)**	1.5	75	70	-0.3	80	70	-0.6			
Mozambique***	4.4	69	58	-0.8				155	99	-1.9
South Africa*	2.5	56	54	-0.15	56	54	-0.2	47	45	-0.2
Tanzania***	4.7	39	37	0.3				99	69	-1.5
Mauritius**	5.2	9	8	-0.5				21	15	-1.4
Central African Republic***	1.0	62	62	0						
Malawi**	3.1	54	50	-0.4	75	61	-0.4	146	71	-2.6
Chad***										
Burkina Faso***	4.6	45	47	0.02	61	45	-1.3	110	92	-0.4
Swaziland**	5.2	60	64	0.3						
Kenya**	2.8	42	46	0.5				73	56	-1.2

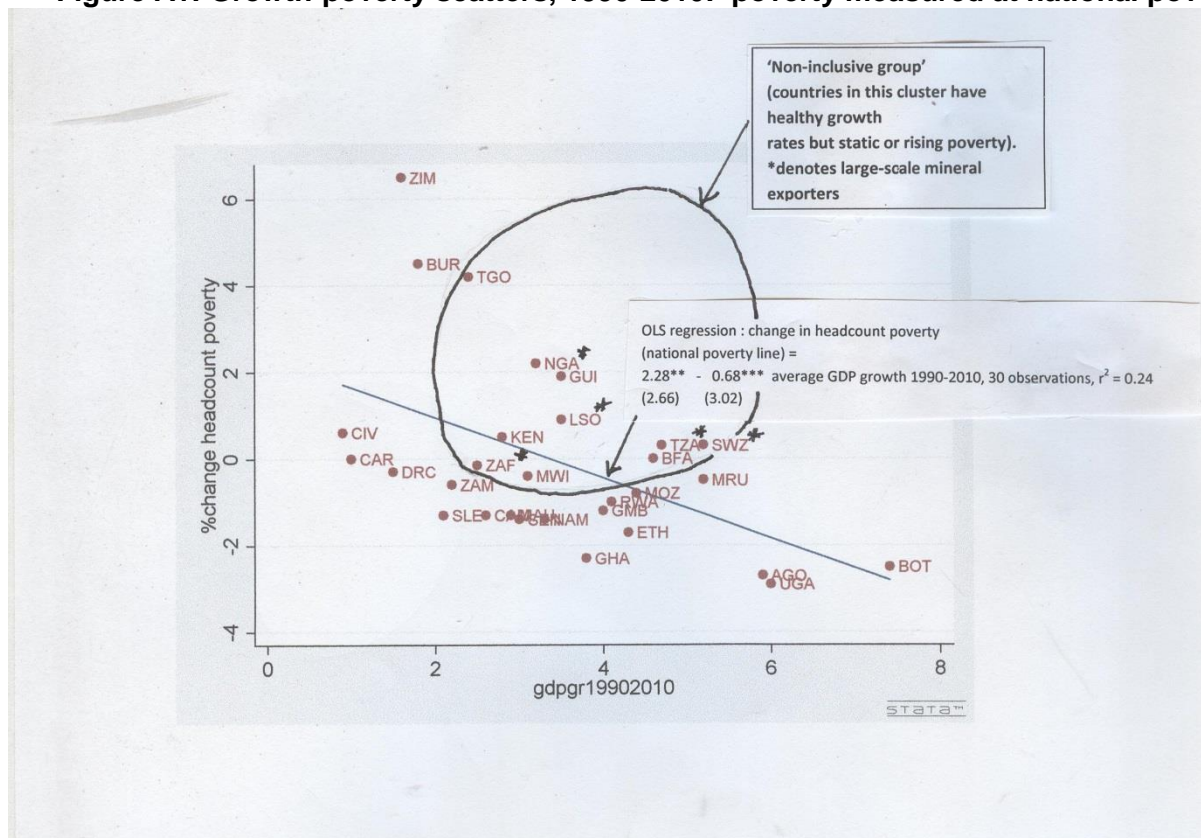


<b>Lesotho*</b>	3.5	56	66	0.9	53	66	1,2	102	66	-1.8
<b>Guinea***</b>	3.5	40	55	1.9						
<b>Cote d'Ivoire***</b>	0.9	37	42	0.6						
<b>Nigeria**</b>	3.2	43	62	2.2	43	62	2.2	114	88	-1.1
<b>Togo***</b>	2.4	32	58	4.2						
<b>Burundi***</b>	1.8	35	67	4.5						
<b>Zimbabwe*</b>	1.6	26	58	6.5	26	58	6.5	52	58	0.5
<b>Weighted mean</b>		<b>48.0</b>	<b>47.6</b>	<b>0.04</b>						

Source: World Bank, *World Development Indicators* database, supplemented by UNDP, country reports for 2013 *Millennium Development Goals* report (United Nations 2013). In terms of their colonial inheritance, peasant-export economies are denoted \*\*\*, mine-plantation economies are denoted \*, and 'hybrid' economies containing elements of both ideal types are marked\*\*.

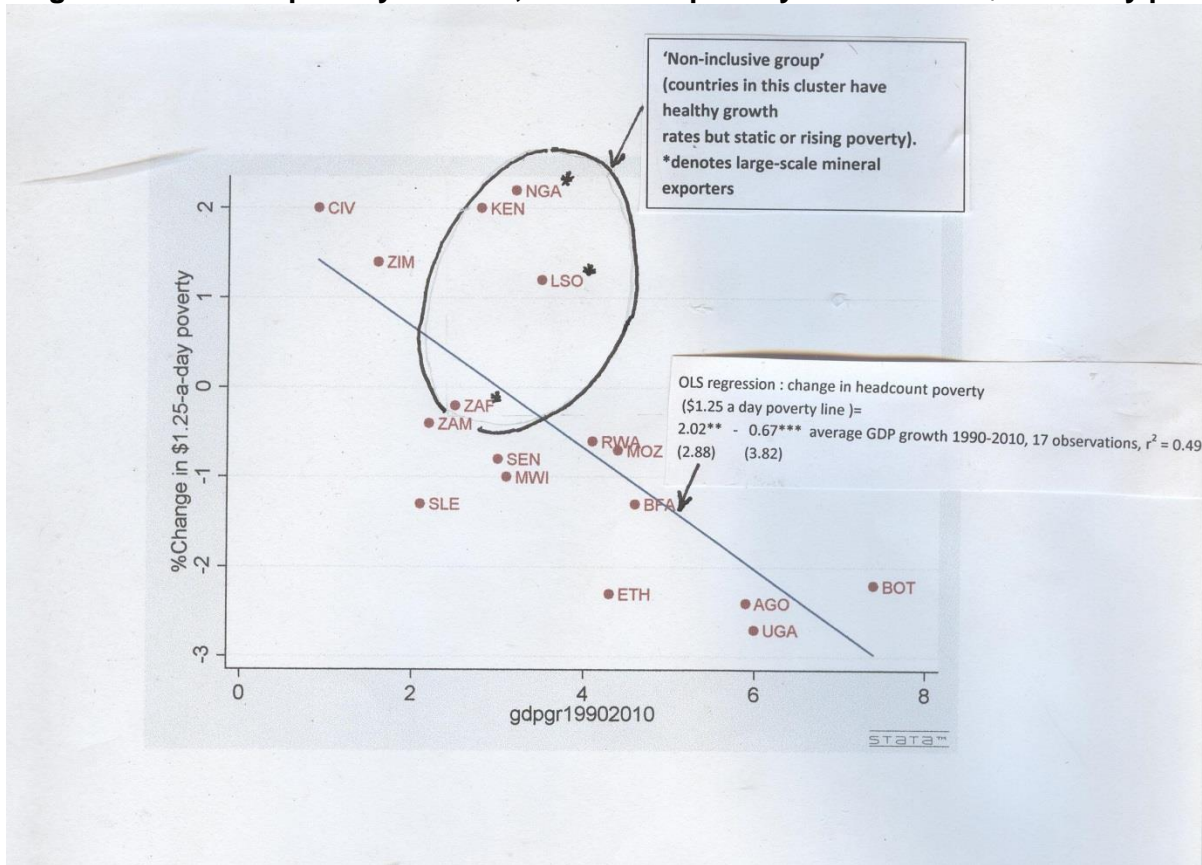
The easiest way to identify the difference this makes to our portrayal of the 'two Africas' is to depict these data in the form of growth-poverty scattergrams, on which the inclusive 'star performers' and the non-inclusive perverse cases emerge as clusters situated, respectively, below and above the regression line relating growth and the different poverty measures. This is done in the different panels which follow (Figures A1, A2 and A3).

**Figure A1: Growth-poverty scatters, 1990-2010: poverty measured at national poverty line**



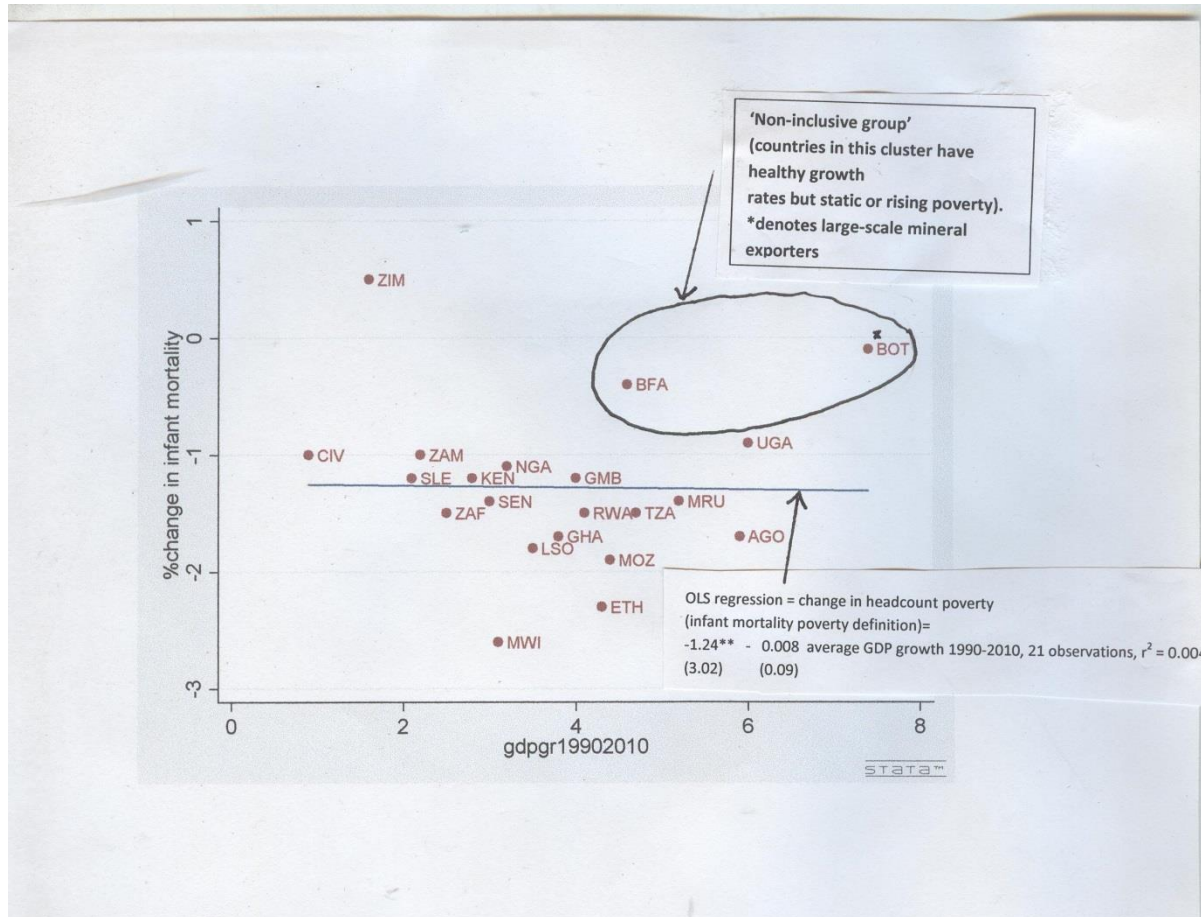
**Source:** United Nations Development Programme (2013).

**Figure A2: Growth-poverty scatters, 1990-2010: poverty measured at \$1.25 a day poverty line**



**Source:** United Nations Development Programme (2013).

**Figure A3; growth-poverty scatters, 1990-2010: poverty measures as (under 1) infant mortality**



The picture emerging from Figure A1 (headcount poverty measured at the national poverty line) and from Figure A2 (headcount poverty measured at the \$1.25 poverty line) is very similar: around a strong and significant, conventionally downward-sloping, regression line, we can see the same two clusters of outliers (exceptional performers) as before: a cluster of ‘inclusive’ performers below the regression line (Ghana, Ethiopia, Uganda, joined in the case of the \$1.25-a-day indicator by Malawi), most of them former peasant export economies, but with the conspicuous addition of Angola, and a cluster of non-inclusive economies above the regression line with healthy growth levels, but zero or negative poverty reduction, most of which are either former settler economies (Kenya, South Africa) or mineral- and energy-based economies (Nigeria, Lesotho). However, when we turn to look at infant mortality, the picture is very different. The regression line is flat, and statistically insignificant; the below-the-line, ‘inclusive’ outliers are the same, mainly smallholder export economies, but the above-the-line outliers and include Botswana, a development model for the whole of Africa! We recall, however, that the mortality data, whose performance here is not good, perform even better than the headcount data in relation to our analytical model (Table 3b above).

**(ii) Frequency and reliability of surveys**

Table A2 lists the household surveys which have been conducted in Africa since the early 1990s, as reported by UNDP. As noted above, Africa since 2000 has conducted only half the number of poverty estimates achieved in the rest of the developing world, and this inevitably constrains the quality of our and any analysis which attempts to assess over-time changes in poverty. As will be observed from Table A2, eight countries out of our sample of 31 (Angola, Cape Verde, Chad, Tanzania, Central African Republic, Lesotho, Cote d'Ivoire, Burundi), i.e. more than a quarter, have had either no or only one survey since 2000, and have had to be deleted from the sample used for analysis, since they cannot be expected to yield an accurate picture even of the trend of poverty since 2010, much less of the levels in individual years.

**Table A2. African countries listed in Table 1: timing of national income/consumption surveys, 1990-2010**

Country	Number of surveys	Occurrence of surveys	Remarks
Senegal	4	1995, 2000, 2005, 2010	
Ghana	5	1990, 1995, 2000, 2005, 2010	
Sierra Leone	3	1990, 2000, 2010	
Cameroon	3	1996, 2001, 2007	
Uganda	4	1992, 2000, 2008, 2012	
Angola	2	2000, 2009	
Namibia	3	1990, 2000, 2009	
Ethiopia	4	1990, 1995, 2000, 2008	
Mauritania	5	1990, 1995, 2000, 2005, 2007	
Botswana	3	1993, 2003, 2009	
Gambia	4	1990, 1995, 2000, 2010	
Cape Verde	2	2002, 2007	
Zambia			
Rwanda		1995, 2000, 2011	
Congo-Kinshasa (DRC)	3	1992, 2005, 2007	
Mozambique			
South Africa	3	1990, 2000, 2010	See discussion at pp 44-45 below.
Tanzania	3	1990, 1995, 2000	
Mauritius			
Chad	2	1995, 2003	
Central Af. Republic	3	1990, 2000, 2008	
Burkina Faso	5	1995, 2000, 2005, 2008, 2009	
Swaziland	3	1990, 2000, 2010	
Lesotho	2	1995, 2000	
Cote d'Ivoire	2	1995, 2008	
Guinea	2	1995, 2012	
Nigeria	4	1990, 2000, 2005, 2010	See discussion at pp 44-45 below.
Togo	3	1990, 2008, 2011	
Burundi	2	1990, 2006	
Zimbabwe		<i>Check</i>	

### ***(iii) Reconciling multiple findings on poverty trends in two large African countries: Nigeria and South Africa***

*Nigeria* has long suffered from a proliferation of mutually inconsistent statistical sources, with several agencies, including the FAO and US Department of Agriculture, composing their own datasets to challenge the Federal Bureau of Statistics estimates (see Mosley1992). The estimates presented in Tables 2, 3a, 3b and A1 above are World Bank estimates of poverty at the national poverty line of 395 naira at 1985 prices per capita per annum, which was selected by the Federal Office of Statistics as the poverty line that would allow consumption of minimum FAO-recommended calories per day and a minimal basket of non-food items (World Bank, 2013b) from the World Bank on-line database, and report a 2011 poverty level of 62.3 percent. These estimates appear to have been marked down from the Federal Bureau of Statistics estimates of 67 percent in 2010 and 72 percent in 2011.<sup>32</sup> (The Bank has cast doubt on the National Bureau of Statistics' latest estimates of Nigerian poverty rates.<sup>33</sup> No figures are quoted by the World Bank for poverty at the \$1.25 per day poverty line. McKay (2013) has also recalculated poverty dynamics estimates for various African countries using a new AERC method for calculating the output of the subsistence sector, and arrives at a more optimistic picture of the Nigerian poverty trend from 1992-2006 than the Bureau of Statistics estimate presented here. The estimate of poverty change between 1990 and 2010 used in our calculations is thus intermediate between the McKay estimate and the Federal Office of Statistics estimate. But there does not exist, as there does for example in South Africa, for example (see below), any study which examines the entire 20-year period since the early 1990s, adjusts for assumptions which cause worry such as, in particular, the treatment of agriculture, and compares poverty trends at different poverty lines. The primitive attempt which is made at doing this in Table A1 above suggests that, in Nigeria, the long-term trend in child and infant mortality, in particular, is much less adverse than the trend in headcount poverty.

There are many rival estimates of inequality and poverty trends in *South Africa*. The statistics that have been produced use a range of benchmarks (Statistics South Africa 'upper', which includes non-food items, and 'lower' which excludes them; \$1, \$1.25, \$2 and \$2.50 a day; and the relative measures, 50 percent and 40 percent of median per capita income). Data are available from both national censuses, labour force surveys and rural household surveys, but 'long-run comparisons of poverty using census data are hard to make because the income bands within which incomes are reported in the censuses do not allow for a coherent [over-time] set of real income comparisons (Leibbrandt et al. 2010: 14). Thus we are thrown back on household surveys. Using these data, there is 'something of a consensus around the direction of post-apartheid inequality and poverty trends', namely that there was an increase between the end of apartheid in 1994 and 2000, and a small decrease between 2000 and 2004. After that we have few reliable long-term comparisons, and we depend heavily on the estimates made by Leibbrandt et al. (2010), using the Statistics South Africa 'upper' (including an allowance for non-food items) poverty line, which suggests that between 1993 and 2008, the overall proportion below the national poverty line (currently R515 per month) has gone from 56 percent to 54 percent, but that within this total poverty is static within the black population and has increased by 6 percent, from 29 percent to 35 percent, within the Coloured population (Leibbrandt et al., 2010: Tables 2.10 and 2.11; see also Aguero et al. 2007).

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<sup>32</sup> C. Soludo, 'Breaking the dynasties of poverty in Nigeria', available online: <http://www.nairaland.com/1114429/breaking-dynasties-poverty-nigeria>, 20 March 2013.

<sup>33</sup> See 'No reliable statistics on Nigeria's poverty rate – World Bank', available online: <http://www.nairaland.com/1065936/no-reliable-statistics-nigerias-poverty#12431904>, 5 October 2012

These estimates have limitations, notably the omission of agricultural income from the household income figures 'due to problems in comparability' (Leibbrandt et al. 2010: 23).<sup>34</sup> Leibbrandt et al. estimate poverty measures for both a 'higher' (R949 per month) and a 'lower' (R515 per month) poverty line, and for different levels of aversion to extreme poverty ( $p_0$ ,  $p_1$  and  $p_2$ ), and for each of these measures the finding of a small decline in overall headcount poverty is confirmed (the decline is largest, at 0.6 percent per annum, in respect of the  $p_1$  measure at the R515 poverty line, and smallest, at 0.1 per-cent per annum, in respect of the  $p_0$  measure at the R949 poverty line; Leibbrandt et al. 2010, Table 2.10, p.36). The estimates used in Tables 2, 3a, 3b and A1 above use the  $p_0$  measure for the R515 poverty line. Poverty is worse in urban than in rural areas, and has only kept from being worse still, especially since 2000, by high levels of government welfare grants (pensions, Child Support Grant, unemployment benefits, Expanded Public Works Programme), which are of course a South African particularity, only thinly found in other African countries.<sup>35</sup> Statistics South Africa estimate that since 2008 poverty measured according to this poverty line has deteriorated, and was 57 percent in 2012 (Statistics South Africa 28.11.12). This estimate, although official, has not been entered into our analysis, in order to keep the cross-country comparisons consistent across the 1990-2010 period. The 2013 South Africa submission to the UNDP Millennium Development Goals report appears to present a more optimistic picture, but its figures are based on data for 2000 to 2005 only, and they present no data covering a more extended period.

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<sup>34</sup> Leibbrandt et al. report that 'the inclusion of agricultural income from (both the 1993 and the 2008) datasets results in a slightly overstated decline in poverty over the period'.

<sup>35</sup> When income excludes government grants, headcount poverty at the R515 level, using the  $p_0$  measure of inequality aversion (the measure used in our analysis) is static at 60 percent between 1993 and 2008. Using the  $p_2$  measure of inequality aversion, poverty measured at this same poverty line deteriorates from 32 percent to 37 percent (Leibbrandt et al. 2010, Table 2.17, p. 46).



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