

AFRICA'S INEQUALITY CRISIS AND THE RISE OF THE SUPER-RICH



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Executive summary

Africa faces a double crisis of inequality. Not only are the continent and its countries among the world's most unequal, but its governments are on average among the least committed to reducing inequality.

This has created a situation in which a few people are becoming rich beyond their wildest dreams, while the majority endure increasing hardship:

- Africa's four richest people – all of whom are men – have more wealth than half of the region's 750 million people combined.
- Over the past five years, African billionaires have increased their wealth by 56%; the five richest African billionaires have increased their wealth by 88%.
- Nearly half of the 50 most unequal countries in the world are African.
- Since 2020, the average income of the richest 1% in Africa has increased five times faster than that of the bottom 50%.
- African dollar millionaires, who account for 0.02% of the population, own nearly a fifth of the region's wealth, while the bottom 50% own less than 1%.
- In Africa, men own three times more wealth than women; this is the highest gender wealth gap of all regions and is double the world ratio.

This level of extreme inequality is neither natural nor desirable but is the result of unjust policies and structures – nationally and globally – that see Africa's wealth flowing to the few rather than benefiting the many. Such a system of redistribution to the rich should be a major concern for all, as extreme inequality threatens to undermine democracy, hampers poverty reduction and growth, worsens the climate crisis, widens gender and other intersectional injustices, and leads to the denial of basic rights and dignity for ordinary citizens. Reversing the continent's extreme inequality can transform the lives of millions:

- Reducing inequality by 2% accompanied by an annual growth rate of 2% would end extreme poverty rate in Africa 2.4 times faster than if inequality remained the same.
- Over the next five years, an additional 71 million people in Africa could be lifted out of extreme poverty if inequality were reduced by 2% per year.

The African Union and its member states have recognized that extreme inequality will undermine its ambitious Agenda 2063 development plan and formulated a goal in 2024 to reduce inequality by 15% in the coming decade. Such a target is welcome but, without urgent action, inequality in Africa is likely to spiral even further out of control as the policies meant to contain inequality are insufficient. Among all regions of the world, Africa scores lowest on governments' average commitment to reducing inequality in 2024, and the already low commitment has weakened since 2022, where:

- All African countries for which we have data have cut the share of budgets going to education, health and/or social protection;
- 79% have backtracked on progressive taxation; and
- 89% have regressed on labour rights, minimum wages and the provision of quality jobs.

If Africa is to get on track to reduce inequality, radical change is needed. Taxing the super-rich and investing the billions this could raise could help deliver the change. We propose an ambitious, three-point agenda of taxing the richest 1% (roughly 14.7 million people) on their income and wealth, and stopping illicit financial flows. This could drastically reduce inequality, both within African countries and between Africa and the rest of the world. We show that:

- For every US\$1 collected from personal income tax and wealth taxes, nearly US\$3 is on average raised from inequality increasing indirect taxes (such as VAT and excise taxes)
- Africa's tax systems are nearly three times less effective at redistributing income away from the richest 1% than the global average, and have the least redistributive effect on the richest 1% of any region in the world.
- Taxing the richest 1% an additional 10 percentage points on their income and one percentage point on their wealth could help raise nearly US\$66 bn in new revenue each year. This could cover the funding gaps to achieve free quality education and connect all homes and businesses to electricity, with \$2 billion to spare.

In a year with the first-ever African G20 presidency, the adoption of a new UN framework for financing development (the Compromiso de Sevilla), and the first-of-their-kind negotiations for a UN tax convention spearheaded by African countries, the stars are aligned for African leadership to fight inequality both at home and globally by demanding taxation of the rich and an end to the illicit financial flows that drain the continent. A newly elected African Union Commission can help provide leadership to deliver on these global opportunities while at the same time supporting its members to deliver on their new target of reducing domestic inequality by 15% in the coming decade. Oxfam is calling on the continent's leaders to seize the opportunity and supercharge the fight against inequality.

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Images:

Front cover image: An informal settlement next to the rich suburb of Parklands, Nairobi. Photo: Johnnie Miller/unequalscenes.com

Page 34: Aber Christine a market trader and community mobilizer in Northern Uganda. Photo: Oxfam in Uganda”

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