A REVIEW OF REGIONAL STRATEGIES ADDRESSING POVERTY

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Paper for presentation at the MISA Conference;
'The Development Agenda and the Media: A Southern Africa Perspective'
Dar-es-Salaam, Tanzania (10th to 12th September 2003)

1 INTRODUCTION AND BACKGROUND

The economic situation of most African countries south of the Sahara, Malawi inclusive, is characterized by low levels of development – manifested by poor and weak economies consequently resulting in wide-spread and severe poverty due to poor infrastructure (bad roads, weak railway links, poor housing, inadequate water and sanitation system), poor access to basic necessities of life health, education and agriculture, among others; in short, *miserably low standards of living* with half the population (over 340 million throughout Africa, living on less than US$1 per day or on nothing and in much of the Southern Africa, especially Zambia, Zimbabwe and Malawi, thousands are living in dire poverty with most of them starving.

During the 1980s, there were competing explanations for slow growth in Africa. One view argued that the primary cause was inappropriate policies adopted in the post-independence phase, in particular, prices which discriminated against exporters and rural producers, and excessive involvement by the state in economic activity. The alternative view suggested that exogenous factors were the key, most particularly the decline in the terms of trade for most African countries from the late 1970s. Though the two analyses of growth difficulties were widely divergent, as were the policy prescriptions which flowed from each, they shared a narrow focus on economic reform as not only necessary, but also sufficient. In other words, both approaches implicitly saw political reform as unnecessary, and the state in Africa as an effective instrument, which could be used by whomever had control over it – **the key was for the government in power to adopt the right *ideas* and *policies.***

Following inadequate rates of development (as measured by the annual rate of growth of GDP, i.e. around 2.5% per annum attained by most countries in the region for the greater part of their post-independence era, notably in 1960s and 1970s), and the need by these countries for external resources to finance development projects and even government operations through external loans, international financial institutions began to take a keen interest in the management of their economies. They began to recommend structural adjustment policies that sought to *minimize* government's direct involvement in the economy. It was only in the 1990s that these institutions began to recognize that there were serious development costs involved in 'shrinking the state' – reducing its role in productive activity and rolling back its spending, including on health, education, agriculture and other public services. This recognition contributed to the growing emphasis on governance and on the state's *regulatory* capacity in relation to private sector activity and private sector-led growth.

In its 2000 Human Development Report for the Southern Africa, the UNDP described *Human Development* as a process of enlarging people's choices so that *they can live better and longer*, *be educated*, *enjoy political*, *economic*, *social and cultural freedoms and rights*, as well as have *full self respect and esteem.* To measure development, economists now use the *Human development Index (HDI) – {the function of GDP per capita + educational attainment + life expectancy}* while to measure its inverse or lack of it they use the *Human Poverty Index (HPI) –*

measuring the deprivation of three areas cited in HDI i.e. *low GDP per capita, low educational attainment and low life expectancy*. Thus *HPI is HDI.* [-1]

Strategies that governments in Sub-Saharan Africa have pursued over the last three to four decades have all sought to raise not only the HDI but bring about comprehensive development as well. These strategies started with national

development plans and inward looking import substitutions and protectionist policies. Government's influence was not only noticeable in the political arena but was very strong in business and the rest of the economy as well.

Nature of the Review

This review provides an overview of the process, outcomes and content, within the region's socio-political context, examining the pathways that were available to different stakeholders for engagement in the process, and how this participation and strategies are reflected in the policy outcomes. It is deliberately open-ended and does not intend to offer

final recommendations on the policies and strategies to follow but rather wishes to instead, restate our belief in the benefits of a rigorous, open and frank debate in terms of reaching greater convergence among conflicting paradigms, as well as in terms of more humane and efficient policies and strategies to benefit us all.

The paper further endeavors to catalyze our thinking in analyzing how the relationship between the conception and practice of the 'popular' PRSP to previous initiatives such as the Structural Adjustment Programmes (SAPs), the advent of the New Partnership for Africa's Development (NEPAD), let alone the new opportunities offers for poverty reduction in Africa. This has not always happened in the past, nor will it necessarily occur in the future; but gains are indeed possible and reachable.

It is everyone's sincere hope, I believe, that this paper will contribute, albeit modestly, to the formulation and implementation of more appropriate policies and strategies which will give a more concrete foundation to the hopes and aspirations of African people. In particular, this hope will be to the poorest and most deprived of them, an improvement in whose survival and living conditions is, in the end, the sole criterion for judging the success of future theories, paradigms, policies and strategies.

2 FROM ADJUSTMENTS TO DEVELOPMENT (POVERTY REDUCTION)

2.1 Historical context; Economic Policy Approach and Practice

The 1980s and 90s have been known as the decades of adjustments in more ways than one. There have been major adjustments in economic policy in the developing countries, characterized by an intense and at times, acrimonious debate about the nature of the policies being introduced, to large macroeconomic shocks (high oil prices, etc) affecting most developing countries since the early 1980s. Because of the underdevelopment and fragility of its economy and greater vulnerability to changes in the external environment, nowhere has such debate been as fierce and controversial, and as crucially relevant for economic performance, as in Sub-Saharan Africa. And nowhere has the very survival of an ever-increasing part of the population depended so much on the success of policy reform.

The intense and continuing debates over Structural Adjustments in Sub-Saharan Africa, its meaning, instruments and efficacy, no longer serve any useful purpose now that all at last agree that there are no economic 'quick fixes' for Africa and that appropriate change will take much longer than originally thought. The objective of African development that is both equitable and sustainable – *in political, social, economic* and *environmental terms* – is now virtually universally accepted among African governments, international institutions, donors and NGOs. Whilst there is understandable impatience, particularly in Africa over the pace of projected change and in particular, that of poverty reduction, there is also a broader 'understanding' that development in Africa will take a long time. The weak initial conditions, continuing internal constraints and unfavorable external environment make for fairly bleak medium-term prospects, even in the most optimistic scenarios.

2.2 Review of Other Strategies

Over the last couple of years also, the world over (Africa especially) has witnessed a remarkable shift in the thinking and approach of the World Bank (WB) and the International Monetary Fund (IMF), in the way they deal with developing countries. They have attempted to replace the criticized conditionalities of Structural Adjustment Programs (SAPs) with the concept of 'country-owned' Poverty Reduction Strategy Paper (PRSP) as the framework

for future concessionary lending to aid-dependent countries and for debt relief through the highly indebted poor countries (HIPC) initiative. Broad and popular participation is one of the key conditions the WB is using for endorsing the preparation of the national PRSP. The reasoning is that 'broad-based participation of civil society in the adoption and monitoring of the poverty reduction strategy tailored to country circumstances will enhance its sustainable implementation. It is also believed that a participatory approach is also conducive to building national ownership of the poverty reduction strategy, which should help in the implementation process. Various groups were therefore expected to play an active role in the formulation and implementation of the PRSP.

3 FROM CRISIS TO ADJUSTMENT

It is now almost more than two decades since the first structural adjustment programme (SAP) was introduced in Africa. Theoretically valid as the policies may be, concern is now being expressed about the implications of some of these measures for long-term development. While it is true that in a few countries (Botswana, Mauritius, Ghana, for example), one can talk of the success of SAP, in most SSA countries it appears that there is no end to, or even relief from, the economic stagnation and/or retrogression. While their rationale is rooted in the economic crisis, which surfaced in the late 1970s, the two decades have signaled an unabated slide into deep distress. From one report to the other, and from all available economic and social indicators, the story is the same – continuing economic retrogression and social deprivation with declining per capita incomes, worsening balance of payments and financial difficulties, amidst the face of the growing obstacle to growth and recovery in the existence of the steadily growing external debt burden.

As the debt burden grew heavier and more and more unbearable, and yet development was still elusive, more innovative strategies were sought by both governments in sub-Saharan Africa and the institutions and agencies offering them assistance. In terms of SAPs, countries who borrow from any international financial institution have to reform their economies so that they can be more open to international capital and direct their economic activities towards the export market. This meant that they have to:

- *Let their currency* ***devalue so that their exports can be cheaper***
- *Stop subsidizing domestic agriculture and domestic consumption of basic food,*
- *Change their agricultural policies away from producing crops for local consumption towards crops better suited for international markets,*
- *Keep public sector spending to the minimum and invite private companies to buy public property (privatization),*

Although these programmes were aimed at redressing structural weaknesses and adjusting economies to attain sustainable economic growth and reduce budget deficits, structural weaknesses continued and government borrowing continued to spiral out of control. By the 1990s however, even the IMF and the World Bank realized that the SAPs were failing and that Africa's share of international investment was even less than before and its people were poorer. Most importantly, African countries were in so much debt that they could not afford to pay even the interest on the debt thus suggesting that the structural reforms were producing the opposite of their promise.

4 THE REFORM AGENDA

The IMF and the WB then began to say that what was equally important for Africa was not only the SAPs, but also what they called 'good governance'. This meant that countries should have proper elections, democratic institutions and proper law and order and most importantly proper public expenditure management. Moreover the countries should have 'sound economic management', which meant that they should practice tight control over state money, respect private property and ensure that investors are not threatened. In addition they have also added the issue of what they call 'market access', i.e. that in return for 'good governance' rich countries should reward African countries with lowering tariffs that currently limit African countries ability to trade with countries such as the USA, an example of which is the Africa Growth Opportunity Act (AGOA), which offers certain African countries such a deal with the USA.

4.1 Highly Indebted Poor Countries (HIPC) Initiatives

After the decades of repeated attempts to relieve many low-income countries of their external debt burdens, in 1996 the World Bank and the International Monetary Fund (IMF) proposed the Highly Indebted Poor Country (HIPC) Debt Initiative to provide comprehensive debt relief to some of the world's poorest and most heavily indebted countries. The initiative was formally agreed upon by governments around the world in September 1996 and 'enhanced' in 1999. The objectives of the initiative have subtly evolved since its conception.

Unmanageable debt continues to be a problem that needs to be effectively dealt with, but it is also a result of economic and political factors constraining growth and poverty reduction. This has led to the formulation of Poverty Reduction Papers (PRSPs) in these HIPCs under the auspices of the Bretton Woods institutions, following the much-publicised evaluations of ESAFs towards the end of the last decade. PRSPs were preceded by, and are now coupled with the Highly Indebted Poor Countries Initiative (HIPC) and its successor the Enhanced Highly Indebted Poor Countries Initiative. SAPs and ESAFs did not bring about the development (or poverty reduction) that African governments sought, and while the HIPC and enhanced HIPC have granted relief to the fiscus of most governments, it is still neither clear nor assuring that development will be realized soon. In fact, most economists in the region are skeptical that any of these policies will lead to any marked reduction in poverty.

4.2 Poverty Reduction Strategy Paper (PRSP)

Arguments have been ripe that the PRSP contains nothing really new in comparison to past policies and strategies while other commentators further observe that the reform agenda in the PRSPs is not that different from the one that was being pursued through SAPs. Reforms are therefore recognized not to just be limited to economic policy but also to political management and judicial issues, suggesting that poverty is as much an economic problem as a political problem.

Below is the summarized comparison to mainstream structural adjustment approaches compared to strategies in the Malawi PRSP (AFRODAD PRSP series 2003).

IMF SAP PRESCRIPTION	***IDENTICAL PRSP MEASURES***
Monetary austerity; reducing money supply in economies	A stringent monetary policy in order to contain inflation is proposed
Fiscal austerity; reduce government spending while increasing tax collection	Fiscal austerity exists as a strategy focusing on reducing deficit, increasing tax yields by broadening the tax base and lowering corporate taxes
Privatization; sell off public enterprises to the private sector	Sale of state-owned enterprises (ADMARC, DWS – Malawi)
Financial liberalization; removal of restrictions on the in-flow and outflow of capital, foreign businesses and banks	Deregulation of the financial sector; liberalization and putting in place of mechanisms to ease inter-bank money transfers included.

Advocates of the PRSPs from the WB and IMF argue that the initiative promises a new reorientation of public policy to better serve the poor nations as a new and novel approach. The PRSP contains a number of desirable outcomes covering a broad range of issues based on the targeted outputs, with a comprehensive list of indicators developed and built into the PRSP relevant for each strategy. This is being perceived as an impressive approach in view of the absence of such approaches in most public expenditure interventions of the past, but of course, the biggest hurdle yet to be passed is its successful implementation.

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5 LINKAGES WITH REGIONAL AND INTERNATIONAL PROCESSES

5.1 Regionalism

Skepticism has led governments in the region to focus more on the homegrown policies and strategies, especially economic integration at the regional level. These strategies include reinforcing trade liberalization and cross-border investment promotion in the regional context i.e. COMESA, NEPAD, etc. This approach is gaining an appeal in view of the wide and far-reaching effects of globalization on nearly all countries of the world and the on-going multilateralism and its binding commitments and obligations for members of the World Trade Organization (WTO). Regionalism is being seen as a good preparation for globalization and multilateralism, and so presents countries of sub-Saharan Africa an opportunity to negotiate as a united, stronger front at that level.

One major difficulty African countries face is that the terms of world trade were and still are unfavorable to Africa. Generally African countries are exporters of raw materials and agricultural crops, and importers of manufactured goods. This means they sell goods relatively cheaply and are forced to buy goods relatively expensive. Sometimes their only export is a single crop or a single metal, as with Ghana (cocoa), Zambia (copper) or Malawi (tobacco). So if the world price for these goods dropped then the country would be extremely vulnerable.

5.1.1 COMESA

The Common Market for Eastern and Southern Africa (COMESA) currently boasts 20 member states in the North, Eastern, Central and Southern Africa and the Indian Ocean. It is the world's largest economic grouping in terms of country membership and it represents close to half the members of the African Union.

- COMESA members are; *Angola, Burundi, Comoros, DR Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Namibia, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia* and *Zimbabwe.*
- COMESA now has a population of over 340 million people, a combined GDP in excess of US$ 170 billion and numerous natural resources, which include; *vast tracts of arable land, huge hydro-electric power potential, large*

  mineral deposits (including diamonds, gold and other stones, iron ore suitable for steel production, phosphates suitable for some fertilizer manufacturing), natural gas and petroleum oil, etc.

COMESA's vision is to create an internationally competitive regional economic grouping with high standards of living for its citizens. Of the 20 countries in COMESA 13 are classified as Least Developed Countries. While economic growth has risen over the years, averaging between 3% and 4% over the last 6 years, it is not considered high enough to impact positively on poverty levels in the region.

For reduction of poverty in the region, the COMESA member states have adopted growth-oriented economic policies which includes, among other things,

- Paying sufficient attention to vocational training, tertiary education and technological infrastructure;
- Developing and maintaining physical infrastructure;
- Striving to attain export/GDP ratio of at least 30%;
- Increasing domestic savings to support investment;
- Promoting investment to reach at least 25% of GDP;
- Fair distribution of income;
- Institutional development, both nationally and regionally; and
- Above all, cultivating a culture of peace and security.

Evidently a market of over 340 million people offers enormous potential for mass production of goods and for offering services at economically competitive and affordable prices. As the purchasing power (disposable income) of an average African is quite low, it is important that producers take advantage of economies of scale so that they can price their goods as lowly as possible but still remain profitable and expand production. The potential for

investment and trade is, however, much larger than is currently being exploited partly due to limited investible funds but largely because of conflict in the region let alone lack of credible political will.

5.1.2 NEPAD

The New Partnership for Africa's Development (NEPAD) is a political and economic strategy designed to ensure that '*foreign direct investment*' is attracted to African countries by ensuring that African infrastructure and government is appropriate for such investment. The architects of NEPAD tell us that this strategy will eradicate poverty and put Africaon the path of sustainable development. They also tell us that this strategy is a partnership between Africa and the rich countries and that the partnership is at the initiative of African leaders.

"This new African initiative is a pledge by African leaders, based on a common vision and a firm and shared conviction, that they have a pressing duty to eradicate poverty and to place their countries, both individually and collectively, on a path to sustainable growth and development, and at the same time to participate actively in the world economy and body politic."

NEPAD has three parts to its strategy and these components are called; Creating the preconditions for development; Addressing priority issues, and Mobilizing resources. The simplest way, however, of understanding NEPAD is that it is a strategy for attracting foreign investment so as to ensure Africa's development. In that sense NEPAD is a 'partnership' between the rich countries of the world, which have the money, and poor African countries, where there are resources waiting to be exploited once these African countries '*get their house in order.*'

Questions on NEPAD; The biggest questions emerging are *'How soon will these African countries get organised and what requirements have to be fully met to achieve this?*' and *How is NEPAD going to develop a realistic joint strategy towards international forums such as the WTO to benefit all the countries in really having greater access to international markets, higher investment inflows, creation of job opportunities and stronger economic growth?*

Different schools of thought;

i) Those who support the economic philosophy of NEPAD do so because they argue that Africa is not properly integrated into the globalised world and that Africa's problem is that it doesn't attract sufficient foreign investment and as such it requires such an initiative as this by Africans themselves to translate all the ambitious objectives into reality.

ii) The opponents of NEPAD have however, pointed out that NEPAD's emphasis on foreign direct investment has a number of consequences which will keep Africa's location in the world, in which it continues to be a hostage and not a controller of its own destiny. They further argue that NEPAD is not about the interests of the poor people in Africa but all about profits for foreign investors – there are some differences of emphasis among critics regarding who these investors really are. Some argue that NEPAD is selling Africa to foreign big companies outside Africa, others argue that South African business multinationals are the driving force behind NEPAD.

6.0 OVERVIEW: CONTINUING CONFLICTS OF POLICIES

On some general issues of development policy for Sub-Saharan Africa there remains significant disagreements and debate, frequently stemming out of limited information and/or understanding, although there is also some prospect for eventual consensus. Sometimes these differences are rooted in rival ideologies or views of development itself. Such main issues of continuing conflict are:

i) ***Role of State;*** Disagreements over appropriate role of state mainly lies behind many disagreements over policies. If the state is seen as fragile, incompetent or corrupt, as it is frequently the case in the sub-Saharan Africa, there is obvious 'off-loading' many of its responsibilities to the private sector, however weak it may also be.

The problem is that those with the greatest private capacity to respond to market incentives are frequently 'foreign' firms and/or ethnic minorities. Giving them 'full reign' is creating problems of a different kind. Particularly in small and/or poorly integrated markets, private monopolies can emerge, with consequences no less serious than those in public ones.

ii) ***Import regime and industrial protection;*** While there is now the wide-spread agreement that quantitative restrictions upon imported goods and services, typically imposed to defend the external Balance of Payments, have been socially very costly in sub-Saharan Africa – *creating delays, inefficiencies and rent for those with influence and power* – there is still active debate as to what should eventually replace them, and the pace at which changes should be made.

Moreover, there is still enough concern in Africa with the survival and development of an efficient manufacturing sector in extremely difficult circumstances that a degree of industrial protection is believed justifiable on 'infant industry' and/or 'infant economy' grounds. Overenthusiastic liberalization is therefore seen as setting back the 'tender young shoots' of local industry prior to their full maturation, in at least some instances.

iii) ***Financial sector liberalization and reform;*** Incidences of banks and major financial institutions (frequently government owned) being driven into technical insolvency by the weaknesses in the real economy, or by mismanagement and inappropriate policy interventions heavily underscore the importance of financial liberalization and financial sector reforms as elements in the adjustment programmes of sub-Saharan Africa.

Increases in real interest rates are tending to choke off productive investments, cripple enterprises that are essentially healthy and increase the cost of servicing the public debt. When markets are allowed to determine the level of interest rates, particularly when there is limited confidence in the economy and the financial system, these rates may be considerably higher than is socially desirable thus triggering their own vicious cycle. More direct institutional and policy interventions by governments continue to become a necessity in financial sector reform programmes, which may be costly financially and in terms of skilled manpower.

iv) ***Instruments and objectives for agricultural development;*** Although there is now widespread agreement on the centrality of agriculture in the African long-run development strategy, controversy remains over important elements of an agricultural strategy; *land ownership*, *agricultural development*, and *government policies* to boost it up. Expansion of smallholder agriculture, especially through the provision of infrastructure and technical change stimulates more broadly based rural development and more efficient use of agricultural inputs.

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In many cases this would imply significant land reform, amidst the continuing debate over the relative importance being assigned to food production as against exports. Where as the structure of relative prices usually works against exports, government encouragements usually favor them – in research, extension, input supplies, credit and supportive infrastructure such as Irrigation, etc. In view of the enormous importance of agriculture, controversies over the efficacy of privatization are particularly salient in the spheres of agricultural marketing, agricultural input supply and credit. In these, government is bound to maintain continued keen interest, and its policies may have a major bearing, for good or ill, on 'market' outcomes. Controversy also continues on the developmental efficacy of agricultural input subsidies and special provisions (including interest subsidies) for rural credit.

- **WHAT DOES AFRICA REALLY NEED TO BRING IT OUT OF THE SEVERE POVERTY?**
- **IF ALL THE DEBT AFRICA HAS WERE TO BE CANCELLED, WOULD POVERTY END IN AFRICA?**

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