Pro-Poor Growth in Africa's economies

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Abstract

Pro-poor growth is a term used for primarily national policies to stimulate economic growth for the benefit of poor people (primarily in the economic sense of poverty). This notion has been observed largely in the developing countries, particularly in Africa. There are challenges that have been observed and various shifts in the economic development, but the growth is gradual, this is due to various factors that fail and still fail to be addressed by many policy makers. One of these factors includes regressive dominant paradigms that have limited our understanding of the development challenges, particularly of Africa and developing countries. The paper therefore gives a brief critique of traditional concepts of growth and builds a case for broadening these concepts, particularly in as far as these relate to the pursuit of meaningful economic growth in Africa. It argues that these misconceptions or inability to conceptualise the multiple dimensions of growth hamper our ability as scientists and policymakers to adapt to the changes or sustainable dynamics of economic revamping. The impact on economic growth has a lot of challenges which still remain unaddressed. There is still a gap that remains unclosed.

Introduction

Thinking on pro-poor growth has for far too long been embedded in positivist and post-positivist paradigms. Since the 1950s, development discourse has centred on unilateral paradigms, which have adopted uni-polar dimensions of growth.[1] Though there have been gradual shifts in the thinking on growth conceptions ranging from 'pro-poor growth as economic growth' (1950s) to 'growth as economic growth, redistribution and structural change' (1980s and 1990s), much of the development discourse has been dominated by market fundamentalism and neo-liberal orthodoxy.[2] These are dominant paradigms that have limited our understanding of the development challenge, particularly of developing countries. The paper therefore gives a brief critique of traditional conceptions of pro-poor growth and thereafter builds a case for broadening job-related conceptualisations of pro-poor growth, particularly in as far as these relate to the pursuit of meaningful economic growth in Africa.

Pro-Poor Growth – Traditional Conceptualisations

Many scholars have understood pro-poor economic growth to mean either of the two trains of thought: rising economic growth or reducing inequalities (i.e. income disparities between the rich and the poor) through redistributive modelling.[3] These conceptions of growth and development are significant but limited. The obsession with single index measurements (i.e. GDP growth, income deficits, malnutrition etc) is an indication of a broader crisis in the development discourse: over-quantification and homogenisation of poverty, depersonalisation and externalisation of poverty, obsession with absolute measures, and over-reliance on non-linear theoretical lenses.3 Pro-poor growth strategies hardly take into account the social processes (i.e. unequal power relations, social categorisation, social conditions, etc.) by which poverty is produced and reproduced. Narrow definitions are attributable to the narrow and clinical analysis of poverty, as well as the limitations of research data and the quantitative instruments used to measure these. The resultant impotency of conceived growth strategies are, at most, a natural consequence of the weakness of our own representations of poverty as scholars and policy-makers.

Exposing the Poverty of Narrow Conceptions of Growth - The Case of Structural Adjustments in Africa

Structural adjustment reforms adopted by most African states in the 1990s demonstrate the scarcity of narrowly defined growth objectives in development discourse. Narrow concepts of growth have proved to be part of the problem, and not necessarily solutions, to Africa's labour market economy challenges, as these have pursued an accumulation regime devoid of social justice.

Following the African economic crisis in the 1970s and the early 1980s, the 1980s saw the emergence of a new strand of development thinking based on a neo-liberal paradigm. Spearheaded by the United States, United Kingdom, World Bank, and International Monetary Fund, a market-based economic system in tune with economic liberalisation was to be adopted by developing countries as part of their lending conditionalities.[4] This led to the structural adjustment policy focusing on efficiency and macroeconomic stability. Stabilization-cum-adjustment programmes, or Structural Adjustment Programs (SAPs), designed to arrest the decline in job creation and improve the overall employment situation, were put in place. Standard measures under SAPs included a reduction in public expenditure in order to control the deficit, retrenchment of public sector employees, economic liberalization, currency devaluation, and privatization of public enterprises. The assumption underpinning SAPs was that the pursuit of economic growth through reduced state intervention would result in rising incomes and, consequently, respond to the socio-economic needs of Africa.

However, SAPs did not improve the situation at all. Many scholars have argued that SAPS, having badly hit the social sector, may have aggravated the deterioration of human security. Following the introduction of SAPs, human development indicators pertaining to health, education, and employment fell dramatically as decried by subsequent development strategies such as the African-Alternative Framework to Structural Adjustment Programme Africa (AAF-SAP) introduced in 1989 (ILO, 1999). The number of jobs created lagged behind the demand for jobs.

The newly-created jobs are precarious and of poor quality. Many of those jobs have disappeared, or are at risk of disappearing, due to the recession. There has since been recognition that development requires more than sound economic management, and that human development regarding education, health, nutrition, employment, and incomes require equal priority.

So how can economists account for this rather precarious condition?

Though economic recovery was first registered in Sub-Saharan Africa in 1993-1994, and Africa's regions showed improvement in the annual economic growth rates by 1995, growth rates were coupled with widespread unemployment, especially amongst the youth and women (ILO, 1999). According to ILO (1993), the combination of slow economic growth rates, rapid population growth, and large labour force combined with slow formal/wage employment growth and declining per capita incomes produced limited opportunities for adequate employment creation. The "employment content" of the renewed growth was therefore generally low. The employment challenges were largely attributed to the structure and growth of the national economies, slow economic growth, and little structural change, which were reflected in declining or stagnating levels of wage employment, decreasing real wages, and deteriorating living conditions for about 30-50% of the population. Africa's situation was undoubtedly compounded by other factors, which included *inter alia* the negative effects of increased debt burden and deteriorating terms of trade with some countries spending more than half of their export earnings for external debt servicing (ILO, 1999).

Despite the calls to liberalise global economies; the focal policy themes to *grow first, distribute later*; the narrowly defined economic growth trajectories since independence; and the promises of "trickle-down effects," African states have not made significant progress towards reducing poverty levels. Instead, they have been bewildered by increasing unemployment growth levels.

Though the period of rapid economic growth from the 1990s until today has shown that economic growth is a necessary precursor for development, Africa's experiences since then prove that this is not a sufficient condition for accelerated employment growth — pro-poor growth. The truth is, if more multifaceted dimensions of growth had remained a key policy focus in the 1990s and in conjunction with the calls for sustained economic growth, there would be fewer people living in poverty, a stronger middle class in the world, more stable social and political systems, and a more dynamic global economy. Undoubtedly, the experience with SAPs has demonstrated that we cannot leave the well-being of the people in the hands of an unregulated market and that growth strategies should pursue twin objectives of sustainable economic growth and the creation of decent employment.

Towards More Qualitative Shifts of Pro-Poor Economic Growth In Africa

Fortunately, the 21st century has seen the emergence of alternative thinking on growth and development, wherein growth is not only seen as economic growth but also as improving the living conditions of the majority of a nation's citizenry. Haq (2005) correctly points out that this ideological shift in thinking can be seen, for instance, in the United Nations (UN) Development Programme's Human Development Reports, the UN's Millennium Development Goals, and the domino effects these have had on national policy formulation across the globe.[5] In order to move towards a trajectory of meaningful economic growth, a conceptual policy shift has to be made, one that moves beyond quantitative conceptions of growth.

Commendable in this regard is the work of Amartya Sen, whose expansion of development as freedom has contributed to the broader view of well-being and the concept of decent work. Sen (1999) analyzes poverty in terms of various forms of "unfreedom" that prevent people from realizing and enlarging their capabilities.[6] This perspective on development has been broad and integrated, encompassing both civil and political liberties and economic and social rights as primary goals of development and the principal means of progress. Like Sen (1999), Chambers's (2005) perspective on development also promotes economic and social rights as primary goals of development and the principal means of progress. The human development paradigm that Haq (2005) correctly attributes to the early leaders of political and economic thought is particularly useful in conceptualising pro-poor economic growth, particularly in as far as these relate to Africa. This conceptual policy shift must be commended, as it allows for greater appreciation of the lived reality of depravity and the depth of growth deficits, an appreciation which can better shape government intervention.

The paper therefore holds that pro-poor growth should encompass broadened job-related dimensions, which encompass the creation of decent and productive work for a populace, particularly those affected by unemployment and underemployment. The considered focus not only recognises the weakness of past definitions but also acknowledges that broadened focus will have a spiral effect on other poverty dimensions (i.e. health, education) that have not been included as primary indices. The paper therefore promotes decent work, labour-intensive approaches, and local enterprise development as amicable strategies in pursuing pro-poor growth in Africa.

Decent Work Agenda

This qualitative approach to development has since led to a policy shift that seeks to protect workers' rights to a living wage. The ILO decent work agenda embraces rights and dialogue, as well as employment and social protection, and "situates conditions of work and employment within a broad economic, political and social framework" (ILO, 2003, p1).[7] The World Social Summit definition of worker well-being also encompasses "the goal of ensuring quality jobs, and safeguard[ing] the basic rights and interests of workers and to this end, freely promote respect for relevant International Labour Organization conventions, including those on the prohibition of forced and child labour, the freedom of association, the right to organise and bargain collectively, and the principle of non-discrimination" (ILO, 2003, p3).

The decent work approach is particularly important to the understanding of pro-poor growth in Africa as it takes into account the acute realities of depravity in Africa's labour market economies. Informality, casualization, and externalization of the labour have undoubtedly worsened Africa's job crisis. Employment has increasingly become insecure, poorly paid, and largely unregulated, with few benefits and limited prospects for sustainable livelihoods. Not only has this led to weakened enterprise development, but this has also made minimum wages less effective and created a mismatch between skills and jobs available, especially for new entrants (ILO, 2003). The decent work approach is, consequently, crucially important to new concepts of pro-poor growth as it seeks to protect workers' rights to a living wage by transforming informality to decent work, improving formal-informal links, reducing underemployment through triangular employment, and mitigating against the negative impacts of labour market deregulation. The decent work agenda is, therefore, an essential part of the economic solution.

Prioritising Labour-Intensive Approaches

Bearing in mind that Africa's main assets are natural resources and surplus labour, there needs to be a policy shift towards labour-intensive production. The problem with Africa's development models is that they have been too advanced and, therefore, unable to respond to Africa's pressing realities. For instance, Africa has long faced a shortage of capital and an abundance of labour, but past growth strategies have often favoured capital- rather than labour-intensive investment (AU, 2004).[8] Agricultural policies have often favoured production by larger, more capital- and land-intensive farmers and trading companies rather than targeting the needs of small farmers and landless labourers. Consequently, the models pursued have been unable to meet the social needs of its populace.

This is not to say that African states should not make use of technological advancement or pursue aggressive skills-development regimes to meet the demands of changing domestic structures of production. Undoubtedly, building skills is an essential component to improve productivity, incomes, and access to employment opportunities. However, this should be seen as the long term strategy, as changing the skills profile of an entire generation of low-skilled populace is not an overnight exercise and should be pursued with the future in mind.

Bearing in mind pressing constraints, Africa's macro-economic strategies must recognise the necessity to re-orient growth strategies so that these become more employment-intensive. Where possible and desirable, the different sectors of the economy (modern, agricultural, and informal) should explore priorities and strategies for optimizing development within productive and labour-intensive sectors (i.e. infrastructure, agriculture, cultural industries, environment conservation, transportation, ICT, fisheries, forestry, trade and tourism development, and maintenance) for the creation of jobs and poverty alleviation (AU, 2004).

This proposal must, however, be examined in the context of optimal utilization of local resources, technological developments, local planning, community participation, and small-scale contracting and systems for maintaining rural infrastructure (AU, 2004). A strategy to achieve this objective lies in allocating more investible resources into employment intensive sectors, particularly the agriculture, rural, and urban informal sectors.

Local Enterprise development (LED)

Both internationally and in Africa, there have been vigorous debates about how to best leverage rural economies as a way to fight the poverty and unemployment plaguing the majority of citizens in rural settings. LED strategies have received much scholarly critique, particularly because

> *"typically, the highest incidence and severity of poverty are found in rural areas, especially if ill-watered. For many of the rural poor, their only immediate route out of poverty is by migration to towns, to face a higher expected income, though often a more uncertain one. This may or may not reduce aggregate poverty" (Lipton and Ravallion, 1993: p73).*[9]

Asset deficits (i.e. insufficient land/equipment ownership, restricted access to microfinance, low skills) and market anomalies (i.e. asymmetrical information, monopolistic enterprise and other forms of imperfect competition) are also particularly prevalent in rural economies and other marginalized sectors. It is not surprising, therefore, that pressing conditions have demanded a critical reflection of traditional approaches to development and that local and regional economic development has emerged as an innovative approach to the patterns of poverty and unemployment in rural areas.

With the liberalization of trade and mobility of markets (i.e. financial, product and labour markets), local markets have become more and more accessible to foreign competitors (Dplg, 2000).[10] Trade liberalization and deregulation has brought both risks and opportunities to Africa's local economies. On the one hand, it has increased pressure on local and regional economies to compete internationally and adapt to global economic forces (Sachs, 2005).[11] On the other hand, it has opened opportunities to attract new markets and investors. According to Dplg (2000), the increasingly rapid flow of large quantities of information, with distance no longer acting as a barrier to trade, has shifted the focus of global markets from a national perspective to a more differentiated regional and local focus on potentials and competitive advantages of a territory (Dplg, 2000).

With this in mind, the promotion of community-based enterprise (cooperatives), micro- and small enterprise development remains central in pursuits to emancipate the rural poor from socio-economic depravity. These can be used as tools to provide opportunities for the rural poor to generate their own income, particularly targeted at women, rural youth, unemployed youth, and immigrants. Cooperatives and small business enterprises have proved to be key organizational forms in building new models to combat social exclusion and poverty through local development initiatives, for example. Similar to political decentralisation, strengthening local economic enterprise is also particularly important as a function of democratisation processes, allowing broadened participation of citizens in the design and control of economic processes that determine their livelihoods.

Undoubtedly, meeting the challenges of globalization requires innovative thinking on inclusion strategies, which itself requires strong local communities, leadership, and solutions (Dplg, 2000). African states should therefore prioritise LED approaches that stimulate local commerce and to strengthen local economic cycles, as well as build up the capacity of local economies. Governments should make concerted efforts to build comparative skills of regional actors, enabling them to tap into the comparative and competitive advantages of regions, the potentials of natural resources, and the leadership of private sector enterprise (i.e. production of agricultural and cultural artefacts, tourism, infrastructural development and/or maintenance). LED ventures should aim to empower local participants to utilize business enterprise ventures, labour, capital and other local resources to establish competitive advantage, in order to create the necessary linkages between economic growth and employment creation in rural economies. At the end of the day, breaking the cycle of poverty in Africa ultimately means creating new cycles of employment opportunities, as well as creating opportunities for local citizens to create wealth.

Closing Remarks

A key question for the immediate future is the quality and composition of economic growth in Africa. What the continent now needs is a new mix of policy instruments that will give meaningful expression to pro-poor growth, redesigned to promote national priorities (i.e. decent jobs), reduce poverty and unemployment, address increasing casualisation, informality and externalization of our labour markets. It is Africa's urgent task to shift its policy perspective and innovate towards addressing both the underlying and structural causes and their distressing consequences in order to reduce uncertainty and insecurity in the lives of working-class Africans. Africa must therefore put the spotlight on the qualitative aspects of growth and innovate to find pro-poor growth paths with meaningful trajectories.

Endnotes

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